
LOAN NUMBER 3285-UZB

LOAN AGREEMENT
(Ordinary Operations)

(Northwest Region Power Transmission Line Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 12 November 2015

UZB 47296

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated *12 November 2015* 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 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) “Civil Works” means the civil works, referred to in paragraph 2(ii) of Schedule 1 to this Loan Agreement, for the construction of the transmission line and construction, rehabilitation and expansion of the substations described in paragraphs 2(a) and 2(b) of such Schedule 1, which civil works shall be financed entirely by Uzbekenergo;

(b) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(c) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 2(c) of Schedule 1 to this Loan Agreement;

(d) “Environmental Management Plan” or “EMP” means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

(e) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(f) “Financial Year” means the period of 12 months commencing on 1 January and ending on 31 December;

(g) “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;

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

(i) “Initial Environmental Examination” or “IEE” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

(k) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2015, as amended from time to time);

(l) “PAM” means the project administration manual for the Project dated 12 August 2015 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;

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

(n) “Procurement Guidelines” means ADB’s Procurement Guidelines (2015, as amended from time to time);

(o) “Procurement Plan” means the procurement plan for the Project dated 12 August 2015 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;

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

(q) “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;

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

(s) “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;

(t) “Subsidiary Loan Agreement” means the agreement between the Borrower and Uzbekenergo, satisfactory to ADB, referred to in Section 3.01 of this Loan Agreement; and

(u) “Uzbekenergo” means 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, which is responsible for the carrying out of the Project.

ARTICLE II**The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred fifty million Dollars (\$150,000,000), 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 March and 15 September 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 a 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 that applicable to the Loan (inclusive of foreign exchange risk) and a repayment period identical to the repayment period of the Loan.

(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 June 2020 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 the Project Agreement.

Section 4.02. The Borrower shall make available, or cause to be made 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 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 any relevant records and documents.

Section 4.04. 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.

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. The following is specified as an additional matter, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or

opinions to be furnished to ADB: that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and Uzbekenergo and is legally binding upon the Borrower and Uzbekenergo in accordance with its terms.

Section 5.03. 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 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 Number:

(998-71) 239-4853

For ADB

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

Facsimile Numbers:

(632) 636-2444

(632) 636-2301.

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
Minister 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 an expanded and modernized high voltage transmission grid in the Karakalpakstan and Khorezm regions in the territory of the Borrower.
2. The Project shall comprise all of the following:

Transmission Line Component

- (a) the construction of a total of 364 kilometers of a 220 kilovolt single circuit overhead transmission line between the Takhiatash thermal power plant and the Khorezm substation, and between the Khorezm substation and the Ellikkala substation, all in the territory of the Borrower;

Substations Component

- (b) the construction, rehabilitation and expansion of substations as follows:
 - (i) the rehabilitation and expansion of the 220/110 kilovolt open switchyards at the Takhiatash thermal power plant;
 - (ii) the rehabilitation and expansion of the 220/110 kilovolt Khorezm substation; and
 - (iii) the construction of the 500/220 kilovolt Ellikkala substation; and

Support Component

- (c) the provision of support to the Project and to Uzbekenergo as follows:
 - (i) strengthening of the capacity of Uzbekenergo for the operation and maintenance of transmission assets;
 - (ii) upgrading of the transmission system planning and dispatch automation of Uzbekenergo;
 - (iii) strengthening of the transmission assets management system of Uzbekenergo;
 - (iv) supervision and management of the Project; and
 - (v) external audit of Project accounts.

The Transmission Line Component described in sub-paragraph (a) and the Substations Component described in sub-paragraph (b) shall include:

- (i) the supply of goods, equipment and materials for the transmission line and the substations, which supply shall be financed entirely by ADB in accordance with the terms and conditions of this Loan Agreement; and
- (ii) civil works for the construction of the transmission line and construction, rehabilitation and expansion of the substations, which civil works shall be financed entirely by Uzbekenergo.

The Support Component described in sub-paragraph (c) shall be financed entirely by ADB in accordance with the terms and conditions of this Loan Agreement.

3. The Project is expected to be completed by 31 December 2019.

SCHEDULE 2**Amortization Schedule****(Northwest Region Power Transmission Line 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.

Payment Due	Installment Share (Expressed as a %)
15 March 2021	2.500000
15 September 2021	2.500000
15 March 2022	2.500000
15 September 2022	2.500000
15 March 2023	2.500000
15 September 2023	2.500000
15 March 2024	2.500000
15 September 2024	2.500000
15 March 2025	2.500000
15 September 2025	2.500000
15 March 2026	2.500000
15 September 2026	2.500000
15 March 2027	2.500000
15 September 2027	2.500000
15 March 2028	2.500000
15 September 2028	2.500000
15 March 2029	2.500000
15 September 2029	2.500000
15 March 2030	2.500000
15 September 2030	2.500000
15 March 2031	2.500000
15 September 2031	2.500000
15 March 2032	2.500000
15 September 2032	2.500000
15 March 2033	2.500000

15 September 2033	2.500000
15 March 2034	2.500000
15 September 2034	2.500000
15 March 2035	2.500000
15 September 2035	2.500000
15 March 2036	2.500000
15 September 2036	2.500000
15 March 2037	2.500000
15 September 2037	2.500000
15 March 2038	2.500000
15 September 2038	2.500000
15 March 2039	2.500000
15 September 2039	2.500000
15 March 2040	2.500000
15 September 2040	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 two 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.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Northwest Region Power Transmission Line Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Goods	129,000,000	100% of total expenditure claimed*
2	Consulting Services	3,000,000	100% of total expenditure claimed*
3	Unallocated	18,000,000	
	Total	150,000,000	

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

SCHEDULE 4

Procurement of Goods and Consulting Services

General

1. The procurement of Goods and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
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

3. Except as ADB may otherwise agree, Goods 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.

Consulting Services

5. 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.
6. The Borrower shall apply Consultants' Qualifications Selection for selecting and engaging the Consulting Services for external auditing of the Project accounts, in accordance with, among other things, the procedures set forth in the Procurement Plan.

Industrial or Intellectual Property Rights

7. (a) The Borrower shall ensure that all Goods 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 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.
8. 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's Review of Procurement Decisions

9. 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.

10. In the case of a contract for Goods, 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).

11. In the case of a contract for Goods, 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.

12. 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 and cause Uzbekenergo to 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 make available and cause Uzbekenergo to make available adequate counterpart funds and other resources in addition to the proceeds of the Loan, and have such counterpart funds and resources released in a timely manner, for the successful implementation of the Project. In addition to the foregoing, the Borrower shall provide all necessary financial support to Uzbekenergo to satisfy all liabilities under the Project.
3. The Borrower shall cause Uzbekenergo to adequately staff and equip the PMU in accordance with the PAM and ensure that the PMU is fully functioning until the completion of the Project.
4. The Borrower shall ensure (a) that registration of the contracts for the Project with the Ministry of Foreign Economic Relations, Investment and Trade of the Borrower, and approval of the government tender committee, to the extent required under the applicable laws and regulations of the Borrower, are processed promptly and without delay; and (b) that Uzbekenergo will at all times act in compliance with the provisions, processes and procedures set out in or taken under the Procurement Guidelines.
5. The Borrower shall ensure and cause Uzbekenergo to ensure that the procurement of the Civil Works will be subject to, and will be governed by, all applicable laws and regulations of the Borrower relating to procurement and contract management.

Operational Covenants

6. The Borrower shall ensure and 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.
7. The Borrower shall ensure and 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) change in ownership of any asset, facility or structure financed under the Project; (b) sale, transfer, or assignment of interest or control in any asset, facility or structure financed under the Project; or (c) lease or other contract or modification of the functions and authority of Uzbekenergo over the operation and maintenance of any asset, facility or structure financed under the Project. The Borrower shall ensure and cause Uzbekenergo to ensure that ADB is promptly notified of any proposal to implement any such changes and

that the notification includes sufficient details regarding the change to be implemented. The Borrower shall ensure and cause Uzbekenergo to ensure that any such changes will be carried out in a legal and transparent manner.

8. 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; cover market risks, including inflation, foreign exchange risks and interest risks; and recover capital expenses and cover operational costs for all of its projects.

9. The Borrower shall ensure that ADB is kept informed of the Borrower's policies, programs and reforms related to the power sector.

Financial Covenants

10. 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 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.

11. 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 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, increase 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.

Environment

12. The Borrower shall ensure and 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; and (c) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

13. The Borrower shall ensure and cause Uzbekenergo to ensure that no contract for Civil Works which involves environmental impacts will be awarded until:

- (i) the State Committee of the Republic of Uzbekistan for Nature Protection has granted the final approval of the IEE; and
- (ii) Uzbekenergo has incorporated the relevant provisions from the EMP into the Civil Works contract.

Land Acquisition and Involuntary Resettlement

14. The Borrower shall ensure and cause Uzbekenergo to ensure that 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 RP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

15. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Borrower shall ensure and 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.

16. The Borrower shall ensure and cause Uzbekenergo to ensure that no contract for Civil Works which involves involuntary resettlement impacts will be awarded until 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.

Indigenous Peoples

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

Human and Financial Resources to Implement Safeguards Requirements

18. The Borrower shall make available or cause Uzbekenergo to make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards Monitoring and Reporting

19. The Borrower shall do the following or cause Uzbekenergo to do the following:
- (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 RP, 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 or the RP promptly after becoming aware of the breach.

Safeguards – Related Provisions in Bidding Documents and Civil Works Contracts

20. The Borrower shall ensure and cause Uzbekenergo to ensure that all bidding documents and contracts for Civil 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 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 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 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.

Prohibited List of Investments

21. The Borrower shall ensure and cause Uzbekenergo to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards, Health and Safety

22. The Borrower shall ensure and cause Uzbekenergo to ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall cause Uzbekenergo to include in the bidding documents and contracts financed by ADB under the Project and in the bidding documents and contracts for the Civil Works specific provisions requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not 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.

23. The Borrower shall strictly monitor and cause Uzbekenergo to strictly monitor compliance with the requirements set forth in paragraph 22 above and provide ADB with

regular reports.

Gender and Development

24. The Borrower shall ensure and cause Uzbekenergo to ensure that the principles of gender equity aimed at increasing Project benefits and impacts on women in the Project area consistent with ADB's Policy on Gender and Development (1998) 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.

Governance and Anticorruption

25. 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.

26. 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.

27. 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.