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LOAN NUMBER 3275-UZB(SF)

LOAN AGREEMENT  
(Special Operations)

(Djizzak Sanitation System Development Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 12 November 2015

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UZB 46135

**LOAN AGREEMENT  
(Special 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 parts of the Project described in subparagraphs 2(a), (b) and (d) of Schedule 1 to this Loan Agreement;

(B) the Project will be carried out by Uzbekistan Agency "Uzkommunhizmat" ("UCSA"), and for this purpose the Borrower will make available to UCSA 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 Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement between ADB and UCSA;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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

(b) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in subparagraphs 2(b) and (d) of Schedule 1 to this Loan Agreement;

(c) "DWSE" means the provincial water supply and sewerage enterprise to be established and operationalized in Djizzak province and wholly-owned by the Djizzak

provincial government in furtherance of the Decree of the Governor of Djizzak Region dated 3 March 2014, Ref. # 83, into which such enterprise will be absorbed all existing municipal water and wastewater enterprises in Djizzak province, including the existing Djizzak city water supply and sewerage companies;

(d) “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) “GAP” means the gender action plan for the Project as set out in the PAM;

(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) “HIV/AIDS” means human immunodeficiency virus/acquired immunodeficiency syndrome;

(i) “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) “LARP” means the land acquisition and resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

(m) “PAM” means the project administration manual for the Project dated 30 September 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;

(n) “Procurement Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);

(o) “Procurement Plan” means the procurement plan for the Project dated 30 September 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;

(p) “Project area” means Djizzak city and surrounding areas;

(q) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means UCSA or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(r) “Project facilities” means the Goods and any facilities to be constructed, upgraded, and provided under the Project;

(s) “provincial government” means *khokimiyat* (the provincial body of executive power) under the Law of the Republic of Uzbekistan On Local State Power” dated 2 September 1993;

(t) “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 LARP (as applicable), including any corrective and preventative actions;

(u) “SPS” means ADB's Safeguard Policy Statement (2009);

(v) “Subsidiary Loan Agreement” means the agreement between the Borrower and UCSA referred to in Section 3.01(a) of this Loan Agreement;

(w) “UCSA” means the Uzbekistan Agency “Uzkommunhizmat” established in accordance with the President’s Decree No. UP-2791 of 19 December 2000 and operating under the Regulations approved by the President’s Resolution No.445-PP of 17 August 2006; and

(x) “Works” means construction or civil works to be financed out of the proceeds of the Loan, including construction materials for purposes of such construction or civil works, 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. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to fifty three million nine hundred ninety nine thousand Special Drawing Rights (SDR53,999,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term “grace period” as used in subsection (a) 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 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 April and 15 October in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. (a) The Borrower shall relend the entire proceeds of the Loan to UCSA, and UCSA will, in turn, onlend the Loan proceeds to the Djizzak provincial government on similar terms and conditions, under a single Subsidiary Loan Agreement among the parties upon terms and conditions satisfactory to ADB. Except as ADB shall otherwise agree, the terms for relending the proceeds of the Loan shall include interest at the rate applicable from time to time to the Loan (inclusive of foreign exchange risk) and a repayment period of 25 years including a grace period of 5 years.

(b) The Borrower shall cause UCSA to apply the proceeds of the Loan 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.

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. Withdrawals from the Loan Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

(a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and

(b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 October 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. 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 enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. 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 4.04. The Borrower shall take all actions which shall be necessary on its part to enable UCSA 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 4.05. (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, or waived without the prior concurrence of ADB.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) the Borrower shall have issued a resolution specifying, among other things, the general project scope, the project's exemption from taxes within the territory of the Borrower, the project's implementation arrangements, and government contribution valued at

not less than \$500,000 towards supporting the implementation of the part of the Project described in subparagraph 2(c) of Schedule 1 to this Loan Agreement; and

(b) the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and UCSA and shall have become fully effective and legally binding upon such parties in accordance with its terms subject only to the effectiveness of this Loan Agreement.

Section 5.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Subsidiary Loan Agreement has been duly authorized by, and executed and delivered on behalf of, the Borrower and UCSA and is legally binding upon such parties in accordance with its terms subject only to the effectiveness of this Loan Agreement.

Section 5.03. A date 60 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VI**

### **Delegation of Authority**

Section 6.01. The Borrower hereby designates UCSA as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 5.01, 5.02 and 5.03 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by UCSA 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 UCSA 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 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Finance  
5, Mustaqillik 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) 636-2407.



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 to expand access to reliable, sustainable and affordable sanitation services in the Project area.

2. The Project shall comprise:

#### Part I. Sewerage Infrastructure Rehabilitation and Expansion

- (a) construction of approximately 46.0 km and rehabilitation of approximately 17.0 km of trunk sewers, construction of a new wastewater treatment plant and pumping station, rehabilitation of three pumping stations, procurement of additional equipment and decommissioning of obsolete components, in each case in the Project area;
- (b) provision of support for the operation and maintenance of the facilities described in subsection (a) above;

#### Part II. Institutional Reform and Capacity Development

- (c) assistance with (i) the establishment of DWSE, including its absorption of the existing Djizzak water supply and sewerage companies, and (ii) strengthening the capacity of DWSE through management support and training; and
- (d) provision of technical, financial, auditing and consulting support for implementation and management, including the detailed design and civil works supervision of the physical investments referred to in subsection (a) of Part I above.

3. The Project is expected to be completed by 30 April 2021.

**SCHEDULE 2****Amortization Schedule****(Djizzak Sanitation System Development Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 April 2021	1,350,000.00
15 October 2021	1,350,000.00
15 April 2022	1,350,000.00
15 October 2022	1,350,000.00
15 April 2023	1,350,000.00
15 October 2023	1,350,000.00
15 April 2024	1,350,000.00
15 October 2024	1,350,000.00
15 April 2025	1,350,000.00
15 October 2025	1,350,000.00
15 April 2026	1,350,000.00
15 October 2026	1,350,000.00
15 April 2027	1,350,000.00
15 October 2027	1,350,000.00
15 April 28	1,350,000.00
15 October 2028	1,350,000.00
15 April 2029	1,350,000.00
15 October 2029	1,350,000.00
15 April 2030	1,350,000.00
15 October 2030	1,350,000.00
15 April 2031	1,350,000.00
15 October 2031	1,350,000.00
15 April 2032	1,350,000.00
15 October 2032	1,350,000.00
15 April 2033	1,350,000.00
15 October 2033	1,350,000.00
15 April 2034	1,350,000.00
15 October 2034	1,350,000.00
15 April 2035	1,350,000.00
15 October 2035	1,350,000.00
15 April 2036	1,350,000.00
15 October 2036	1,350,000.00
15 April 2037	1,350,000.00
15 October 2037	1,350,000.00
15 April 2038	1,350,000.00

\*The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 October 2038	1,350,000.00
15 April 2039	1,350,000.00
15 October 2039	1,350,000.00
15 April 2040	1,350,000.00
15 October 2040	1,349,000.00
<b>TOTAL</b>	<b>53,999,000.00</b>

\*The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

### 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.

##### Interest Charge

3. The amount allocated to Category 7 is for financing the interest charge on the Loan during the implementation period of the Project.

##### Reallocation

4. 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

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

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Djizzak Sanitation System Development Project)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (SDR)  Category</b>	<b>Basis for Withdrawal from the Loan Account</b>
1	Civil Works	14,240,000	100% of total expenditure claimed *
2	Sanitation Assets, Equipment and Machinery	26,775,000	100% of total expenditure claimed *
3	Wastewater Treatment Plant Design, Capacity Development, Training, and Operation and Maintenance	1,333,000	100% of total expenditure claimed *
4	Consulting Services	2,594,000	100% of total expenditure claimed *
5	Project Management and Implementation Unit Management Costs	1,362,000	100% of total expenditure claimed
6	Land Acquisition and Resettlement	250,000	100% of total expenditure claimed *
7	Interest Charge	2,333,000	100% of amounts due
8	Unallocated	5,112,000	
	<b>Total</b>	<b>53,999,000</b>	

\* 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. Without limiting the generality of the foregoing, the Borrower shall ensure that registrations of contracts in respect of such procurement, to the extent required under the laws of Uzbekistan, are 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 the methods of procurement set forth below:

- (a) International Competitive Bidding;
- (b) National Competitive Bidding; and
- (c) Shopping.

4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

#### National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

#### Conditions for Award of Contract

6. The Borrower shall not award any Works contract which involves environmental impacts until:

- (a) the relevant environmental authority of the Borrower has granted the final approval of the IEE; and
- (b) the Borrower has incorporated the relevant provisions from the EMP into the Works contract.

Schedule 4

7. Subject to paragraph 8 of this Schedule 4 below, the Borrower shall not award any Works contract which involves involuntary resettlement impacts until the Borrower has prepared and submitted to ADB the final LARP based on the Project's detailed design, and obtained ADB's clearance of such LARP.

8. The Borrower may award a contract for Works involving involuntary resettlement impacts prior to the final LARP having been submitted and cleared by ADB if the contract:

- (a) is of a "design and build" type under which the design must be completed for the Subproject before the LARP is finalized; and
- (b) expressly provides that the build or construction phase (and commencement thereof) is conditional upon the final LARP based on the detailed design having been submitted to, and cleared by, ADB.

Consulting Services

9. 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.

10. The Borrower shall apply least-cost selection for selecting and engaging Consulting Services for auditing support, in accordance with, among other things, the procedures set forth in the Procurement Plan.

Industrial or Intellectual Property Rights

11. (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.

12. 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

13. 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.

14. 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) increasing in aggregate the original price by more than 5% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).

15. 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.

16. 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; and Operation of Project Facilities; Financial Matters

#### Implementation Arrangements

1. The Borrower shall ensure, and shall cause UCSA 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.

#### Counterpart Funds

2. Without limiting the generality of Section 6.06 of the Loan Regulations, the Borrower shall make adequate annual budget allocations for, and have them released in a timely manner, the counterpart funds and other resources, in addition to the proceeds of the Loan, for the successful implementation of the Project. In addition to the foregoing, the Borrower shall provide all necessary financial support to UCSA to satisfy all liabilities under the Project.

#### Institutional Reforms

3. The Borrower shall ensure and shall cause UCSA to ensure that all reforms required to make DWSE an efficient and well-managed organization are implemented. Without limiting the generality of the foregoing, within 18 months of loan effectiveness, a transition plan for DWSE, in form and substance acceptable to ADB, shall have been developed which shall include, among other things, each of the following:

- (a) a comprehensive organizational structure plan;
- (b) a comprehensive financing plan (which shall take into account the requirements set forth in paragraphs 5 and 6 below);
- (c) a plan for introducing performance-based management; and
- (d) a plan for developing and implementing a sound and modern computerized (i) business planning and financial management system and (ii) accrual-based accounting system.

Such transition plan shall have been substantially implemented by the time of Project completion.

4. The Borrower shall ensure and cause USCA to ensure that the experts to be engaged for the purpose of assisting UCSA with implementation of the part of the Project described in subparagraph 2(c) of Schedule 1 to this Loan Agreement (which includes implementation of the reforms described in paragraph 3 above) (a) have suitable experience

and qualifications acceptable to ADB and (b) are engaged promptly after effectiveness of this Loan Agreement under terms of reference satisfactory to ADB.

#### Financial Sustainability

5. The Borrower shall ensure and cause UCSA to ensure that:

(a) the Djizzak provincial government and DWSE take necessary measures for improving collection efficiency to achieve a collection rate of 90% for DWSE by Project completion;

(b) on an annual basis, the level and structure of tariffs is reviewed by the Djizzak provincial government and adjusted, as necessary, by the Borrower's Ministry of Finance to ensure that, by Project completion, DWSE has incorporated full operation and maintenance and depreciation costs for wastewater services in the tariffs. Results of such annual reviews and adjustments shall be reported by UCSA to ADB within 3 months of each review; and

(c) the Djizzak provincial government: (i) takes appropriate measures, including financial incentives and penalties, to reduce the level of payment arrears for water supply and sanitation bills; and (ii) protects its sanitation resources and facilities through the vigorous prosecution of violations such as water meter tampering and water theft.

6. The Borrower shall ensure that, during the period of Project implementation and each year thereafter, DWSE has all necessary financial resources to (i) adequately operate and maintain its assets, (ii) service its debts (including, without limitation, the proceeds of the Loan onlent to DWSE by the Djizzak provincial government) and (iii) meet capital depreciation costs. Without limiting the generality of the foregoing, if during such period DWSE has insufficient resources to service its debts, the Borrower shall ensure adequate funds are allocated in its annual budgets and made available to DWSE to service such debts.

#### Operation and Maintenance

7. The Borrower shall cause UCSA to ensure that DWSE prepares an operation and maintenance manual in respect of the Project facilities by Project completion.

#### Hygiene Consultation and Promotion

8. The Borrower shall cause UCSA to ensure that the implementation arrangements and plans for the sanitation awareness and hygiene promotion activities to be carried out in the Project area are prepared, and that the hygiene baseline surveys and follow-up surveys are carried out according to the target years to be agreed for the Project.

9. The Borrower shall cause UCSA to ensure (a) implementation of the consultation and participation plan for the Project that involves households, institutions such as schools, clinics and businesses, and other stakeholders from government agencies and the private sector; and (b) engagement of non-government organizations, where appropriate, to implement the hygiene program.

Environment

10. The Borrower shall ensure, or cause UCSA 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 and the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

11. Without limiting the generality of the foregoing paragraph, the Borrower shall ensure, or cause USCA to ensure, that only industrial customers whose industrial discharge meets the effluent standards under applicable environmental law (as confirmed by issuance of a certificate from the National Projection Committee) shall be connected to the Project facilities.

Land Acquisition and Involuntary Resettlement

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

13. Without limiting the application of the Involuntary Resettlement Safeguards or the LARP, the Borrower shall ensure, or cause UCSA 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 LARP; and

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

Indigenous Peoples

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

Human Resources to Implement Safeguards Requirements

15. The Borrower shall make available, or cause UCSA to make available, necessary human resources to fully implement the EMP and the LARP.

Safeguards-Related Provisions in Bidding Documents and Works Contracts

16. The Borrower shall ensure, or cause UCSA to ensure, that all bidding documents and contracts for Works contain provisions that require contractors to:

(a) comply with the measures relevant to the contractor set forth in the IEE, the EMP and the LARP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;

(b) make available a budget for all such environmental and social measures;

(c) provide the Borrower 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 IEE, the EMP and the LARP;

(d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and

(e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

17. The Borrower shall do the following, or cause UCSA to do the following:

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

(b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the LARP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and

(c) no later than the commencement of land acquisition and resettlement activities, engage a qualified and experienced independent expert or qualified non-governmental organization 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 LARP promptly after becoming aware of the breach.

Prohibited List of Investments

18. The Borrower shall ensure, and shall cause UCSA 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 and Health Standards

19. The Borrower shall, and shall cause UCSA to, ensure that the Works contracts for the Project incorporate provisions to the effect that the contractors shall: (a) comply with applicable core labor standards and labor laws, and incorporate applicable workforce occupational safety norms; (b) provide equal pay to men and women for the same type of work and enabling working conditions for female workers; (c) not employ child labor; (d) abstain from compulsory labor; (e) abstain from employment discrimination; (f) allow for freedom of association; (g) to the extent possible, maximize employment of local poor and disadvantaged persons for project construction purposes, provided that the requirement for job and efficiency are adequately met; and (h) provide safe working conditions.

20. The Borrower shall, and shall cause UCSA to, ensure that the Works contractors for the Project disseminate information (in local languages) on the risks of sexually-transmitted diseases, including HIV/AIDs, in health and safety program for all construction works at campsites. The Borrower shall and shall cause UCSA to ensure that specific provisions to this effect shall be included in the bidding documents and Works contracts for the Project, and the Borrower shall ensure that compliance shall be strictly monitored by UCSA.

Gender and Development

21. The Borrower shall, and shall cause UCSA to, ensure that: (a) the GAP is fully implemented and monitored in a timely manner in accordance with its terms, related regulations of the Borrower, and ADB's Policy on Gender and Development (1998) and adequate resources are allocated for this purpose; (b) progress in achieving the GAP targets are reflected in the Project progress reports and Project completion report; and (c) targets under the GAP are achieved, including, but not limited to (i) participation of at least 500 women in the community-level trainings on sanitation hygiene promotion by 2017, (ii) staff of the customer care unit in DWSE is comprised of at least 50% women by 2020, and (iii) staff of the laboratory of the wastewater treatment plant is comprised of at least 50% women by 2020.

Governance and Anticorruption

22. The Borrower and UCSA 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.

23. The Borrower and UCSA shall ensure that 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 UCSA and Project implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

24. The Borrower shall cause UCSA to maintain and update its website with the information on the Project, including among other things, information on water tariff review procedures, results of annual reviews and adjustments, collection efficiency, details on the adopted bidding procedures, amounts of the contract awards and the list of goods and services procured and their intended and actual utilization.