
LOAN NUMBER 3141-UZB

LOAN AGREEMENT
(Ordinary Operations)

(Takhiatash Power Plant Efficiency Improvement Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 30 October 2014

UZB 45306

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 30 October 2014 between REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Project will be carried out by the State Joint Stock Company "Uzbekenergo" ("Uzbekenergo"), and for this purpose the Borrower will make available to Uzbekenergo the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and Uzbekenergo;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit; Maturity Premium. (a)
The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB

shall add the maturity premium to the interest payable by the Borrower.

- (b) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

- (c) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in

ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

- (a) "Block" means an existing structure at the Takhiatash thermal power plant in which one or more existing generators are located;
- (b) "Capacity Development Unit" means the Capacity Development Unit of the PMU;
- (c) "CCGT" means a unit of combined cycle gas turbines;
- (d) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);
- (e) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;
- (f) "Environmental Impact Assessment" or "EIA" means the environmental impact assessment for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (g) "Environmental Management Plan" or "EMP" means an environmental management plan for the Project, including any update thereto, incorporated in the EIA;
- (h) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (i) "Existing Plants" means the three existing power generation units (units 1-3) with capacity of 310MW located at Blocks 3 and 4 of the Takhiatash thermal power plant;
- (j) "Financial Year" means the period of 12 months commencing on 1 January and ending on 31 December;
- (k) "Gender Action Plan" or "GAP" means gender action plan prepared and submitted by the Borrower and cleared by ADB;

(l) “Goods” means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training and initial maintenance, but excluding Consulting Services;

(m) “IFRS” means the International Financial Reporting Standards issued by the International Accounting Standards Board from time to time;

(n) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(o) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(p) “makhalla” means a traditional citizens’ self-governance organization in Uzbekistan;

(q) “MW” means megawatt;

(r) “PAM” means the project administration manual for the Project dated 15 May 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(s) “PMU” means the Project management unit to be established by Uzbekenergo in accordance with the PAM;

(t) “Procurement Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);

(u) “Procurement Plan” means the procurement plan for the Project dated 15 May 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(v) “Project facilities” mean facilities to be installed, operationalized, developed or provided under the Project;

(w) “Resettlement Plan” or “RP” means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(x) “Safeguard Policy Statement” or “SPS” means ADB’s Safeguard Policy Statement (2009);

(y) “Safeguards Monitoring Report” means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP and the RP (as applicable), including any corrective and preventative actions;

(z) “Subsidiary Loan Agreement” means any and all agreements entered into between the Borrower and Uzbekenergo for purposes of relending the Loan as specified in Section 3.01 of this Loan Agreement;

(aa) “UFRD” means the Fund for Reconstruction and Development of the Republic of Uzbekistan established pursuant to the Decree УП – 3751 dated 11 May 2006 of the President of the Republic of Uzbekistan “On Establishing the Fund for Reconstruction and Development of the Republic of Uzbekistan”;

(bb) “Uzbekenergo” means State Joint Stock Company “Uzbekenergo”, a state-owned power utility with address at 6 Istiqlol St., Tashkent, 100000, Republic of Uzbekistan, or any successor thereto acceptable to ADB; and

(cc) “Works” means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and Project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of three hundred million Dollars (\$300,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term “grace period” as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

(a) LIBOR;

(b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and

(c) a maturity premium of 0.10 % as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts

withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 June and 15 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01 (a) The Borrower shall relend the proceeds of the Loan to Uzbekenergo under the Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for relending the proceeds of the Loan shall include interest at the same rate as the interest applicable to the Loan (inclusive of foreign exchange risk) and a term of 25 years including a grace period of 5 years.

(b) The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this 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 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 April 2021 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out 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, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and in the Project Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available, promptly as needed, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. (a) The Borrower shall cause Uzbekenergo to (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 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 this 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 end of each related fiscal year, 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) The Borrower shall cause Uzbekenergo to enable ADB, upon ADB's request, to discuss the financial statements for the Project and Uzbekenergo's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) 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 4.05. The Borrower shall take all actions which shall be necessary on its part to enable Uzbekenergo to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.06. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the Subsidiary Loan Agreement shall have been duly executed and become effective in accordance with its terms.

Section 5.02. A date 60 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Delegation of Authority

Section 6.01. The Borrower hereby designates Uzbekenergo as its agent for the purposes of taking any action or entering into any agreement required or permitted under Section 3.03 of this Loan Agreement and under Sections 6.01, 6.02 and 6.03 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by Uzbekenergo pursuant to the authority conferred under Section 6.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 6.03. The authority conferred on Uzbekenergo under Section 6.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
5 Mustaqilik Square
Tashkent 100008
Republic of Uzbekistan

Facsimile Numbers:

(998-71) 233-7073
(998-71) 239-1259.

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2471.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan 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.

REPUBLIC OF UZBEKISTAN

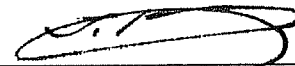
By



RUSTAM AZIMOV
Ministry of Finance

ASIAN DEVELOPMENT BANK

By



TAKEO KONISHI
Country Director
Uzbekistan Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is increased energy-efficient power supply for Karakalpakstan and Khorezm regions of the Borrower.
2. The Project shall comprise:
 - (a) construction of two CCGTs with a designed capacity within the range of 230 MW to 280 MW each at the existing Takhiatash thermal power plant, decommissioning of the Existing Plants, and demolition of Blocks 1, 2, 3 and 4;
 - (b) capacity development of Uzbekenergo to strengthen its operations as a commercially bankable utility including (i) tariff methodology study and training to improve the tariff determination model and ensure cost recovery tariff setting; (ii) establishment of key performance indicators to measure and manage corporate performance; and (iii) risk profile assessment to identify the key strategy for improving Uzbekenergo's access to financing; and
 - (c) construction of a community social service center adjacent to Takhiatash thermal power plant.
3. The Project will include consulting services to provide technical, financial and administrative support to the PMU for the management and supervision of the Project, and to assist with the development of the capacity of Uzbekenergo to become a commercially bankable utility.
4. The Project is expected to be completed by 31 October 2020.

SCHEDULE 2

Amortization Schedule

(Takhiatash Power Plant Efficiency Improvement Project)

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Date Payment Due</u>	<u>Installment Share *</u> <u>(Expressed as a %)</u>
15 December 2019	2.500000
15 June 2020	2.500000
15 December 2020	2.500000
15 June 2021	2.500000
15 December 2021	2.500000
15 June 2022	2.500000
15 December 2022	2.500000
15 June 2023	2.500000
15 December 2023	2.500000
15 June 2024	2.500000
15 December 2024	2.500000
15 June 2025	2.500000
15 December 2025	2.500000
15 June 2026	2.500000
15 December 2026	2.500000
15 June 2027	2.500000
15 December 2027	2.500000
15 June 2028	2.500000
15 December 2028	2.500000
15 June 2029	2.500000
15 December 2029	2.500000
15 June 2030	2.500000
15 December 2030	2.500000
15 June 2031	2.500000
15 December 2031	2.500000
15 June 2032	2.500000
15 December 2032	2.500000

<u>Date Payment Due</u>	<u>Installment Share *</u> <u>(Expressed as a %)</u>
15 June 2033	2.500000
15 December 2033	2.500000
15 June 2034	2.500000
15 December 2034	2.500000
15 June 2035	2.500000
15 December 2035	2.500000
15 June 2036	2.500000
15 December 2036	2.500000
15 June 2037	2.500000
15 December 2037	2.500000
15 June 2038	2.500000
15 December 2038	2.500000
15 June 2039	2.500000
Total:	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be

determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with the Consulting Services, Goods and Works, subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for the turnkey contract until a loan agreement between UFRD and an eligible commercial bank, and a related subsidiary loan agreement between such bank and Uzbekenergo, both for the purposes of the Project and in form and substance satisfactory to ADB, shall have been duly executed and become effective in accordance with their terms.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
(Takhiatash Power Plant Efficiency Improvement Project)			
CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing \$ Category	Percentage of ADB Financing from the Loan Account
1	Turnkey Contract*	249,400,000	51.7 percent of total expenditure claimed**
2	Consulting Services	8,500,000	100 percent of total expenditure claimed**
3	Unallocated	42,100,000	
4	Total	300,000,000	

* Subject to the condition for withdrawal described in paragraph 6 of Schedule 3.

**Exclusive of taxes and duties imposed within the territory of the Borrower.

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively. In particular, the Borrower shall ensure that registration of such contracts, to the extent required under the laws of the Borrower, is processed promptly without delay.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of international competitive bidding.
4. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
5. The Borrower shall not award any turnkey contract which involves environmental impacts until:
 - (a) the State Committee of the Republic of Uzbekistan for Nature Protection has granted the final approval of the EIA; and
 - (b) the Borrower has incorporated the relevant provisions from the EMP into the turnkey contract.
6. The Borrower shall not award any turnkey contract which involves involuntary resettlement impacts, until:
 - (a) the Borrower has prepared and submitted to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP; and
 - (b) the Borrower has implemented the final RP cleared by ADB.

Consulting Services

7. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

8. Except as ADB may otherwise agree, the Borrower shall apply the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Consultants' Qualifications Selection for the Consulting Services for external audit and risk profile assessment.

9. The Borrower shall recruit the individual consultants for the management of the Capacity Development Unit and the facilitation of the implementation of the Gender Action Plan in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

10. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

11. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB Review of Procurement Decisions

12. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

13. In the case of a contract for Goods or Works which is subject to ADB's prior review, the Borrower shall seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:

- (a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Loan Closing Date; and
- (b) increases in aggregate of the original price by more than 5% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).

14. In the case of a contract for Goods or Works which is subject to ADB's post review, ADB shall review the required contract modification or waiver and respond to the Borrower as soon as practicable, but not later than 1 month after the receipt of the required

document.

15. The Borrower shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including change orders) within 1 month following amendment of the contract.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower 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 this Loan Agreement, the provisions of this Loan Agreement shall prevail.
2. The Borrower shall ensure that all counterpart funding as required for purposes of timely and successful Project implementation, including that of Uzbekenergo, is promptly provided.
3. The Borrower shall cause Uzbekenergo to adequately staff and equip the PMU in accordance with the PAM and to ensure that it is fully functioning until Project completion. The Borrower shall cause Uzbekenergo to staff the PMU with three experienced procurement specialists not later than the bid evaluation stage in respect of the turnkey contract in accordance with the particular requirements of the PAM.
4. The Borrower shall cause Uzbekenergo to ensure that the capacity development activities of the Project, particularly those for the improvement of tariff methodologies and tariff structures, establishment of key performance indicators for corporate management, and risk profile assessment, are fully implemented in a timely manner in accordance with the detailed arrangements set forth in the PAM.

Operational Covenants

5. The Borrower shall cause Uzbekenergo to 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. The Borrower shall cause Uzbekenergo to install, equip, operate, maintain and manage the Project facilities in compliance with applicable standards and best international practices.
6. The Borrower shall cause Uzbekenergo to 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 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 operation and maintenance of any such asset, facility or structure financed under the Project. The Borrower shall cause Uzbekenergo to ensure that any such changes will be carried out in a legal and transparent manner.
7. The Borrower shall ensure that electricity tariffs are adjusted in a timely manner in accordance with the Borrower's legislation to enable Uzbekenergo to maintain financial sustainability including to cover market risks, including inflation, foreign exchange risks and interest risks, and operational costs. The Borrower shall ensure that the tariffs for

the Project are sufficient to recover capital expenses and cover operation and maintenance costs.

8. The Borrower shall cause Uzbekenergo to secure and receive uninterrupted gas supply to the Project facilities throughout its lifetime.

9. The Borrower shall cause Uzbekenergo to ensure (a) that power system technical losses are reduced in accordance with internationally acceptable standards; (b) secure and uninterrupted operations, dispatch coordination and technical maintenance of its high-voltage power transmission network; and (c) that access to the power system is provided to parties based on commercial arrangements.

10. The Borrower shall cause Uzbekenergo to ensure that, unless ADB shall otherwise agree, (a) units 1-2 of the Existing Plants and the first CCGT financed by the Project that becomes operational are not operated at the same time; and (b) unit 3 of the Existing Plants and the second CCGT financed by the Project that becomes operational are not operated at the same time.

11. The Borrower shall ensure that Uzbekenergo will (a) before bidding announcement for the turnkey contract, submit a plan satisfactory to ADB for the decommissioning of the Existing Plants and demolition of Blocks 1, 2, 3 and 4, and incorporate such decommissioning and demolition plan in the bidding document for the turnkey contract; (b) the decommissioning of units 1 and 2 of the Existing Plants shall have commenced no later than the operational acceptance of the first CCGT financed by the Project except as ADB may otherwise agree; and (c) the decommissioning of unit 3 of the Existing Plants shall have commenced no later than the operational acceptance of the second CCGT financed by the Project except as ADB may otherwise agree.

Financial Management

12. The Borrower shall cause Uzbekenergo to (a) ensure adequate staffing responsible for financial management, including the recruitment of at least 5 accountants designated for the adoption of IFRS for Uzbekenergo's accounting and at least 3 accountants in the newly established internal audit unit; (b) provide sufficient training to such staff responsible for financial management; and (c) prepare written procedures and training materials by 31 December 2015 to facilitate knowledge sharing and retention in relation to the adoption of IFRS.

13. The Borrower shall cause Uzbekenergo to establish and adopt a computerized accounting system for the Project by 30 June 2015 and maintain such system during Project implementation.

14. The Borrower shall cause Uzbekenergo to (a) by 31 March 2015 or such later time as ADB may agree, commence an information technology systems diagnosis and strategy development study to identify system weaknesses and to design mitigation plan; (b) by 30 June 2018 or such later time as ADB may agree, implement such mitigation plan including the upgrading of the accounting system and introduction of an integrated management information system.

Financial Covenants

15. The Borrower shall cause Uzbekenergo to ensure that during the term of this Loan Agreement, the free cash flows of Uzbekenergo 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 Uzbekenergo's entity financial statements which shall, commencing in Financial Year of 2015, be prepared on a fully consolidated basis in accordance with IFRS except as ADB may otherwise agree. 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.

16. The Borrower shall cause Uzbekenergo to 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 Uzbekenergo's capital expenditures incurred, or expected to be incurred, for the current Financial Year, the previous Financial Year and the next Financial Year based on Uzbekenergo's entity financial statements which shall, commencing in Financial Year of 2015, be prepared on a fully consolidated basis in accordance with IFRS except as ADB may otherwise agree. 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.

Health and Labor Standards

17. The Borrower shall cause Uzbekenergo to 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) conduct an information and education campaign on sexually transmitted diseases including HIV/AIDS for construction works as part of the health and safety program at the Project site and adjacent communities during Works implementation; (g) abstain from child labor and any other forms of forced labor; and (h) do not restrict freedom of association of its employees. Relevant contracts financed under the Project must include specific clauses on these undertakings.

Gender Development

18. The Borrower shall cause Uzbekenergo to 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 the implementation of the GAP; (d) progress on the implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB in the Project progress reports and Project completion report; (e) key gender outcome and output targets include, but are not limited to,:

- (i) ensuring that the construction of the community service center with dry-cleaning, laundry, carpet cleaning, health check and gym facilities adjacent to the Takhiatash thermal power plant will be completed by 2018;
- (ii) ensuring that the key performance indicators developed and introduced by Uzbekenergo by 2016 pursuant to paragraph 2(b) of Schedule 1 includes gender equality targets; and
- (iii) providing training on gender and development awareness to at least eight advisors from makhallas in the Project area.

Safeguards

19. The Borrower shall cause Uzbekenergo to 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 requirements set out in Appendix 1 to the SPS; and (c) all measures and requirements set forth in the EIA and EMP, which was prepared in accordance with the SPS, which Uzbekenergo shall update upon completion of the detailed design for ADB's clearance, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

20. The Borrower shall cause Uzbekenergo to ensure that a corrective action plan satisfactory to ADB is implemented in relation to the existing facilities at Takhiatash thermal power plant in relation to its compliance with the SPS.

21. The Borrower shall cause Uzbekenergo to ensure that neither asbestos nor transformers that need polychlorinate biphenyls will be used in the construction of the CCGTs.

22. The Borrower shall cause Uzbekenergo to ensure that an effective complaint redress mechanism is functional by the contract award of the turnkey contract to handle concerns or complaints in relation to the Project, in accordance with the EMP.

23. The Borrower shall cause Uzbekenergo to ensure that all land and all rights-of-way required for the Project are made available to the turnkey contractor in accordance with the schedule agreed under the related turnkey 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 requirements set out in Appendix 2 to the SPS; and (c) all measures and requirements set forth in the RP, which was prepared in accordance with the SPS and which Uzbekenergo shall update upon completion of the detailed design for ADB's clearance, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

24. The Borrower shall cause Uzbekenergo to 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 RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

25. The Borrower shall cause Uzbekenergo to ensure that (a) the Project does not have any indigenous peoples impacts, within the meaning of the SPS; (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 the SPS and the applicable laws and regulations of the Borrower; and (c) during Project implementation, adequate mitigation measures are implemented.

26. The Borrower shall make available or cause Uzbekenergo to make available necessary budgetary and human resources, including at least one social and environmental expert in Uzbekenergo, to fully implement the EMP and the RP.

27. The Borrower shall cause Uzbekenergo to ensure that all bidding documents and the turnkey contract contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the EIA, the EMP and the RP (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, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the EIA, the EMP and the RP;
- (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.

28. The Borrower shall do the following or cause Uzbekenergo to do the following:

- (a) submit semiannual 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 EIA, the EMP and the RP promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) no later than the date of award of the turnkey contract, engage qualified and experienced external experts or qualified non-governmental organizations under a selection process and terms of reference acceptable to ADB, to verify information produced through the Project monitoring process, and facilitate the carrying out of any verification activities by such external experts; and

- (d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RP promptly after becoming aware of the breach.

29. The Borrower shall cause Uzbekenergo to ensure that adequate staffing will be planned and allocated for the operation and maintenance of the Project facilities, and that relevant staff members will attend training provided under the Project in relation to such operation and maintenance.

Governance and Anticorruption

30. The Borrower and 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.

31. The Borrower and 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.

32. The Borrower shall ensure that Uzbekenergo will 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 of the Project.