

CONFORMED COPY

LOAN NUMBER 4326 UZ

Project Agreement

(Tashkent Solid Waste Management Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

HOKIMIYAT OF TASHKENT

and

PROIZVODSTVENNOE UPRAVLENIE SPETSTRANS

Dated November 16, 1998

LOAN NUMBER 4326 UZ

PROJECT AGREEMENT

AGREEMENT, dated November 16, 1998, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the HOKIMIYAT OF TASHKENT and PROIZVODSTVENNOE UPRAVLENIE SPETSTRANS (Spetstrans).

WHEREAS (A) by the Loan Agreement of even date herewith between Republic of Uzbekistan (the Borrower) and the Bank, the Bank has agreed to lend to the Borrower an amount of Dollars, on the terms and conditions set forth in the Loan Agreement, but only on condition that the Hokimiyat of Tashkent and Spetstrans agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and the Hokimiyat of Tashkent, the proceeds of the Loan provided for under the Loan Agreement will be made available to the Hokimiyat of Tashkent on terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS the Hokimiyat of Tashkent and Spetstrans in consideration of the Bank's entering into the Loan Agreement with the Borrower, have agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the General Conditions (as so defined therein), and the Preamble to this Agreement have the respective meanings therein and herein set forth.

## ARTICLE II

### Execution of the Project;

Section 2.01. (a) The Hokimiyat of Tashkent declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall, with the assistance of Spetstrans, carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, and technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and the Hokimiyat of Tashkent shall otherwise agree, the Hokimiyat of Tashkent shall carry out the Project, with the assistance of Spetstrans, in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. (a) The Hokimiyat of Tashkent shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of the Project Agreement.

(b) For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Hokimiyat of Tashkent shall:

(i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and the Hokimiyat of Tashkent, a plan for the future operation of the Project; and

(ii) afford the Bank a reasonable opportunity to exchange views with the Hokimiyat of Tashkent on said plan.

Section 2.03. The Hokimiyat of Tashkent shall duly perform its obligations under the Subsidiary Loan Agreement. Except as the Borrower and the Bank shall otherwise agree, the Hokimiyat of Tashkent shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.04. (a) The Hokimiyat of Tashkent shall, at the request of the Bank, exchange views with the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) The Hokimiyat of Tashkent shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by the Hokimiyat of Tashkent of its obligations under this Agreement, and under the Subsidiary Loan Agreement.

## ARTICLE III

### Management and Operations of Spetstrans

Section 3.01. Spetstrans shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, technical and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. Spetstrans shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, technical and environmental practices.

Section 3.03. Spetstrans shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Hokimiyat of Tashkent shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) The Hokimiyat of Tashkent shall:

(i) have its records, accounts and financial statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) above for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

Section 4.02. (a) Spetstrans shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) Spetstrans shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) above for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

#### ARTICLE V

##### Effective Date; Termination Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon

which the Loan Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Bank and of the Hokimiyat of Tashkent and Spetstrans thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Loan Agreement shall terminate; or
- (ii) the date twenty (20) years after the date of this Agreement.

(b) If the Loan Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Bank shall promptly notify the Hokimiyat of Tashkent and Spetstrans of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other addresses as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

For the HOKIMIYAT OF TASHKENT:

Hokimiyat of Tashkent  
Mavaroyinnahr Street 6  
6 SP 700000 Tashkent City  
Republic of Uzbekistan

For SPETSTRANS:

Proizvodstvennoe Upravlenie Spetstrans  
Obvodnaya Street 11  
Promzona Massiv Oktyabr  
700132 Tashkent  
Republic of Uzbekistan

Section 6.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Hokimiyat of Tashkent or by the Hokimiyat of Tashkent on behalf of the Borrower under the Loan Agreement, may be taken or executed by its Hokim (Mayor), or by such other person or persons as the Hokimiyat of Tashkent shall designate in writing, and Spetstrans shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

(b) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of Spetstrans, may be taken or executed by its General Director, or by such other person or persons as Spetstrans shall designate in writing, and Spetstrans shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Tashkent, Republic of Uzbekistan, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ David Pearce

Acting Regional Vice President  
Europe and Central Asia

HOKIMIYAT OF TASHKENT

By /s/ Kozim Tulyaganov

Authorized Representative

PROIZVODSTVENNOE UPRAVLENIE SPETSTRANS

By /s/ Bakhtier Mamadaliev

Authorized Representative

SCHEDULE 1

Implementation Program

1. The Hokimiyat of Tashkent and Spetstrans shall: ensure that the turning access from the highway to the Aghangaranskoe landfill referred to in Part A (4) of the Project meets safety standards acceptable to the Bank; ensure that the closure of the Zangiata and Xansanbay landfills under Part A (5) of the Project is done in an environmentally sustainable and publicly and socially acceptable manner acceptable to the Bank; ensure that the design and siting of the four waste transfer stations under Part A (6) of the Project is acceptable to the Bank; and (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof; (ii) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about June 30, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (i) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and (iii) review with the Bank, by November 15, 1999, or such later date as the Bank shall request, the report referred to in sub-paragraph (ii) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and

recommendations of the said report and the Bank views on the matter.

2. The Hokimiyat of Tashkent shall: (i) by January 1, 1999, engage consultants for the preparation of a strategic solid waste management plan (Strategic Plan) under terms of reference acceptable to the Bank; (ii) have the Strategic Plan completed by June 30, 1999; (iii) upon completion of the Strategic Plan, furnish the same to the Bank for its review and comments; (iv) by December 31, 1999, adopt the Strategic Plan taking into account the comments, if any, thereon by the Bank; and (v) thereafter implement the Strategic Plan in a manner satisfactory to the Bank; and (i) by December 31, 1999, engage consultants for the preparation of a tariff study (Tariff Study) under terms of reference acceptable to the Bank; (ii) have the Tariff Study completed by April 30, 2000; (iii) upon completion of the Tariff Study, furnish the same to the Bank for its review and comments; and (iv) by July 1, 2000, adopt and put into effect a policy on tariffs on the basis of the Tariff Study and taking into account the comments, if any, thereon by the Bank. The said tariff policy shall, as a minimum, provide for: (i) full adjustment of the tariffs for inflation on an annual basis; and (ii) real term increases to achieve full recovery of all operating and maintenance costs for the solid waste management system by such time as demonstrated feasible in the Tariff Study. To the extent that the tariffs do not cover the full operating and maintenance costs of Spetstrans and other waste management operators, the Hokimiyat of Tashkent shall contribute the funds (including proceeds from the City Improvement Tax) to cover any shortfall of the said operators.

3. Spetstrans shall:

(i) undertake and, by October 15, 1998, complete an assessment of its requirements for insurance; (ii) prepare, on the basis of such review, a plan for insurance of its assets and operations against such risks and in such amount as shall be consistent with appropriate practices; (iii) furnish the said insurance assessment and plan to the Bank; and (iv) commencing January 1, 1999, implement the insurance plan taking into account the comments thereon, if any, by the Bank; take all measures necessary to ensure that its accounts receivable (after allowances for accounts receivable determined to be uncollectible) do not exceed three (3) months of sales revenue on December 31, 1998, and two (2) months of sales on December 31, 2000; and (i) by January 1, 1999, engage consultants for the design and implementation of a utility accounting system under terms of reference, acceptable to the Bank; (ii) have the said system design completed by August 31, 1999; and (iii) by July 1, 2000, implement the utility accounting system in a manner satisfactory to the Bank.

## SCHEDULE 2

### Procurement Procurement of Goods

#### Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of this Section.

#### Part B: International Competitive Bidding

1. Goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

##### (a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$300,000 equivalent or more each.

##### (b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(c) Notification and Advertising

The invitation to bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods under Part B hereof, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

