
LOAN NUMBERS 3058/3059-UZB (SF)

LOAN AGREEMENT
(Special Operations)
(Samarkand Solar Power Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 21 November 2013

UZB 45120

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 21 November 2013 between the REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

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

(C) ADB has agreed to make loans 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 Uzbekenergo;

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, subject however to the following modifications:

(a) Section 2.01(16) is deleted and the following is substituted therefor:

"Loan" means each of (i) the Loan (Regular Term) and (ii) the Loan (Hard Term) provided for in the Loan Agreement.

(b) Section 2.01(17) is deleted and the following is substituted therefor:

"Loan Account" means:

(a) in relation to the Loan (Regular Term) provided for in the Loan Agreement, the account opened or to be opened by ADB on its books in the name of the Borrower to which the amount of the Loan (Regular Term) has been or will be credited; and

(b) in relation to the Loan (Hard Term) provided for in the Loan Agreement, the account opened or to be opened by ADB on its

books in the name of the Borrower to which the amount of the Loan (Hard Term) has been or will be credited.

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 (Hard Term) as described in paragraphs 2(b) to 2(d) of Schedule 1 to this Loan Agreement;

(c) "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

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

(e) "Financial Year" means the period of 12 months commencing on 1 January and ending on 31 December;

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

(g) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

(i) "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;

(j) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(k) "Loan (Hard Term)" means the loan described in Section 2.01(b) of this Loan Agreement;

(l) "Loan (Regular Term)" means the loan described in Section 2.01(a) of this Loan Agreement;

(m) "Loans" means the Loan (Regular Term) and the Loan (Hard Term);

- (n) "O&M" means operation and maintenance;
- (o) "PAM" means the project administration manual for the Project dated 8 October 2013 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;
- (p) "PMU" means the project management unit for the Project described in the PAM;
- (q) "Procurement Guidelines" means ADB's Procurement Guidelines (2013, as amended from time to time);
- (r) "Procurement Plan" means the procurement plan for the Project dated 8 October 2013 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;
- (s) "Project facilities" means the power plant, including transmission system and support facilities, to be constructed under the Project;
- (t) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);
- (u) "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, including any corrective and preventative actions;
- (v) "Subsidiary Loan Agreement" means the Agreement between the Borrower and Uzbekenergo referred to in Section 3.01 of this Loan Agreement;
- (w) "UFRD" means the Fund for Reconstruction and Development of the Republic of Uzbekistan established pursuant to Decree УП – 3751 of the President of the Republic of Uzbekistan dated 11 May 2006 and entitled "On the Establishment of a Fund for Reconstruction and Development of the Republic of Uzbekistan"; and
- (x) "Works" means construction or civil works to be financed out of the proceeds of the Loan (Regular Term), 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 Loans

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources, on terms and conditions set forth in this Loan Agreement:

- (a) an amount in various currencies equivalent to sixty five million eight hundred twenty two thousand Special Drawing Rights (SDR 65,822,000) ("Loan (Regular Term)"); and
- (b) an amount in various currencies equivalent to five million seven hundred ninety four thousand Special Drawing Rights (SDR 5,794,000) ("Loan (Hard Term)").

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 (Regular Term) withdrawn from the Loan Account and outstanding from time to time.

(b) 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 (Hard Term) withdrawn from the Loan Account and outstanding from time to time.

(c) The term "grace period" as used in subsections (a) and (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedules set forth in Schedule 2A and Schedule 2B to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loans shall be payable semiannually on 15 April and 15 October in each year.

Section 2.04. The Borrower shall repay (a) the principal amount of the Loan (Regular Term) withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2A to this Loan Agreement; and (b) the principal amount of the Loan (Hard Term) withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2B to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loans 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 Dollar.

ARTICLE III

Use of Proceeds of the Loans

Section 3.01. (a) The Borrower shall relend the proceeds of the Loans to Uzbekenergo under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as ADB shall otherwise agree, the terms for relending the proceeds of the Loans shall include interest at the rate applicable to the Loans from time to time plus an additional 0.2% to 0.5% per annum and a repayment period identical to the repayment period of the Loans.

(b) The Borrower shall cause the proceeds of the Loans 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 Loans 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 Loans 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 Loans to be used exclusively in the carrying out of the Project.

Section 3.05. Withdrawals from the Loan Account for Loan (Regular Term) in respect of Goods and Works, and withdrawals from the Loan Account for Loan (Hard Term) in respect of 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 30 September 2019 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 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 4.05. (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 Loans.

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

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Accounts for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower or Uzbekenergo shall have failed to perform any of its obligations under the Subsidiary Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. 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 VII**Delegation of Authority**

Section 7.01. The Borrower hereby designates Uzbekenergo as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.05 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by Uzbekenergo pursuant to the authority conferred under Section 7.01 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 7.03. The authority conferred on Uzbekenergo under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VIII**Miscellaneous**

Section 8.01. 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 8.02. 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) 244-5643
(998-71) 239-1259

For ADB

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

Facsimile Numbers:

(632) 636-2444

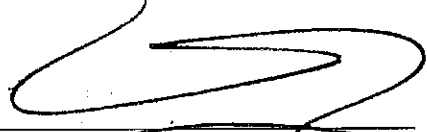
(632) 636-2407

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 
TAKEHIKO NAKAO
President

SCHEDULE 1**Description of the Project**

1. The objective of the Project is increased renewable energy generation in the territory of the Borrower.
2. The Project shall comprise:
 - (a) constructing a 100 megawatt photovoltaic power plant, including transmission system and support facilities;
 - (b) developing the capacity of Uzbekenergo for procurement, financial management, technical and other management, and administration of the design, construction, operation and maintenance of on-grid solar power plants;
 - (c) developing the capacity of solar institutes, scientific research institutes, design institutes, financial, regulatory and technical government agencies, advanced technology manufacturing industries, and academic institutions for solar energy; and
 - (d) providing Project management support for the PMU.
3. The Project is expected to be completed by 31 March 2019.

SCHEDULE 2A

**Amortization Schedule – Loan (Regular Term)
(Samarkand Solar Power Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 April 2019	1,645,600
15 October 2019	1,645,600
15 April 2020	1,645,600
15 October 2020	1,645,600
15 April 2021	1,645,600
15 October 2021	1,645,600
15 April 2022	1,645,600
15 October 2022	1,645,600
15 April 2023	1,645,600
15 October 2023	1,645,600
15 April 2024	1,645,600
15 October 2024	1,645,600
15 April 2025	1,645,600
15 October 2025	1,645,600
15 April 2026	1,645,600
15 October 2026	1,645,600
15 April 2027	1,645,600
15 October 2027	1,645,600
15 April 2028	1,645,600
15 October 2028	1,645,600
15 April 2029	1,645,600
15 October 2029	1,645,600
15 April 2030	1,645,600
15 October 2030	1,645,600
15 April 2031	1,645,600
15 October 2031	1,645,600
15 April 2032	1,645,600
15 October 2032	1,645,600
15 April 2033	1,645,600
15 October 2033	1,645,600
15 April 2034	1,645,600
15 October 2034	1,645,600
15 April 2035	1,645,600
15 October 2035	1,645,600
15 April 2036	1,645,600
15 October 2036	1,645,600
15 April 2037	1,645,600
15 October 2037	1,645,600
15 April 2038	1,645,600

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 October 2038	1,643,600
Total	65,822,000

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

SCHEDULE 2B

Amortization Schedule – Loan (Hard Term)

(Samarkand Solar Power Project)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 April 2019	144,900
15 October 2019	144,900
15 April 2020	144,900
15 October 2020	144,900
15 April 2021	144,900
15 October 2021	144,900
15 April 2022	144,900
15 October 2022	144,900
15 April 2023	144,900
15 October 2023	144,900
15 April 2024	144,900
15 October 2024	144,900
15 April 2025	144,900
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15 October 2033	144,900
15 April 2034	144,900
15 October 2034	144,900
15 April 2035	144,900
15 October 2035	144,900
15 April 2036	144,900
15 October 2036	144,900
15 April 2037	144,900
15 October 2037	144,900
15 April 2038	144,900

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 October 2038	142,900
Total	5,794,000

* 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 tables attached to this Schedule (each a "Table" and together the "Tables") set forth the Categories of items of expenditure to be financed out of the proceeds of the Loans. Table 1 sets forth the allocation of the proceeds of the Loan (Regular Term) to each such Category. Table 2 sets forth the allocation of the proceeds of the Loan (Hard Term) to each such Category. (Reference to "Category" in this Schedule is to a Category of Table 1 and Table 2 respectively.)

Basis for Withdrawal from the Loan Accounts

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

Reallocation

3. Notwithstanding the allocation of the proceeds of the Loans and the withdrawal percentages set forth in the Tables,

(a) if the amount of the Loan (Regular Term) or Loan (Hard Term) allocated to any Category of Table 1, in the case of the Loan (Regular Term), or Table 2, in the case of the Loan (Hard Term), 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 (Regular Term) or Loan (Hard Term), as the case may be, which have been allocated to another Category of Table 1 or Table 2, as the case may be, 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 of Table 1 or Table 2, as the case may be, may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan (Regular Term) or Loan (Hard Term) allocated to any Category of Table 1, in the case of the Loan (Regular Term), or Table 2, in the case of the Loan (Hard Term), appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category of Table 1 or Table 2, as the case may be.

Disbursement Procedures

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

Condition for Withdrawals from Loan Accounts

5. Notwithstanding any other provision of this Loan Agreement:

- (a) no withdrawals shall be made from the Loan Accounts until the Subsidiary Loan Agreement shall have been signed and become effective in accordance with its terms; and
- (b) no withdrawals shall be made from the Loan Account for Loan (Regular Term) 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, all for the purposes of the Project and in form and substance satisfactory to ADB, shall have been signed and become effective in accordance with their terms.

TABLE 1

ALLOCATION AND WITHDRAWAL OF LOAN (REGULAR TERM) PROCEEDS (Samarkand Solar Power Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Turnkey contract**	58,595,000	45% of total expenditure claimed*
2	Unallocated	7,227,000	
	Total	65,822,000	

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

** Subject to the condition for withdrawal described in paragraph 5(b) of Schedule 3.

TABLE 2

ALLOCATION AND WITHDRAWAL OF LOAN (HARD TERM) PROCEEDS (Samarkand Solar Power Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Consulting Services	4,557,000	100% of total expenditure claimed*
2	Unallocated	1,237,000	
	Total	5,794,000	

* 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.
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.

Conditions for Award of Contract

5. The Borrower shall not award any Works contracts which involves environmental impacts until:
 - (a) Gosekoexpertisa under the Samarkand Province Nature Protection Committee has granted the final approval of the IEE; and
 - (b) the Borrower has incorporated the relevant provisions from the EMP into the Works contract.
6. 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.
7. The Borrower may award a contract for Works involving involuntary resettlement impacts prior to the final LARP having been submitted and cleared by ADB provided that the contract:
 - (a) is of a "design and build" or "turnkey" type under which the design must be completed for the Project before the LARP is finalized; and
 - (b) expressly provides that the installation and construction phase (and commencement thereof) is strictly conditional upon: (i) the final LARP based on the Project's detailed design having been submitted to, and cleared by, ADB; and (ii) the Borrower having notified the contractor and ADB in writing that due consultation, compensation payments and

other entitlements have been provided to affected people fully in accordance with the LARP.

Consulting Services

8. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

Industrial or Intellectual Property Rights

9. (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.

10. 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

11. 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.

12. 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).

13. 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.

14. 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 cause Uzbekenergo to adequately staff and equip the project management unit in accordance with the PAM and ensure that it is fully functioning until the completion of the Project.
3. The Borrower shall ensure (a) that registration of the turnkey contract, transmission supply contract, and consulting services contract 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.

Operational Covenants

4. 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. The Borrower shall cause Uzbekenergo to operate and maintain, and continue to operate and maintain, the Project facilities in accordance with an O&M framework that is satisfactory to ADB.
5. The Borrower shall cause Uzbekenergo to do the following:
 - (a) acquire all rights necessary to use the parcels of land constituting the Project site at least 30 days prior to the issuance of the invitation to bid for the turnkey contract;
 - (b) install or otherwise secure road access sufficient for the purposes of the Project at least 60 days prior to the award of the turnkey contract;
 - (c) construct or otherwise install perimeter protection sufficient for the purposes of the Project at least 30 days prior to the award of the turnkey contract; and

- (d) install or otherwise secure water and telecommunications services sufficient for the purposes of the Project no later than 30 days after the award of the turnkey contract.

6. The Borrower shall cause Uzbekenergo to ensure, in accordance with the applicable normative-legal acts, laws and regulations of the Borrower, that the Project has access to the transmission and distribution grids, and that it sells all of the power generated by it, until the termination of this Loan Agreement. The Borrower shall cause Uzbekenergo to secure access to the transmission and distribution grids at least 120 days prior to the commissioning of the photovoltaic power plant.

7. The Borrower shall ensure that electricity tariffs are adjusted, in a timely manner and in accordance with the applicable normative-legal acts, laws and regulations of the Borrower, 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 pooled tariffs secured by Uzbekenergo under the applicable regulations of the Borrower, taking into account the weighted average cost of generation of Uzbekenergo, are sufficient to meet the financial obligations of Uzbekenergo, including debt service, O&M costs, and the financial covenants set out in this Loan Agreement. The Borrower shall ensure that Uzbekenergo applies for tariff adjustment in a timely manner.

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

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

10. 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 the ownership of any asset, facility or structure financed under the Project; (b) any sale, transfer, or assignment of interest or control in any asset, facility or structure financed under the Project; or (c) any lease or other contract or modification of the functions and authority of Uzbekenergo over the O&M of any such asset, facility or structure financed under the Project. The Borrower shall cause Uzbekenergo to ensure that any such changes are carried out in a legal and transparent manner.

Financial Covenants

11. Except as ADB may otherwise agree, the Borrower shall cause Uzbekenergo to ensure that, for the Financial Year commencing 1 January 2016, and for each Financial Year thereafter 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 of Uzbekenergo for the same period on all debt. For the purposes of this paragraph:

- (a) the term "debt" means any indebtedness of Uzbekenergo maturing by its terms more than 1 year after the date on which it was originally incurred;
- (b) the term "debt service requirements" means the aggregate amount of all repayments (including sinking fund payments, lease payments under finance leases, if any) whether or not actually paid, and interest and other charges on debt; interest charges which are incurred in financing capital expenditure during development are excluded if they are capitalized; and
- (c) the term "free cash flows" means the difference between (i) the sum of revenues from all sources related to operations, after making adequate provision for uncollectible debt and net non-operating income; and (ii) the sum of all expenses related to operations including administration, maintenance, current taxes and payments in lieu of taxes (but excluding provision for depreciation, other non-cash expenses, and deferred taxes), movements in working capital other than cash.

12. Except as ADB may otherwise agree, the Borrower shall cause Uzbekenergo to generate, for the Financial Year commencing 1 January 2016, and for each Financial Year thereafter 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. For the purposes of this paragraph:

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

- (d) the term "current liabilities" means all liabilities which will become due and payable within the next 12 months, or could be called for payment within the next 12 months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and declared dividends;
- (e) the term "net non-operating income" means the difference between (i) revenues from all other sources other than those related to operations, after making adequate provisions for uncollectible debt; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues referred to in sub-paragraph (i) of this paragraph (e);
- (f) the term "operations" means all the businesses of Uzbekenergo without any limitations; and
- (g) the term "working capital other than cash" means the difference between current assets excluding cash and current liabilities as at the end of each Financial Year.

Financial Reporting Covenants

13. The Borrower shall cause Uzbekenergo to comply with the national accounting standards requiring the consolidation of Uzbekenergo's financial statements within 1 year from the Effective Date.

Environment

14. 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, any corrective or preventative actions set forth in a Safeguards Monitoring Report. Upon the completion of the detailed design for the Project, the Borrower shall cause Uzbekenergo to update the IEE and submit it to ADB for clearance.

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

Land Acquisition and Involuntary Resettlement

16. The Borrower shall ensure and cause Uzbekenergo 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. Upon the completion of the detailed design for the Project, the Borrower shall cause Uzbekenergo to update the LARP and submit it to ADB for clearance.

17. Without limiting the application of the Involuntary Resettlement Safeguards or the LARP, 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 LARP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the LARP.

Indigenous Peoples

18. The Borrower shall ensure and cause Uzbekenergo to ensure that the Project does not have any indigenous peoples impact within the meaning of the SPS. In the event that the Project does have any such impact, 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 SPS.

Human and Financial Resources to Implement Safeguards Requirements

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

Safeguards – Related Provisions in Bidding Documents and Works Contracts

20. The Borrower shall ensure or cause Uzbekenergo 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 Uzbekenergo with a written notice of any unanticipated environmental or resettlement risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the LARP;

- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

21. 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 LARP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
 - (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP and the LARP promptly after becoming aware of the breach.

Prohibited List of Investments

22. The Borrower shall ensure that no proceeds of the Loans are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Health and Labor Standards

23. 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) abstain from child labor and any other forms of forced labor; and (g) do not restrict freedom of association of its employees. Relevant contracts financed under the Project must include specific clauses on these undertakings.

Gender and Development

24. The Borrower shall ensure and cause Uzbekenergo to ensure that the principles of gender equity consistent with ADB's Policy on Gender and Development are followed during implementation of the Project, including (a) equal pay to men and women for work of equal value; (b) enabling working conditions for women workers; and (c) taking

necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities. The Borrower, in coordination with the appropriate agencies, shall ensure the effective implementation of measures aimed at increasing Project benefits and impacts on women in and around the Project area. The Borrower shall also cause Uzbekenergo to ensure that gender targets are reflected in the Project progress reports and Project completion report.

Counterpart Obligations

25. The Borrower shall ensure that all counterpart funding required for purposes of the timely and successful implementation of the Project, including that of Uzbekenergo and UFRD, is promptly provided.

26. Within 2 months of the Effective Date, the Borrower shall adopt a road map for the introduction, development and promotion of solar energy in the territory of the Borrower, including the creation of an enabling environment and a phased plan for the development of solar energy.

Governance and Corruption

27. The Borrower shall and shall cause Uzbekenergo to (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.

28. The Borrower shall ensure and cause Uzbekenergo to 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.

29. 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.