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CREDIT NUMBER 4633-UZ

BVK Project Agreement

(Bukhara and Samarkand Sewerage Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BUKHARA REGIONAL PRODUCTION ENTERPRISE SUVOKOVA

Dated November 26, 2009

PROJECT AGREEMENT

Agreement dated November 26, 2009, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and BUKHARA REGIONAL PRODUCTION ENTERPRISE SUVOKOVA (“BVK” or “Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the REPUBLIC OF UZBEKISTAN (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts A.1 and B.1 of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - TERMINATION

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

ARTICLE IV - REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is its Director.

4.02. The Association's Address is:

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

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

4.03. The Project Implementing Entity's Address is:

111 Ibn Sino St.
Bukhara, Uzbekistan

Facsimile:
998-65-224-0295

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Loup Brefort

Authorized Representative

BUKHARA REGIONAL PRODUCTION ENTERPRISE
SUVOKOVA

By /s/ I. Kholmuradov

Authorized Representative

SCHEDULE**Execution of the Project Implementing Entity's
Respective Part of the Project****Section I. Implementation Arrangements****A. Institutional and Implementation Arrangements**

1. The Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the Financing Agreement, this Agreement and the Project Operational Manual.
2.
 - (a) The Project Implementing Entity shall take all necessary measures, including annual adjustments of water supply and sewerage tariffs, in order to maintain for each its fiscal years after the fiscal year ending on December 31, 2009, a ratio of total cash operating expenses to total cash operating revenues not higher than 0.90 and to collect effectively all operating revenues related to its respective operations, including (i) budgeting and paying for water supply and sewerage services that benefit its respective oblast budget organizations; and (ii) effectively support the disconnection of non-paying consumers.
 - (b) For the purposes of this paragraph:
 - (i) The term "total cash operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding interest and other charges on debt.
 - (ii) The term "total cash operating revenues" means revenues from all sources related to operations.
3.
 - (a) Except as the Association shall otherwise agree, the Project Implementing Entity shall not incur any debt unless a reasonable forecast of its revenues and expenditures shows that the estimated net revenues for each fiscal year during the term of the debt to be incurred shall be at least 1.2 time the estimated debt service requirements of the Project Implementing Entity in such year on all its debt, including the debt to be incurred.
 - (b) For the purposes of this paragraph:

- (i) The term "debt" means any indebtedness of the BVK maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and other charges on, debt.
- (vi) The term "reasonable forecast" means a forecast prepared by the BVK not earlier than twelve months prior to the incurrence of the debt in question, which both the Association and the BVK accept as reasonable and as to which the Association has notified the BVK of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the BVK.

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

B. Anti-Corruption

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

C. Safeguards

1. The Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the BVK EMP and the Resettlement Policy Framework, and shall not amend, suspend, abrogate, repeal or waive any provision of said Plan or Framework without the prior written approval of the Association.
2. For purposes of Part A.1 of the Project and prior to the commencement of works for each proposed site, the Project Implementing Entity shall: (a) submit to the Association, through the Recipient, for its approval (i) the proposed design and site for said works and, where required by the BVK EMP and/or RPF, the related site-specific environmental management plan, land acquisition and/or resettlement plan and environmental management checklist, said site-specific plans and checklist to be in form and substance satisfactory to the Association; and (ii) the proposed contract for said works to ensure that the provisions of said site-specific plans and checklist are adequately included in said contract; and (b) ensure that such works are carried out in accordance with the BVK EMP and the Resettlement Policy Framework.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later than one month after the end of the period

covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than eight (8) months prior to the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

Section III. Procurement

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