

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 8009-UZ

Project Agreement

(Talimarjan Transmission Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

UZBEKENERGO

Dated September 16, 2011

PROJECT AGREEMENT

Agreement dated September 16, 2011, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and UZBEKENERGO (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between the Republic of Uzbekistan (“Borrower”) and the Bank. The Bank 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 Loan 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 Loan 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 V 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 Bank 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 — REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is the Chairman of the Board of the Project Implementing Entity.
- 3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

UZBEKENERGO
State Joint Stock Company
6, Khorezmskaya, St.
Tashkent 100000
Republic of Uzbekistan

Cable:	Telex:	Facsimile:
n/a	116140	998-71-236-27-00

AGREED at Tashkent, Republic of Uzbekistan, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Takuya Kamata

Authorized Representative

UZBEKENERGO

By /s/ Batirdjan Teshabaev

Authorized Representative

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 requirements, criteria, organizational arrangements and operational procedures set forth in the POM, and shall not assign, amend, abrogate or waive any provisions of the POM without prior approval of the Bank.
2. At all times during the implementation of the Project, the Project Implementing Entity shall maintain the PMU with terms of reference acceptable to the Bank and shall entrust it with such functions and powers, and provide such funds, facilities and resources, including qualified and experienced staff in adequate numbers, as necessary.

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

- (a) The Project Implementing Entity shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the EMP and the RAP, and shall not assign, amend, abrogate or waive any provisions of the EMP or the RAP without prior approval of the Bank.
- (b) Notwithstanding the foregoing, prior to the commencement of any construction works under the Project, the Project Implementing Entity shall:
 - (i) Prepare an updated EMP, if necessary in case of changes in the transmission lines location, satisfactory to the Bank, which shall be disclosed in accordance with the Bank's applicable policies; and
 - (ii) Submit to the Bank evidence satisfactory to the Bank that the owners or users of the land subject to acquisition

due to implementation of said works, whether on a permanent or temporary basis, shall have been fully compensated in accordance with the provisions of the RAP.

- (c) The Project Implementing Entity shall ensure that transmission lines built under the Project will not encroach upon any specially protected natural areas.

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 5.08 (b) of the General Conditions and on the basis of the indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Borrower not later forty five (45) days after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

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 Bank, 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 Bank, in accordance with consistently applied auditing standards acceptable to the Bank. 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 Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.
3. Financial Ratios.
 - (a) Except as the Bank shall otherwise agree, the Project Implementing Entity shall not incur any debt, unless the net revenues of the Project Implementing Entity for the fiscal year immediately preceding the date of such incurrence or for a later twelve month period ended prior to the date of such incurrence, whichever is the greater, shall be at least 1.2 times the estimated maximum debt service requirements of the Borrower for any

succeeding fiscal year on all debt of the Project Implementing Entity, including the debt to be incurred.

- (b) For the purposes of this Section:
- (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 adjusted to take account of the Project Implementing Entity's rates in effect at the time of the incurrence of debt even though they were not in effect during the twelve month period to which such revenues relate 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 interest and other charges on debt.
 - (vi) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, 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 Bank.

Section III. Procurement

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