
LOAN NUMBER 3286-UZB

PROJECT AGREEMENT
(Advanced Electricity Metering Phase 4 Project)

between

ASIAN DEVELOPMENT BANK

and

JOINT STOCK COMPANY "UZBEKENERGO"

DATED *12 November 2015*

UZB 41340

PROJECT AGREEMENT

PROJECT AGREEMENT dated 12 November 2015 between ASIAN DEVELOPMENT BANK ("ADB") and JOINT STOCK COMPANY "UZBEKENERGO" ("Uzbekenergo").

WHEREAS

(A) by a Loan Agreement of even date herewith between the Republic of Uzbekistan ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan of three hundred million Dollars (\$300,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the loan 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, the funds, facilities, services, and other resources as required, in addition to the proceeds of the Loan, 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 Loan 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 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 Loan, 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 Loan 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 Loan.

(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 Loan.

Section 2.08. (a) Uzbekenergo shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan 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 Loan.

(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 Loan.

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 Loan proceeds 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 IFRS; (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 Loan 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) 636-2471.

For Uzbekenergo

6 Istiqlol Street
Tashkent, 100000
Uzbekistan

Facsimile Number:

(998) 71-236-2700.

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 6.01 of the Loan Agreement by or on behalf of Uzbekenergo may be taken or executed by its Chairman 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 

TAKEO KONISHI
Country Director
Uzbekistan Resident Mission

JOINT STOCK COMPANY
"UZBEKENERGO"

By 

ISKANDAR BASIDOV
Chairman of the Board

PSCHEDULE

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 PMU within 45 days from the date of loan signing in accordance with the PAM and ensure that the PMU is fully functioning until the Project completion.

Operational Covenants

3. Uzbekenergo shall ensure that (i) the Project facilities are installed in accordance with design specifications and construction norms; and (ii) 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.
4. Uzbekenergo shall develop and introduce standard operations procedures for the meter-to-cash operations under the advanced electricity metering system, meter data recording, access authority to the meter data system, and load monitoring and reporting, by 28 February 2018.
5. Uzbekenergo shall maintain an independent metering and testing unit, with powers, staff and resources adequate to operate in respect of all the distribution subsidiaries of Uzbekenergo, and whose mandate shall be to develop and implement procedures for meter testing, test report issuing, meter repair and programming, and secured installation for large customers.
6. Uzbekenergo shall ensure that, throughout the term of the Loan Agreement, (i) appropriate operational procedures are maintained (a) for giving electricity users reasonable prior notice before disconnection of power due to non-payment of invoices and (b) for ensuring prompt reconnection upon settlement of outstanding invoices by electricity users; and (ii) all such procedures are implemented in a transparent and consistent manner in relation to the operation of the Project facilities.
7. Uzbekenergo shall ensure that an effective complaint redress mechanism is functional to handle concerns or complaints in relation to the Project, including designating a focal point at each district service center within each Project Region with the responsibility of providing quarterly reports on the number, nature and outcome of the customer requests or complaints handled during Project implementation.
8. Uzbekenergo shall ensure that ADB's consent is obtained at least 6 months prior to the implementation of any of the following: (i) any change in ownership of any asset,

facility or structure financed under the Project; (ii) any sale, transfer, or assignment of interest or control in any asset, facility or structure financed under the Project; or (iii) any lease or other contract or modification of the functions and authority of Uzbekenergo over operation and maintenance of any such asset, facility or structure financed under the Project.

Financial Covenants

9. Uzbekenergo shall ensure that during the term of the Loan Agreement, its free cash flows for the current Financial Year shall be at least 1.2 times the debt service requirements for the same period on all debt based on its entity financial statements which shall be prepared on a fully consolidated basis in accordance with IFRS. For the purposes of this paragraph:

- (a) the term “debt” means any indebtedness of Uzbekenergo maturing by its term more than 1 year from 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, provided that 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.

10. Uzbekenergo shall generate, for each Financial Year during the term of this Loan Agreement, cash from internal sources equivalent to not less than 20% of the average of its capital expenditures incurred, or expected to be incurred, for the current Financial Year, the previous Financial Year and the next Financial Year based on its entity financial statements which shall be prepared on a fully consolidated basis in accordance with IFRS. 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, increasing in working capital other than cash, and other cash outflows other than capital expenditures; and

- (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 with the next Financial Year.

Counterpart Support

11. Uzbekenergo shall ensure that (a) necessary staff resources are mobilized in a timely manner for the installation of the advanced meters and creation of customer meter database for purposes of the project; and (b) the relevant staff will attend the training related to such activities provided by contractors.

12. Uzbekenergo shall commence implementation of the Public Information Program by January 2016 and continue to implement such gender action plan and public information program in a timely manner over the Project implementation period, and that adequate resources are allocated for this purpose.

Health and Labor Standards

13. Uzbekenergo shall ensure that the core labor standards and the Borrower’s applicable labor laws and regulations are complied with during Project implementation. Uzbekenergo shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower’s applicable labor laws and regulations and incorporate workplace safety norms; (b) not to use child labor; (c) not to discriminate workers in respect of employment and occupation; (d) not to use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

14. Uzbekenergo shall strictly monitor compliance with the requirements set forth in paragraph 13 above and provide ADB with regular reports.

Gender and Development

15. Uzbekenergo shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but are not limited to:

- (a) ensuring that a gender specialist is designated in the PMU by 31 December 2016;
- (b) ensuring that, by 31 December 2018, at least 50% of the training modules developed for the advanced electricity metering system are engendered;
- (c) ensuring that, by 31 December 2020, at least 20% of the staff trained for the advanced electricity metering system are women;
- (d) disseminating gender-sensitive brochures and media and knowledge products by 31 December 2018;
- (e) ensuring that gender-sensitive customer service training modules are developed and training is provided to staff (with women representing at least 20% of staff) by 31 December 2018; and
- (f) ensuring that under the customer complaint feedback mechanism to be established and made operational under the Project by 31 December 2018, at least 20% of staff assigned to deal with customer feedback are women.

Safeguards

16. Uzbekenergo shall ensure that (a) the Project does not have any environmental, indigenous peoples or involuntary resettlement impacts, all within the meaning of ADB's Safeguard Policy Statement (2009); (b) in the event that the Project does have such an impact, the design and implementation of the Project and operation of the Project facilities are in accordance with ADB's Safeguard Policy Statement (2009); and (c) during Project implementation, adequate mitigation measures are implemented and that all environmental management provisions are included in the contracts financed under the Project.

Governance and Anticorruption

17. 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.

18. 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.

19. Uzbekenergo shall provide updated information on the Project on Uzbekenergo's website. Such information shall reflect the performance of the Project,

business opportunities, bidding process and guidelines, outcome of biddings and summary progress reports of the Project.