
LOAN NUMBERS 3058/3059-UZB(SF)

PROJECT AGREEMENT
(Samarkand Solar Power Project)

between

ASIAN DEVELOPMENT BANK

and

STATE JOINT STOCK COMPANY UZBEKENERGO

DATED 27 November 2013

UZB 45120

PROJECT AGREEMENT

PROJECT AGREEMENT dated 27 November 2013 between ASIAN DEVELOPMENT BANK ("ADB") and STATE JOINT STOCK COMPANY UZBEKENERGO ("Uzbekenergo").

WHEREAS

(A) by a Loan Agreement between Republic of Uzbekistan ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan in various currencies equivalent to sixty five million eight hundred twenty two thousand Special Drawing Rights (SDR 65,822,000) and a loan in various currencies equivalent to five million seven hundred ninety four thousand Special Drawing Rights (SDR 5,794,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the loans be made available to Uzbekenergo and that Uzbekenergo agrees to undertake certain obligations towards ADB set forth herein; and

(B) Uzbekenergo, in consideration of ADB entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth.

ARTICLE II

Particular Covenants

Section 2.01. (a) Uzbekenergo shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, Uzbekenergo shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to Uzbekenergo, and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. Uzbekenergo shall make available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources as required, in addition to the proceeds of the Loans, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, Uzbekenergo shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, Uzbekenergo shall procure all items of expenditures to be financed out of the proceeds of the Loans in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. Uzbekenergo shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. Uzbekenergo shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) Uzbekenergo shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, Uzbekenergo undertakes to insure, or cause to be insured, the Goods to be imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 2.06. Uzbekenergo shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loans, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB and Uzbekenergo shall cooperate fully to ensure that the purposes of the Loans will be accomplished.

(b) Uzbekenergo shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the Subsidiary Loan Agreement, or the accomplishment of the purposes of the Loans.

(c) ADB and Uzbekenergo shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, Uzbekenergo and the Loans.

Section 2.08. (a) Uzbekenergo shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loans and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of Uzbekenergo; and (v) any other matters relating to the purposes of the Loans.

(b) Without limiting the generality of the foregoing, Uzbekenergo shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, Uzbekenergo shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by Uzbekenergo of its obligations under this Project Agreement and the accomplishment of the purposes of the Loans.

Section 2.09. (a) Uzbekenergo shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements for the Project audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the proceeds of the Loans and compliance with the financial covenants of the Loan Agreement) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) In addition to annual audited financial statements referred to in subsection (a) hereinabove, Uzbekenergo shall (i) provide its annual financial statements prepared in accordance with national accrual-based financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; and (iii) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements in the English language and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(d) Uzbekenergo shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and Uzbekenergo and its financial affairs where they relate to the Project with the auditors appointed by Uzbekenergo pursuant to subsections (a)(iii) and (c) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of Uzbekenergo, unless Uzbekenergo shall otherwise agree.

Section 2.10. Uzbekenergo shall enable ADB's representatives to inspect the Project, the Goods and Works and any relevant records and documents.

Section 2.11. (a) Uzbekenergo shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its operations.

(b) Uzbekenergo shall at all times conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.

(c) Uzbekenergo shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 2.12. Except as ADB may otherwise agree, Uzbekenergo shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, Uzbekenergo shall apply the proceeds of the Loans to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, Uzbekenergo shall duly perform all its obligations under the Subsidiary Loan Agreement, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Subsidiary Loan Agreement.

Section 2.15. Uzbekenergo shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its charter, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. Uzbekenergo shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

ARTICLE III**Effective Date; Termination**

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement comes into force and effect. ADB shall promptly notify Uzbekenergo of such date.

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms.

Section 3.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

ARTICLE IV**Miscellaneous**

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project 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, mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2407

For Uzbekenergo

6 Khorezmskaya Street
Tashkent, 100000
Uzbekistan

Facsimile Number:

(998) 71-236-2622

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement or under Section 7.01 of the Loan Agreement by or on behalf of Uzbekenergo may be taken or executed by its Chairman of the Board or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) Uzbekenergo shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.

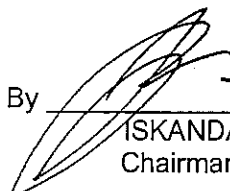
Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names as of the day and year first above written, and to be delivered at the principal office of ADB.

ASIAN DEVELOPMENT BANK

By 
KAZUHIKO HIGUCHI
Country Director
Uzbekistan Resident Mission

STATE JOINT STOCK COMPANY
UZBEKENERGO

By 
ISKANDAR BASIDOV
Chairman of the Board

SCHEDULE

Execution of Project; Financial Matters

Implementation Arrangements

1. Uzbekenergo shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.
2. Uzbekenergo shall adequately staff and equip the project management unit in accordance with the PAM and ensure that it is fully functioning until the completion of the Project.
3. Uzbekenergo shall at all times act in compliance with the provisions, processes and procedures set out in or taken under the Procurement Guidelines.

Operational Covenants

4. Uzbekenergo shall ensure that (a) the Project facilities are installed in accordance with design specifications and construction norms; and (b) construction supervision, quality control and contract management are performed in accordance with best international industry practices. Uzbekenergo shall install, equip, operate, maintain and manage the Project facilities in compliance with applicable standards and best international practices. Uzbekenergo shall operate and maintain, and continue to operate and maintain, the Project facilities in accordance with an O&M framework that is satisfactory to ADB.
5. Uzbekenergo shall:
 - (a) acquire all rights necessary to use the parcels of land constituting the Project site at least 30 days prior to the issuance of the invitation to bid for the turnkey contract;
 - (b) install or otherwise secure road access sufficient for the purposes of the Project at least 60 days prior to the award of the turnkey contract;
 - (c) construct or otherwise install perimeter protection sufficient for the purposes of the Project at least 30 days prior to the award of the turnkey contract; and
 - (d) install or otherwise secure water and telecommunications services sufficient for the purposes of the Project no later than 30 days after the award of the turnkey contract.
6. Uzbekenergo shall ensure, in accordance with the applicable normative-legal acts, laws and regulations of the Borrower, that the Project has access to the transmission and distribution grids, and that it sells all of the power generated by it, until the termination of

the Loan Agreement. Uzbekenergo shall secure access to the transmission and distribution grids at least 120 days prior to the commissioning of the photovoltaic power plant.

7. Uzbekenergo shall apply for tariff adjustments, in order to maintain financial sustainability including to cover market risks, including inflation, foreign exchange risks and interest risks, and operational costs, in a timely manner. In all cases, Uzbekenergo shall ensure that the pooled tariffs secured by it under the applicable regulations of the Borrower, taking into account its weighted average generation cost, are sufficient to meet its financial obligations, including debt service, O&M costs, and the financial covenants in this Project Agreement.

8. Uzbekenergo shall ensure that power system technical losses are reduced in accordance with internationally acceptable standards. Uzbekenergo shall ensure secure and uninterrupted operations, dispatch coordination and technical maintenance of its high-voltage power transmission network in the territory of the Borrower.

9. Uzbekenergo shall ensure that adequate staffing will be planned and allocated for the O&M of the Project facilities, and that relevant staff members will attend training provided under the Project in relation to such O&M.

10. Uzbekenergo shall ensure that ADB's written consent is obtained at least 6 months prior to the implementation of any of the following: (a) any change in the ownership of any asset, facility or structure financed under the Project; (b) any sale, transfer, or assignment of interest or control in any asset, facility or structure financed under the Project; or (c) any lease or other contract or modification of the functions and authority of Uzbekenergo over the O&M of any such asset, facility or structure financed under the Project. Uzbekenergo shall ensure that any such changes are carried out in a legal and transparent manner.

Financial Covenants

11. Except as ADB may otherwise agree, Uzbekenergo shall ensure that, for the Financial Year commencing 1 January 2016, and for each Financial Year thereafter during the term of the Loan Agreement, the free cash flows of Uzbekenergo for the current Financial Year shall be at least 1.2 times the debt service requirements of Uzbekenergo for the same period on all debt. For the purposes of this paragraph:

- (a) the term "debt" means any indebtedness of Uzbekenergo maturing by its terms more than 1 year after the date on which it was originally incurred;
- (b) the term "debt service requirements" means the aggregate amount of all repayments (including sinking fund payments, lease payments under finance leases, if any) whether or not actually paid, and interest and other charges on debt; interest charges which are incurred in financing capital expenditure during development are excluded if they are capitalized; and

- (c) the term "free cash flows" means the difference between (i) the sum of revenues from all sources related to operations, after making adequate provision for uncollectible debt and net non-operating income; and (ii) the sum of all expenses related to operations including administration, maintenance, current taxes and payments in lieu of taxes (but excluding provision for depreciation, other non-cash expenses, and deferred taxes), movements in working capital other than cash.

12. Except as ADB may otherwise agree, Uzbekenergo shall generate, for the Financial Year commencing 1 January 2016, and for each Financial Year thereafter during the term of the Loan Agreement, cash from internal sources equivalent to not less than 20% of the average of Uzbekenergo's capital expenditures incurred, or expected to be incurred, for the current Financial Year, the previous Financial Year, and the next Financial Year. For the purposes of this paragraph:

- (a) the term "capital expenditures" means all expenses incurred on fixed assets, including interest charged to construction, related to operations;
- (b) the term "cash from internal sources" means the difference between (i) the sum of cash flows from all sources related to operations, plus cash generated from consumer deposits and consumer advances of any kind, sale of assets, cash yield of interest on investments, extraordinary gains, net non-operating income, decrease in working capital other than cash, and other cash inflows; and (ii) the sum of all expenses related to operations, including administration, adequate maintenance, and current taxes and payments in lieu of taxes (excluding provision for depreciation, other non-cash operating expenses and taxes), debt service requirements, extraordinary losses, increase in working capital other than cash, and other cash outflows other than capital expenditures;
- (c) the term "current assets excluding cash" means all assets, other than cash, which could, in the ordinary course of business, be converted to cash within the next 12 months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next Financial Year, etc.;
- (d) the term "current liabilities" means all liabilities which will become due and payable within the next 12 months, or could be called for payment within the next 12 months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and declared dividends;
- (e) the term "net non-operating income" means the difference between (i) revenues from all other sources other than those related to operations, after making adequate provisions for uncollectible debt; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in

the generation of revenues referred to in sub-paragraph (i) of this paragraph (e);

- (f) the term "operations" means all the businesses of Uzbekenergo without any limitations; and
- (g) the term "working capital other than cash" means the difference between current assets excluding cash and current liabilities as at the end of each Financial Year.

Financial Reporting Covenants

13. Uzbekenergo shall comply with the national accounting standards requiring the consolidation of its financial statements within 1 year from the Effective Date.

Environment

14. Uzbekenergo shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE, the EMP, any corrective or preventative actions set forth in a Safeguards Monitoring Report. Upon the completion of the detailed design for the Project, Uzbekenergo shall update the IEE and submit it to ADB for clearance.

15. Uzbekenergo shall ensure that an effective complaint redress mechanism, to handle concerns or complaints regarding the Project, is functional by the award of the turnkey contract and transmission supply contract.

Land Acquisition and Involuntary Resettlement

16. Uzbekenergo shall ensure that all land and all rights-of-way required for the Project are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the LARP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report. Upon the completion of the detailed design for the Project, Uzbekenergo shall update the LARP and submit it to ADB for clearance.

17. Without limiting the application of the Involuntary Resettlement Safeguards or the LARP, Uzbekenergo shall ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the LARP; and

- (b) a comprehensive income and livelihood restoration program has been established in accordance with the LARP.

Indigenous Peoples

18. Uzbekenergo shall ensure that the Project does not have any indigenous peoples impact within the meaning of the SPS. In the event that the Project does have any such impact, Uzbekenergo shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

19. Uzbekenergo shall make available necessary budgetary and human resources to fully implement the EMP and the LARP, including at least one environmental engineer in its Health and Safety Unit to ensure implementation of the EMP and at least one social and gender specialist to ensure implementation of the LARP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

20. Uzbekenergo shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP and the LARP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide Uzbekenergo with a written notice of any unanticipated environmental or resettlement risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the LARP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

21. Uzbekenergo shall:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;

- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the LARP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP and the LARP promptly after becoming aware of the breach.

Health and Labor Standards

22. Uzbekenergo shall ensure that contractors engaged under the Project (a) comply with all applicable labor laws; (b) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the Project; (c) provide equal pay to men and women for work of equal type; (d) provide and adequately equip first-aid, health and sanitation, and personal hygiene facilities for male and female workers at the Project site; (e) maximize female training and employment; (f) abstain from child labor and any other forms of forced labor; and (g) do not restrict freedom of association of its employees. Relevant contracts financed under the Project must include specific clauses on these undertakings.

Gender and Development

23. Uzbekenergo shall ensure that the principles of gender equity consistent with ADB's Policy on Gender and Development are followed during implementation of the Project, including (a) equal pay to men and women for work of equal value; (b) enabling working conditions for women workers; and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities. Uzbekenergo, in coordination with the appropriate agencies, shall ensure the effective implementation of measures aimed at increasing Project benefits and impacts on women in and around the Project area. Uzbekenergo shall also ensure that gender targets are reflected in the Project progress reports and Project completion report.

Governance and Corruption

24. Uzbekenergo shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

25. Uzbekenergo shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

26. Uzbekenergo shall provide updated information on the Project on Uzbekenergo's website, including information on the performance of the Project, business opportunities, bidding process and guidelines, outcome of biddings and summary progress reports.