Project Agreement

(Alat and Karakul Water Supply Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BUKHARA REGIONAL PRODUCTION ENTERPRISE SUVOKOVA

Dated July 18, 2013
PROJECT AGREEMENT

Agreement dated July 13, 2013, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the BUKHARA REGIONAL PRODUCTION ENTERPRISE SUVOKOVA ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the REPUBLIC OF UZBEKISTAN ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Director.
4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INDEVAS
Telex: 248423(MCI)
Facsimile: 1-202-477-6391

4.03. The Project Implementing Entity’s Address is:

111 Ibn Sino St.
Bukhara, Uzbekistan

Facsimile: 998-65-224-2308
AGREED at Tashkent, Republic of Uzbekistan as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Saroj Kumar Jha
Title: Country Director

BUKHARA REGIONAL PRODUCTION ENTERPRISE SUVOKOVA

By

Authorized Representative

Name: Iskandar Kholmuadov
Title: Director
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall carry out the Project in accordance with the Financing Agreement, this Agreement and the Project Operational Manual. The Project Implementing Entity shall not amend or waive, or permit to be amended or waived, the Project Operational Manual, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

2. The Project Implementing Entity shall, throughout the duration of the Project, maintain the PCU representatives with resources and terms of reference satisfactory to the Association. The PCU representatives at the Project Implementing Entity shall be responsible, inter alia, for: (a) the day-to-day management of the Project; (b) the procurement process, financial management and the preparation of withdrawal applications under the Project; (c) monitoring, reporting and evaluation of the Project; and (d) submitting to the Association the technical and financial audit reports of the Project on an annual basis, all in accordance with terms of reference acceptable to the Association.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the EA, EMP, RPF and RAP(s). The Project Implementing Entity shall not assign, amend, abrogate or waive the EA, EMP, RPF and/or RAP(s) or any provision thereof, without the prior approval of the Association.

2. For purposes of Part A of the Project and prior to the commencement of works for each proposed site, the Project Implementing Entity shall: (a) submit to the Association for its approval: (i) the proposed design and site for said works and, where required by the EMP and/or RPF, the related site-specific environmental management plan, land acquisition and/or resettlement plan, and said site-specific plans to be in form and substance satisfactory to the Association; and (ii) the proposed contract for said works to ensure that the provisions of said site-specific plans are adequately included in said contract; and (b) ensure that such works are carried out in accordance with the updated EMP or related site-specific EMP, the RPF and any specific RAP.
3. The Project Implementing Entity shall ensure that for any activity to be undertaken under the Project involving the involuntary acquisition of land or the temporary or permanent involuntary resettlement or displacement of the occupants or owners of such land, a RAP satisfactory to the Association as defined shall be prepared, completed and fully implemented in accordance with the RPF prior to the commencement of any works.

4. The Project Implementing Entity shall by not later than November 15, 2013, construct a disposal facility in accordance with the safety standards and technical requirements agreed with the Association for the water treatment sludge and sediments generated by the Project. The Project Implementing Entity shall not commence construction of a new water treatment plant under Part A.2 of the Project until such disposal facility is completed and is fully operational.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall submit to the Association on an annual basis the technical audit report prepared in accordance with terms of reference acceptable to the Association.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above, audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be:
(a) furnished to the Recipient and the Association not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

3. (a) The Project Implementing Entity shall take all necessary measures, including annual adjustments of water supply and sewerage tariffs, in order to maintain for its fiscal years 2013 and 2014 a ratio of total cash operating expenses to total cash operating revenues not higher than 1.0 and a ratio of not higher than 0.9 for the remaining years of the Project and to collect effectively all operating revenues related to its respective operations.

(b) For the purposes of this paragraph:

(i) The term "total cash operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding interest and other charges on debt.

(ii) The term "total cash operating revenues" means revenues from all sources related to operations.

4. (a) Except as the Association shall otherwise agree, the Project Implementing Entity shall not incur any debt unless a reasonable forecast of its revenues and expenditures shows that the estimated net revenues for each fiscal year during the term of the debt to be incurred shall be at least 1.2 time the estimated debt service requirements of the Project Implementing Entity in such year on all its debt, including the debt to be incurred.

(b) For the purposes of this paragraph:

(i) The term "debt" means any indebtedness of the Project Implementing Entity maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between:

(A) the sum of revenues from all sources related to operations and net non-operating income; and
(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term “net non-operating income” means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and other charges on, debt.

(vi) The term “reasonable forecast” means a forecast prepared by the Project Implementing Entity not earlier than twelve months prior to the incurrence of the debt in question, which both the Association and the Project Implementing Entity accept as reasonable and as to which the Association has notified the Project Implementing Entity of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Project Implementing Entity.

(vii) Whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.