
LOAN NUMBER 3457-UZB(SF)

LOAN AGREEMENT
(Special Operations)

(Tashkent Province Water Supply Development Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 3 March 2017

UZB 46135

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 3 March 2017 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 UCSA and TPS and, for this purpose, the Borrower will make available to TPS 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, UCSA and TPS;

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(25) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement between ADB, UCSA and TPS, as such agreement may be amended from time to time; and such term includes all agreements supplementary to the Project Agreement and all schedules to the Project Agreement.

(b) The term "Project Executing Agency" appearing in Sections 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by the phrase "UCSA and TPS, both individually and collectively".

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 paragraph 3 of Schedule 1 to this Loan Agreement;

(c) "EMP" or "Environmental Management Plan" 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 from 1 January to 31 December;

(f) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Borrower and ADB;

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

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

(j) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(k) "PAM" means the project administration manual for the Project dated 13 September 2016 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;

(l) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(m) "Procurement Plan" means the procurement plan for the Project dated 13 September 2016 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;

(n) "Project facilities" means the facilities to be constructed, rehabilitated, installed or provided under the Project;

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

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

(q) "SPS" or "Safeguard Policy Statement" means ADB's Safeguard Policy Statement (2009);

(r) "Subsidiary Loan Agreement" means the agreement between the Borrower, TPS, UCSA and Tashkent Province "Hokimiyat" pursuant to which the Borrower shall relend the proceeds of the Loan to TPS as referred to in Section 3.01(a) of this Loan Agreement;

(s) "TPS" means Tashkent Province State Unitary Enterprise "Suvoqova" established in accordance with the Civil Code of the Republic of Uzbekistan and the Provision approved on the basis of Resolution No. 215 of the Cabinet of Ministers "On State Enterprises" dated 16 October 2006 and Resolution No. 306 of the Cabinet of Ministers "On Measures to Implement the Main Direction of Development of the Organizations of Water Supply and Sanitation" dated 30 October 2015, or any successor thereto acceptable to ADB;

(t) "UCSA" means 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, or any successor thereto acceptable to ADB; and

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

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to eighty six million five hundred thirty seven thousand Special Drawing Rights (SDR 86,537,000).

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 May and 15 November 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 proceeds of the Loan to TPS 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 Loan shall include interest at the rate applicable from time to time to the Loan (inclusive of foreign exchange risk) and a term of 25 years including a grace period of 5 years.

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

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

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

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 30 April 2023 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.

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 14 days of the date of ADB's confirmation of their acceptability 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 and TPS to perform their 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

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 Account for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower or TPS 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. 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, and the project's implementation arrangements; 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, TPS, UCSA and Tashkent Province "Hokimiyat" 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 6.02. 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, TPS, UCSA and Tashkent Province "Hokimiyat" and is legally binding upon such parties in accordance with its terms subject only to the effectiveness of this Loan Agreement.

Section 6.03. 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 VII

Delegation of Authority

Section 7.01. The Borrower hereby designates UCSA and TPS 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 3.06 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 UCSA and TPS 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 UCSA and TPS 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

Facsimile Numbers:

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

For ADB

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

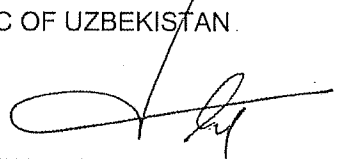
Facsimile Numbers:

(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.

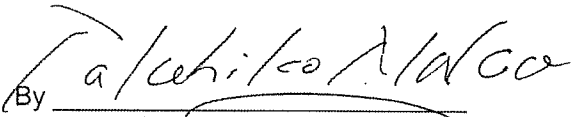
REPUBLIC OF UZBEKISTAN

By


BATIR KHODJAEV
Minister of Finance

ASIAN DEVELOPMENT BANK

By


TAKEHIKO NAKAO
President

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve access to reliable, sustainable and affordable water supply services in the Zangiota and Kibray districts of Tashkent province.
2. The Project shall comprise:
 - (a) the construction of a potable water treatment plant producing approximately 105,000 cubic meters of water daily; construction of approximately 58.3 kilometers of water transmission mains; construction of 8 new pumping station mains and rehabilitation of 9 pumping station mains; construction and/or installation of approximately 27.2 kilometers of distribution main pipes, approximately 337.8 kilometers of distribution pipeworks and approximately 49,256 household water supply connections, all in the Kadirya regional water supply system; and
 - (b) support for the financial, operational and system management of TPS, including the provision of training for technical and financial management, assistance with the establishment of customer care units at the Zangiota and Kibray district branches, installation of household water meters in the Zangiota and Kibray districts, and implementation of a computerized financial management system.
3. The Project shall include the provision of consulting services for Project management, detailed design, auditing, capacity building and training.
4. The Project is expected to be completed by 31 October 2022.

SCHEDULE 2

Amortization Schedule

(Tashkent Province Water Supply Development Project)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 November 2021	2,163,425.00
15 May 2022	2,163,425.00
15 November 2022	2,163,425.00
15 May 2023	2,163,425.00
15 November 2023	2,163,425.00
15 May 2024	2,163,425.00
15 November 2024	2,163,425.00
15 May 2025	2,163,425.00
15 November 2025	2,163,425.00
15 May 2026	2,163,425.00
15 November 2026	2,163,425.00
15 May 2027	2,163,425.00
15 November 2027	2,163,425.00
15 May 2028	2,163,425.00
15 November 2028	2,163,425.00
15 May 2029	2,163,425.00
15 November 2029	2,163,425.00
15 May 2030	2,163,425.00
15 November 2030	2,163,425.00
15 May 2031	2,163,425.00
15 November 2031	2,163,425.00
15 May 2032	2,163,425.00
15 November 2032	2,163,425.00
15 May 2033	2,163,425.00
15 November 2033	2,163,425.00
15 May 2034	2,163,425.00
15 November 2034	2,163,425.00
15 May 2035	2,163,425.00
15 November 2035	2,163,425.00
15 May 2036	2,163,425.00
15 November 2036	2,163,425.00
15 May 2037	2,163,425.00
15 November 2037	2,163,425.00
15 May 2038	2,163,425.00
15 November 2038	2,163,425.00
15 May 2039	2,163,425.00
15 November 2039	2,163,425.00
15 May 2040	2,163,425.00
15 November 2040	2,163,425.00

Schedule 2

15 May 2041

2,163,425.00

TOTAL**86,537,000.00**

* 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.

Retroactive Financing

6. Withdrawals from the Loan Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12

months before the date of this Loan Agreement, in connection with the Consulting Services for Project management and detailed design, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Tashkent Province Water Supply Development Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Civil Works and Goods	73,284,000	100% of total expenditure claimed*
2	Training, Detailed Design, Capacity Development and Studies	1,378,000	100% of total expenditure claimed*
3	Consulting Services	2,033,000	100% of total expenditure claimed*
4	Resettlement Costs	676,000	100% of total expenditure claimed*
5	Recurrent Costs (Including salaries of staff in the project coordination unit of UCSA who are dedicated to supporting the Project; withholding taxes on such salaries; Unified Social Payments assessed on such salaries under the Borrower's applicable law)	549,000	100% of total expenditure claimed*
6	Interest Charge	2,861,000	100% of amounts due
7	Unallocated	5,756,000	
	Total	86,537,000	

* 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. 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 the Borrower, are processed promptly and without delay.

2. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the procurement methods and the selection methods or the threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

3. The 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

4. Goods and Works shall be procured on the basis of the procurement methods set forth below:

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

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.

7. Subject to paragraph 8 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 RP based on the Project's detailed design; obtained ADB's clearance of such RP; and paid to affected persons all compensation required under the RP.

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

- (a) is of a "design and build" or "turnkey" type under which the design must be completed before the RP is finalized; and
- (b) expressly provides that the installation and construction phase (and commencement thereof) is strictly conditional upon: (i) the final RP based on the 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 RP.

Consulting Services

9. Except as set forth in the paragraph below, the Borrower shall apply Quality- and Cost-Based Selection for Consulting Services.

10. The Borrower shall apply the following selection methods for the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

- (a) Least-Cost Selection for the Consulting Services for auditing; and
- (b) Consultants' Qualifications Selection for the Consulting Services for gender awareness and hygiene promotion trainings.

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) 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).

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; Financial Matters

Implementation Arrangements

1. The Borrower, UCSA and TPS shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM, including, in particular, the detailed arrangements and requirements relating to the Project organization structure. 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. In general, the Borrower shall cause UCSA and TPS to ensure that the project coordination unit in UCSA and the strategic development department in TPS are adequately staffed, equipped and resourced for the purpose of implementing the Project. The Borrower shall, and shall cause UCSA and TPS to, (i) timely, fully and satisfactorily implement and complete the capacity development components of the Project and (ii) ensure that all of the staff of the project coordination unit in UCSA and the strategic development department in TPS who are involved in the implementation of the Project will duly attend and fully participate in all of the training that will be provided under the capacity development components of the project.

Environment

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

Land Acquisition and Involuntary Resettlement

4. The Borrower shall cause UCSA and Tashkent Province "Hokimiyat" 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 RP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.
5. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Borrower shall 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 RP; and

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

Indigenous Peoples

6. The Borrower shall cause UCSA and TPS 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 UCSA and TPS 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

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

Safeguards – Related Provisions in Bidding Documents and Works Contracts

8. The Borrower shall 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 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 the Borrower 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.

Safeguards Monitoring and Reporting

9. The Borrower shall do the following or cause UCSA 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.

Prohibited List of Investments

10. The Borrower shall cause UCSA and TPS 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

11. The Borrower shall cause UCSA and TPS to ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall include and cause UCSA to include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor 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 as permitted under the Borrower's applicable laws; 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.

12. The Borrower shall strictly monitor and cause UCSA to strictly monitor compliance with the requirements set forth in paragraph 11 above and provide ADB with regular reports.

Gender and Development

13. The Borrower shall cause UCSA and TPS to ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include but are not limited to: (i) at least 30% of the participants in Project-supported training programs are female; (ii) at least 30% of new laboratory staff, and at least 30% of customer care workers, in the Zangiota and Kibray district branches of TPS are female; (iii) at least 30% of the participants in hygiene and sanitation education programs are female; and (iv) monitoring and evaluation data are disaggregated by sex.

Counterpart Support

14. The Borrower shall make available adequate counterpart support in the form of the Project's exemption from taxes within the territory of the Borrower, for the successful implementation of the Project. In addition, the Borrower shall ensure that UCSA and TPS have sufficient funds to satisfy all liabilities arising from any Goods, Works or Consulting Services contract under the Project.

15. The Borrower shall ensure that, during the implementation of the Project and for each year thereafter during the term of this Loan Agreement, TPS has all of the necessary financial resources to adequately operate and maintain its assets; service its debts, including the proceeds of the Loan onlent to TPS by the Borrower; and meet all capital depreciation costs.

Accounts Receivable and Collection Efficiency

16. Except as ADB may otherwise agree, the Borrower shall cause TPS to do the following in relation to TPS' operations: for the Financial Year commencing 1 January 2018, maintain accounts receivables not exceeding the previous 90 days invoicing amounts.

17. Except as ADB may otherwise agree, the Borrower shall cause TPS to ensure the following in relation to its operations:

- (a) for the Financial Year commencing 1 January 2018, TPS' collections against billing for the current Financial Year will not be less than 90%; and
- (b) for the Financial Year commencing 1 January 2019 and for all subsequent Financial Years during the term of this Loan Agreement, TPS' collections against billing for the current Financial Year will not be less than 95%.

Debt Service Coverage

18. Except as ADB may otherwise agree, the Borrower shall cause TPS to ensure that, for the Financial Year commencing 1 January 2018 and for each Financial Year thereafter during the term of this Loan Agreement, the free cash flows of TPS for the current Financial Year shall be at least 1.2 times the debt service requirements of TPS for the same period on all debt; provided that, if TPS incurs additional debt such that its debt service changes substantially compared to its projected debt service as at the date of this Loan Agreement, then the Borrower, TPS and ADB shall discuss whether any change is required to the debt service coverage ratio prescribed by this paragraph and, if necessary, they shall agree on the change and the resulting new debt service coverage ratio. For the purposes of this paragraph:

- (a) the term "free cash flows" means the difference between: (i) the sum of revenues from all sources related to operations, after making adequate provisions for uncollectible debts, adjusted to take account of TPS' rates, dues or other such receivables accrued at the time of

the incurrence of 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 current taxes (but excluding provision for depreciation, other non-cash operating charges, and deferred taxes), movements in working capital other than cash;

- (b) the term "net non-operating income" means the difference between (i) revenues from all sources other than those related to operations, after making adequate provisions for uncollectible debts; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (i) hereinabove;
- (c) the term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each Financial Year;
- (d) the term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within 12 months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next Financial Year;
- (e) the term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within 12 months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends;
- (f) the term "debt" means any indebtedness of TPS maturing by its terms more than 1 year after the date on which it is originally incurred;
- (g) debt shall be deemed to be incurred: (i) under a loan contract or agreement, or conditional sale or transfer or financing lease agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date of such contract, agreement or instrument; and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into; financial liabilities incurred by TPS who is a lessee under finance leasing agreements may also be included as debt; and
- (h) the term "debt service requirements" means the aggregate amount of all repayments (including sinking fund payments, and 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 expenditures during development are excluded, if such charges are capitalized;

Operating Ratio

19. Except as ADB may otherwise agree, the Borrower shall cause TPS to ensure that, for the Financial Year commencing 1 January 2018 and for each Financial Year thereafter during the term of this Loan Agreement, the ratio of TPS' operational cash revenue to its operational cash expenditure is at least 1. For the purposes of this paragraph:

- (a) the term "operational cash revenue" means the sum of revenues from all sources related to operations, after making adequate provisions for uncollectible debts, adjusted to take account of TPS' rates, dues or other such receivables accrued at the time of the incurrence of debt, and net non-operating income (as defined in paragraph 18(b) above); and
- (b) the term "operational cash expenditure" means the sum of all expenses related to operations including administration, maintenance, current taxes and payments in lieu of current taxes (but excluding provision for depreciation, other non-cash operating charges, and deferred taxes).

Current Ratio

20. The Borrower shall cause TPS to maintain a current ratio, which shall be a ratio of current assets to current liabilities, of not less than 1 during the term of this Loan Agreement commencing with the Financial Year ending 31 December 2019. For the purposes of this paragraph, the term "current liabilities" shall be as defined in paragraph 18(e) above. The term "current assets" shall mean all assets other than cash which could, in the ordinary course of business, be converted into cash within 12 months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next Financial Year, as well as cash and cash equivalents.

21. Whenever, for the purposes of this Loan Agreement, it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the official rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to ADB.

Operational Covenants

22. The Borrower shall cause TPS to prepare in consultation with UCSA:

- (a) an operation and maintenance manual, for the Project facilities, by no later than the Project completion date;
- (b) an operation and maintenance plan, covering all of the water supply network of Tashkent province and providing for effective utilization of assets and achievement of the response times, productivity, safety and

asset availability required by the applicable laws, regulations and standards of the Borrower, by no later than 31 August 2018; and

- (c) a financial management training plan and financial management manual, for the staff of TPS and in form and substance acceptable to ADB, by no later than 31 August 2017.

23. The Borrower shall cause TPS to produce financial parameters and operational parameters, including subsidy levels, non-revenue water levels and such other financial and operational parameters as are referenced in (or subsumed under) the obligations of the Borrower and TPS in paragraphs 16 to 21 above or otherwise agreed between the Borrower and ADB, for each 6 month period from 1 January to 30 June and from 1 July to 31 December during the term of this Loan Agreement commencing with the 6 month period beginning 1 January 2018. The Borrower shall cause TPS to submit the financial and operational parameters to ADB by no later than:

- (a) 31 July, for financial and operational parameters for the period from 1 January to 30 June; and
- (b) 31 January, for financial and operational parameters for the period from 1 July to 31 December.

Should any submission indicate that TPS may not be able to comply with its obligations under this Loan Agreement, the Borrower shall cause TPS to promptly meet and discuss with ADB such actions as may be necessary or appropriate to return TPS to compliance with its obligations.

24. (a) 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.

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

Governance and Corruption

25. The Borrower, UCSA and TPS 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, UCSA and TPS 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 cause UCSA and TPS to ensure that the Project is carried out in compliance with all applicable laws and regulations of the Borrower relating to anticorruption, and that all staff of UCSA and TPS participating directly or indirectly in the implementation of the Project will fully and timely attend and participate in all training for the anticorruption laws and regulations of Uzbekistan and the Anticorruption Policy of ADB to be provided in connection with the Project.

28. The Borrower shall cause UCSA and TPS to maintain and update their websites with information on the Project, including, among other things, information on water tariff review procedures, results of annual reviews and adjustments, collection efficiency, details on adopted bidding procedures, amounts of contract awards, and lists of goods and services procured and their intended and actual utilization. The Borrower shall cause UCSA and TPS to disclose on their websites the annual audited financial statements for the Project.