

**CONFORMED COPY**

**CREDIT NUMBER 3620 UZ**

# **Development Credit Agreement**

**(Bukhara and Samarkand Water Supply Project)**

**between**

**REPUBLIC OF UZBEKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated April 12, 2002**

**CREDIT NUMBER 3620 UZ**

## **DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated April 12, 2002, between REPUBLIC OF UZBEKISTAN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of

the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equal to twenty million Dollars (\$20,000,000) (the Loan);

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan provided for in the Loan Agreement are made;

(D) Parts A.1, B.1 and C of the Project will be carried out by the Bukhara Regional Production Enterprise Suvokova (BVK), a legal entity established and operating under the laws of the Borrower, and Parts A.2, B.2 and C of the Project will be carried out by the Samarkand Municipal Production Enterprise Suvokova (SVK), a legal entity established and operating under the laws of the Borrower, all with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to BVK and SVK, as set forth in this Agreement;

(E) the Borrower intends to contract from the Government of Switzerland a grant in an amount equivalent to nine million Dollars (\$9,000,000) (the Swiss Grant) to assist in the financing of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Government of Switzerland (the Swiss Grant Agreement); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the BVK Project Agreement of even date herewith among the Association, the Bank, BVK, and the Bukhara Region and in the SVK Project Agreement of even date herewith among the Association, the Bank, SVK, and the Samarkand Region;

NOW THEREFORE the parties hereto hereby agree as follows:

## **ARTICLE I**

### **General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

“12. ‘Participating Country’ means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on January 8, 1999; and ‘Participating Countries’ means, collectively, all such countries.”;

(b) The second sentence of Section 5.01 is modified to read:

“Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Bukhara Region” means the Bukhara Viloyat of the Borrower or any successor thereto;

(b) “BVK” means the Bukhara Regional Production Enterprise Suvokova, a legal entity established under the Law of the Borrower on Enterprises and registered by Decision No. 537, dated March 6, 1996, of the Hokim of Bukhara, or any successor thereto;

(c) “BVK Project Agreement” means the agreement among the Association, the Bank, BVK and the Bukhara Region of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the BVK Project Agreement;

(d) “BVK Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and BVK pursuant to Section 3.01(b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the BVK Subsidiary Loan Agreement;

(e) “Eligible Categories” means categories (1) and (2) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(f) “Eligible Expenditures” means the expenditures for goods, works and services

referred to in Section 2.02 (a) of this Agreement;

(g) “Environmental Management Plan” means the plan for the Project, satisfactory to the Association, prepared and adopted by the Borrower, describing the environmental mitigation, monitoring and institutional measures for the Project;

(h) “Loan Agreement” means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the “General Conditions applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995, as amended through December 2, 1997, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

(i) “Municipality of Bukhara” means the City of Bukhara of the Borrower, or any successor thereto;

(j) “Municipality of Samarkand” means the City of Samarkand of the Borrower, or any successor thereto;

(k) “Operational Manual” means the manual satisfactory to the Association setting forth procedures and rules related to Project implementation, prepared and adopted by the Borrower, as the same may be amended from time to time with the agreement of the Association;

(l) “Operator” means an internationally experienced private sector water utility operator that will enter into the Service Contract (hereinafter defined) with BVK and SVK and the Municipalities of Bukhara and Samarkand;

(m) “PCU” means the Project Coordination Unit established by the Borrower for purposes of Project coordination and management;

(n) “PIP” means the Project Implementation Plan for the carrying out of the Project prepared and adopted by the Borrower, as the same may be amended from time to time with the agreement of the Association;

(o) “Project Account” means the account to be opened by the Borrower in accordance with the provisions of Section 6.01 of this Agreement for purposes of making available the counterpart contribution to the financing of the Project;

(p) “Project Coordination Committee” means the Committee established by the Borrower to provide policy guidance and oversight of Project implementation;

(q) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(r) “Repair and Rehabilitation Fund” means the special fund established, administered and maintained by the Borrower for the purposes of financing essential investments under Part A of the Project for the repair and rehabilitation of the water supply systems in Bukhara and Samarkand;

(s) “SVK” means the Samarkand Municipal Production Enterprise Suvokova, a legal entity established under the Law of the Borrower on Enterprises and registered by Decision No. 386/1-k, dated May 30, 2001, of the Hokim of Samarkand, or any successor thereto;

(t) “SVK Project Agreement” means the agreement among the Association, the Bank, SVK and the Samarkand Region of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the SVK Project Agreement;

(u) “Samarkand Region” means the Samarkand Viloyat of the Borrower or any successor thereto;

(v) “SVK Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and SVK pursuant to Section 3.01(c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SVK Subsidiary Loan Agreement;

(w) “Service Contract” means the performance-based service contract that BVK, SVK and the Municipalities of Bukhara and Samarkand will enter into with the Operator for: (i) the management of water services in the BVK and SVK service areas in the Municipalities of Bukhara and Samarkand; (ii) the rehabilitation and operations improvement of the water treatment and distribution system; (iii) the implementation of a program of demand management and customer service; (iv) an energy efficiency program; and (v) the implementation and operation of commercial and financial management systems for BVK and SVK;

(x) “Special Accounts” means the accounts referred to in Part B of Schedule 1 to this Agreement; and

(y) “Sum” means the lawful currency of the Borrower.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifteen million nine hundred thousand Special Drawing Rights (SDR 15,900,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be June 30, 2007, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing July 15, 2012 and ending January 15, 2037. Each installment to and including the installment payable on January 15, 2022 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of

the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause BVK, SVK and the Bukhara and Samarkand Regions to perform in accordance with the provisions of the BVK Project Agreement and the SVK Project Agreement, respectively, all the obligations of BVK, SVK and the Bukhara and Samarkand Regions therein set forth, shall take or cause to be taken the actions provided for in the Implementation Program set forth in Schedule 4 to this Agreement, and all other action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BVK, SVK and the Bukhara and Samarkand Regions to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend a portion of the proceeds of the Credit to BVK under a subsidiary loan agreement (the BVK Subsidiary Loan Agreement) to be entered into between the Borrower and BVK, under terms and conditions which shall have been approved by the Association and which shall include those set forth in Schedule 5 to this Agreement.

(c) The Borrower shall relend a portion of the proceeds of the Credit to SVK under a subsidiary loan agreement (the SVK Subsidiary Loan Agreement) to be entered into between the Borrower and SVK, under terms and conditions which shall have been approved by the Association and which shall include those set forth in Schedule 5 to this Agreement.

(d) The Borrower shall exercise its rights under the BVK Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the BVK Subsidiary Loan Agreement or any provision thereof.

(e) The Borrower shall exercise its rights under the SVK Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the SVK Subsidiary Loan Agreement or any provision thereof.

(f) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall: (a) maintain the Project Account referred to in Section 6.01 of this Agreement, and shall replenish said account promptly every quarter with sufficient funds to enable the Borrower to meet its obligations under Section 3.01 of this Agreement for such period; (b) use the amount in said Project Account for financing the Borrower's contribution to Project expenditures; and (c) ensure that sufficient annual allocations will be made in the Borrower's budget for the Borrower's counterpart contribution to the costs of the Project.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. The Borrower shall take all measures necessary in respect of BVK, SVK and the Municipalities of Bukhara and Samarkand to ensure that the Service Contract with the Operator, satisfactory to the Association, is maintained throughout Project implementation.

Section 3.05. The Borrower shall take all measures necessary to ensure that BVK and SVK are able to meet their financial obligations as they fall due, including those under the



Service Contract.

Section 3.06. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.07. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of: (a) the activities of BVK under Parts A.1, B.1 and C of the Project shall be carried out by BVK pursuant to Section 2.03 of the BVK Project Agreement; and (b) the activities of SVK under Parts A.2, B.2 and C of the Project shall be carried out by SVK pursuant to Section 2.03 of the SVK Project Agreement.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and

(iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this

Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles, consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the Project Management reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out, or caused to be carried out, a time-bound action plan acceptable to the Association for the strengthening of the financial management system for the Project in order to enable the Borrower, not later than June 30, 2003, or such later date as the Association shall agree, to prepare, or cause to be prepared, quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a

Project Management Report for such period.

Section 4.03. The Borrower shall take all measures necessary to ensure that: (a) the Bukhara and Samarkand Regions shall review, in accordance with established procedures, the periodic proposals for tariff adjustments submitted by BVK and SVK quarterly; and (b) thereafter, said Regions shall promptly take action to adjust said tariffs so that BVK and SVK can meet their obligations by collecting sufficient revenues to cover operation and maintenance costs and other expenses.

Section 4.04. The Borrower shall, and shall take all measures necessary to ensure that the Bukhara and Samarkand Regions shall, after review of the forecast amount of water consumption prepared by BVK and SVK every six months: (a) allocate in the relevant operating budgets of budget organizations adequate funds for payment of water fees; and (b) ensure that said funds are paid to BVK and SVK.

Section 4.05. The Borrower shall, and shall take all measures necessary to ensure that the Bukhara and Samarkand Regions shall: (a) enable BVK and SVK to collect water fees from their respective customers, including but not limited to disconnection of non-paying customers; and (b) assist the Operator in the implementation of said collection of water fees.

Section 4.06. The Borrower shall take all measures necessary to ensure appropriate yearly budgetary allocations to the central and municipal budgets required for Project implementation.

Section 4.07. By June 30, 2002, the Borrower shall define and initiate implementation of adequate measures to enable accounts payable and receivable of BVK and SVK to be reduced to a level that will allow BVK and SVK to conduct properly their financial and commercial activities and to prevent blocking of their bank accounts.

Section 4.08. The Borrower shall provide to BVK and SVK an annual budget subsidy equal to the difference between: (a) the payments made by the Borrower to the Association for commitment charge, service charge and installments for repayment of the principal amount of the Credit; and (b) the payments due by BVK and SVK, respectively, to the Borrower as defined in the BVK Subsidiary Loan Agreement and the SVK Subsidiary Loan Agreement, respectively.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) BVK or the Bukhara Region shall have failed to perform any of their respective obligations under the BVK Project Agreement.

(b) SVK or the Samarkand Region shall have failed to perform any of their respective obligations under the SVK Project Agreement.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that BVK or the Bukhara Region will be able to perform their respective obligations under the BVK Project Agreement.

(d) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SVK or the Samarkand Region will be able to perform their respective obligations under the SVK Project Agreement.

(e) The Civil Code of the Borrower, enacted by Resolution 257-I dated August 29, 1996, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of BVK or SVK to perform any of their obligations under the respective Project Agreement.

(f) The Swiss Grant Agreement shall have failed to become effective by June 30, 2002 or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(g) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing thereof; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(h) (i) the PIP shall have been amended, suspended, abrogated or waived without the Association's prior consent; and (ii) the Operational Manual shall have been

amended, suspended, abrogated or waived without the Association's prior consent.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraphs (a), (b) and (h) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraph (e) of Section 5.01 of this Agreement shall occur;

(c) the event specified in paragraph (f) of Section 5.01 of this Agreement shall occur subject to the proviso of that paragraph; and

(d) the event specified in paragraph (g) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (g) (ii) of that Section.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement have been fulfilled;

(b) the BVK Subsidiary Loan Agreement, satisfactory to the Association, has been executed on behalf of the Borrower and BVK;

(c) the SVK Subsidiary Loan Agreement, satisfactory to the Association, has been executed on behalf of the Borrower and SVK;

(d) the Service Contract, satisfactory to the Association and the Borrower, has been executed on behalf of BVK, SVK, the Municipalities of Bukhara and Samarkand and the Operator;

(e) the Borrower has opened the Project Account on terms and conditions satisfactory to the Association in Sum and the Association has received evidence that an initial

amount equivalent to \$20,000 has been deposited into said Account;

(f) the Borrower has adopted the PIP and the Operational Manual, satisfactory to the Association; and

(g) the Borrower has selected the auditors referred to in Section 4.01 (b) of this Agreement with qualifications, experience, and terms of reference satisfactory to the Association.

Section 6.02. The following are specified as additional matters within the meaning of Section 12.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the BVK Project Agreement has been duly authorized or ratified by BVK and the Bukhara Region and is legally binding upon BVK and the Bukhara Region in accordance with its terms;

(b) that the SVK Project Agreement has been duly authorized or ratified by SVK and the Samarkand Region and is legally binding upon SVK and the Samarkand Region in accordance with its terms;

(c) that the BVK Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and BVK and is legally binding upon the Borrower and BVK in accordance with its terms; and

(d) that the SVK Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and SVK and is legally binding upon the Borrower and SVK in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Mustakilik Square 5  
Tashkent 700078  
Republic of Uzbekistan

Telex:

Facsimile:

11 6360 IK BOL

(998-71)133-66-61

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

Facsimile:

INDEVAS

Washington, D.C.

248423 (MCI)

64145 (MCI)

or

(202) 477-6391

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

REPUBLIC OF UZBEKISTAN

By /s/ Mamariso Nurmuradov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ James Wolfensohn

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Credit and the Loan

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and the Loan, the allocation of the amounts of the Credit and the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Loan Allocated (Expressed in USD)</u>	<u>% of Expenditures to be Financed</u>
(1) BVK			
(a) Works under Part A.1 of the Project	1,950,000	2,420,000	85%
(b) Goods under Part B.1 of the Project	3,060,000	3,840,000	100 % of foreign expenditures and 100% of local expenditures (ex-factory cost) and 50% of local expenditures for other items procured locally
(c) Management Services under Part B.1 of the Project	950,000	1,180,000	100%
(d) Consultants Services under Parts B.1 and C of the Project	450,000	530,000	100%



(e) Incremental operating costs of the PCU, including audit costs	110,000	130,000	75%
 (2) SVK			
(a) Works under Part A.2 of the Project	2,330,000	2,910,000	85%
(b) Goods under Part A.2 of the Project	3,700,000	4,620,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost) and 50% of local expenditures for other items procured locally
(c) Management Services under Part B.2 of the Project	1,140,000	1,410,000	100%
(d) Consultants Services under Parts B.2 and C of the Project	515,000	650,000	100%
(e) Incremental operating costs of the PCU, including audit costs	120,000	150,000	75%
(3) Fee		200,000	Amount due under Section 2.04 of the Loan Agreement
(4) Unallocated	1,575,000	1,960,000	
TOTAL	<u>15,900,000</u>	<u>20,000,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any

country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term “Management Services” means services under the Service Contract for BVK and SVK under Part B of the Project; and

(d) the term “Incremental operating costs of the PCU” means operating expenditures incurred by the PCU on account of management of Project implementation for communications, utilities, printing and publications, office rent, maintenance and supplies, office security systems, vehicle operation and maintenance, transportation and field trip expenses, training of PCU staff for purposes of Project management, remuneration for staff, including qualified social charges but excluding salaries of civil servants, and audits and such other expenditures as may be agreed upon by the Association.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) works under contracts costing less than \$200,000 equivalent each; (c) PCU's Incremental Operating Costs for the PCU; and (d) services costing less than \$100,000 equivalent each for consulting firms and \$50,000 equivalent each for individual consultants, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## B. Special Accounts

1. The Borrower shall open and maintain in Dollars separate special deposit accounts for: (a) Parts A.1, B.1 and C of the Project, in respect of the activities of BVK under the BVK Project Agreement (the BVK Special Account) with respect to the proceeds of the Credit; and (b) Parts A.2, B.2 and C of the Project, in respect of the activities of SVK under the SVK Project Agreement (the SVK Special Account) with respect to the proceeds of the Credit, each in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that a Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into said Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02(b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in

accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of each Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of a Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; and

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for any Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into any Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of any Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into said Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in any Special Account will not be required to cover payments for Eligible Expenditures during the six month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in a Special Account.

(d) Refunds to the Association made pursuant to sub-paragraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

**Annex A**  
**to**  
**SCHEDULE 1**

**Operation of Special Accounts**  
**When Withdrawals Are Not Made**  
**On the Basis of Project Management Reports**

1. For the purposes of this Annex:

the term "Authorized Allocation" means: (a) in respect of the BVK Special Account for Parts A.1, B.1 and C of the Project, an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the BVK Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 2,000,000; and (b) in respect of the SVK Special Account for Parts A.2, B.2 and C of the Project, an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the SVK Special Account pursuant to paragraph 2 of this Annex, provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal of exceed the equivalent of SDR 2,000,000.

2. Withdrawals of a Special Account's Authorized allocation and subsequent withdrawals to replenish said Special Account shall be made as follows:

(a) For withdrawals of said Special Account's Authorized Allocation, the Borrower

shall furnish to the Association a request or requests for deposit into said Special Account of an amount or amounts which in the aggregate do not exceed said Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Account such amount as the Borrower shall have requested.

(b) For replenishment of said Special Account, the Borrower shall furnish to the Association requests for deposit into said Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement, for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of said Special Account for Eligible Expenditures. Each such deposit into said Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the Credit allocated to said Special Account's Eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Credit allocated to said Categories, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B**  
**to**  
**SCHEDULE 1**

**Operation of Special Accounts**  
**When Withdrawals Are Made**  
**On the Basis of Project Management Reports**

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into a Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into a Special

Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in said Special Account, shall not exceed the equivalent of \$500,000 in respect of the BVK Special Account for Parts A.1, B.1 and C of the Project and \$500,000 in respect of the SVK Special Account for Parts A.2, B.2 and C of the Project.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to: (a) rehabilitate and improve the efficiency of existing water supply facilities and infrastructure in Bukhara and Samarkand; (b) strengthen the institutional capacity of BVK and SVK; and (c) strengthen BVK's and SVK's financial capacity through improved financial management and commercial practices.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### **Part A: Repair and Rehabilitation of Water Supply System and Infrastructure**

Improvement of operations of the water supply system and the services to the customers through:

1. Rehabilitation and efficiency improvement of existing water supply facilities and services to customers in Bukhara, including: (a) design, implementation and supervision of the repairs and rehabilitation of water distribution systems; (b) water production, treatment and pumping equipment and structural rehabilitation of facilities; (c) bulk and retail water measuring equipment and control systems; (d) design, evaluation, installation and operation of water supply technical, administrative, financial, commercial and customer service support systems; and (e) operating and construction equipment, materials and parts, operations consumables and administrative operation.

2. Rehabilitation and efficiency improvement of existing water supply facilities and services to customers in Samarkand, including: (a) design, implementation and supervision of the repairs and rehabilitation of water distribution systems; (b) water production, treatment and pumping equipment and structural rehabilitation of facilities; (c) bulk and retail water measuring equipment and control systems; (d) design, evaluation, installation and operation of water supply technical, administrative, financial, commercial and customer service support systems; and (e)

operating and construction equipment, materials and parts, operations consumables and administrative operation.

Part B: Service Contract

Provision of services in order to:

1. with respect to BVK:

- (a) operate water supply facilities to carry out:
  - (i) the pumping and transportation of water from water wells, reservoirs, collection points and the point of supply by any bulk water supplier;
  - (ii) the disinfection and treatment of water where necessary; and
  - (iii) the distribution and supply of drinking water to the customers;
- (b) maintain the facilities and develop comprehensive maintenance management programs for the facilities;
- (c) develop and manage programs to train and advance the skills of staff of BVK;
- (d) carry out all billings, collections and customer relations and service functions related to the customers in the service areas with respect to both water and wastewater services;
- (e) carry out all management, financial and administrative responsibilities related to BVK;
- (f) plan and manage the implementation of programs carried out under the Repair and Rehabilitation Fund; and
- (g) provide ongoing assistance and advice to BVK on all matters related to BVK, the services, and any requests for information, advice or reports from the regulators of BVK with respect to the facilities or the services.

2. with respect to SVK:

- (a) operate water supply facilities to carry out:
  - (i) the pumping and transportation of water from water wells, reservoirs, collection points and the point of supply by any bulk water suppliers;

- (ii) the disinfection and treatment of water where necessary; and
  - (iii) the distribution and supply of drinking water to the customers;
- 
- (b) maintain the facilities and develop comprehensive maintenance management programs for the facilities;
  - (c) develop and manage programs to train and advance the skills of staff of SVK;
  - (d) carry out all billings, collections and customer relations and service functions related to the customers in the service areas with respect to both water and wastewater services;
  - (e) carry out all management, financial and administrative responsibilities related to SVK;
  - (f) plan and manage the implementation of programs carried out under the Repair and Rehabilitation Fund; and
  - (g) provide ongoing assistance and advice to SVK on all matters related to SVK, the services, and any requests for information, advice or reports from the regulators of SVK with respect to the facilities or the services.

Part C: Project Management

Provision of technical assistance, including audit services, and incremental operating costs to the PCU for Project management.

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The Project is expected to be completed by December 31, 2006.

**SCHEDULE 3**

**Procurement and Consultants' Services**

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with: (a) 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, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to “Bank member countries” and “member country” shall be deemed to be references, respectively, to “Participating Countries” and “Participating Country”.

#### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods, works and Management Services 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, works and Management Services to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for the Service Contract shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods and domestic contractors

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 and works to be carried out by domestic contractors.

#### Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of international shopping procedures in accordance with the

provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement of Small Works

Works for urgent repairs associated with operational emergencies, estimated to cost less than \$25,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to: (i) each contract for goods, works and Management Services procured in accordance with international competitive bidding procedures; and (ii) the first two contracts for works procured in accordance with national competitive bidding procedures, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to: (i) the first two contracts for goods procured in accordance with international shopping procedures; and (ii) the first three contracts for works procured in accordance with small works procedures, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, or any contractor under small works procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations

received;

- (ii) prior to the execution of the contract procured under shopping procedures or under small works procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

### Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

### Part C: Other Procedures for the Selection of Consultants

#### 1. Least-cost Selection

Engineering designs estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of

the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for surveys and studies related to public awareness and community relations under Part A of the Project estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines for short term advisory services and legal services, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) With respect to each contract for employment of consulting firms or individual consultants, irrespective of the value of the contract, the terms of reference shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the

said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## **SCHEDULE 4**

### **Implementation Program**

1. The Borrower shall maintain the PCU until completion of the Project, with staff, resources and terms of reference satisfactory to the Association, and assign to it responsibility for overall Project coordination, including:

- (a) preparation of disbursement applications under the Credit;
- (b) management of the Special Accounts referred to in Schedule 1 to this Agreement;
- (c) maintenance of records and accounts related to the Project and arranging for the audit thereof;
- (d) participation in administration of bidding procedures and of contracts under the Project; and
- (e) preparation of quarterly progress reports and submission thereof to the Borrower and the Association not later than 30 days after the end of each quarter, the first such report to be furnished to the Association not later than August 31, 2002.

2. The Borrower, through the PCU, shall prepare and furnish to the Association by June 30 in each year, for its review and concurrence, an annual work program for the Project for the following calendar year, including procurement and financing plans.

3. The Borrower shall ensure that all measures necessary for the carrying out of the Environmental Management Plan shall be taken in a timely manner and shall include adequate information on the carrying out of such measures in the progress reports referred to in paragraph 1(e) of this Schedule.

4. The Borrower, together with BVK and SVK and the Bukhara and Samarkand Regions, shall: (a) review with the Association, not later than March 31, 2005 proposals for continued management of the water services of Bukhara and Samarkand upon completion of the Service Contract, with due consideration to various options for public and private sector management;

and (b) based on the conclusions and recommendations of said review, take appropriate measures regarding the management of the water services upon completion of the Service Contract.

5. The Borrower shall: (a) ensure that technical and financial audits of the Operator's performance will be carried out annually, the first such audit to be completed by June 30, 2003, or such later date as may be agreed upon with the Association, by independent auditors acceptable to the Association, under terms of reference acceptable to the Association; and (b) thereafter, submit the results of said audits to the Association for its review.

6. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2004, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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

(c) review with the Association, by September 30, 2004, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, 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 Association's views on the matter.

## **SCHEDULE 5**

### **Principal Terms and Conditions of the**

#### **Subsidiary Loan Agreements**

The BVK Subsidiary Loan Agreement and the SVK Subsidiary Loan Agreement shall include the following principal terms and conditions:

(a) the principal amount of the Subsidiary Loan shall be denominated in Dollars and shall be repaid by the Sub-borrower to the Borrower in semi-annual installments over twenty (20) years, including a grace period of five (5) years;

(b) interest shall be charged on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at a rate equal to the rate payable by the Borrower from time to time pursuant to Section 2.06 (a) of the Loan Agreement; and

(c) a commitment fee shall be charged on the undisbursed amount of the Subsidiary Loan at a rate equal to the rate payable by the Borrower from time to time pursuant to Section 2.05 of the Loan Agreement.

