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LOAN NUMBER 2775-UZB

LOAN AGREEMENT  
(Ordinary Operations)

(Housing for Integrated Rural Development Investment Program – Project 1)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 16 FEBRUARY 2012

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UZB 44318

## **LOAN AGREEMENT (Ordinary Operations)**

LOAN AGREEMENT dated 16 February 2012 between REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

### WHEREAS

(A) by a framework financing agreement dated 29 July 2011 between the Borrower and ADB ("FFA"), ADB has agreed to provide a multitranche financing facility to the Borrower for the purpose of financing projects under the Housing for Integrated Rural Development Investment Program ("Investment Program");

(B) by a periodic financing request dated 29 July 2011 submitted by the Borrower ("PFR"), the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out by Open Joint Stock Commercial Bank "Qishloq Qurilish Bank" ("QQB") (for Part 1 of the Project) and the Ministry of Economy of the Borrower ("MOE") (for Part 2 of the Project), and for this purpose the Borrower will make available to QQB and MOE the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement between ADB and QQB;

NOW THEREFORE the parties hereto agree as follows:

## **ARTICLE I**

### **Loan Regulations; Definitions**

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

(a) Section 2.01(50) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement between ADB and QQB.

(b) The term "Project Executing Agency" appearing in Section 7.04(b), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by the term "QQB".

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

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

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

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

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

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

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

(a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding

Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

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

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

(a) "CBU" means the central bank of the Borrower or any successor thereto;

(b) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

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

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

(e) "ESMS" means an environmental and social management system for the Project, including any update thereto, prepared and submitted by QQB and cleared by ADB;

(f) "FAM" means the facility administration manual for the Investment Program dated 29 July 2011 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;

(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) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2007, as amended from time to time);

(i) “MOF” means the Ministry of Finance of the Borrower or any successor thereto;

(j) “Part” means each of Part 1 and Part 2 of the Project as further described in paragraph 2 of Schedule 1 to this Loan Agreement;

(k) “Procurement Guidelines” means ADB’s Procurement Guidelines (2010, as amended from time to time);

(l) “Procurement Plan” means the procurement plan for the Project dated 29 July 2011 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;

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

(n) “QQB” means the Open Joint Stock Commercial Bank “Qishloq Qurilish Bank” which is established under the laws and regulations of the Borrower and has its registered address at 36 Shahrizabz Street, Tashkent 100060, Republic of Uzbekistan;

(o) “QQI” means Qishloq Qurilish Invest which is established under the laws and regulations of the Borrower and has its registered address at 53B Usman Nosir Street, Tashkent 100100, Republic of Uzbekistan;

(p) “Qualified Subborrower” means an individual which satisfies the eligibility criteria set out in paragraph 2 of Schedule 5 to this Loan Agreement;

(q) “Qualified Subproject” means a specific subproject, which satisfies the eligibility criteria set out in paragraph 3 of Schedule 5 to this Loan Agreement;

(r) “Rural Housing Scheme” means the Rural Housing Scheme for 2011 to 2015 of the Borrower;

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

(t) “Safeguards Monitoring Report” means each report prepared and submitted by QQB to ADB on QQB’s performance with regard to the ESMS, including any corrective and preventive actions;

(u) “Subloan” means a loan made, or proposed to be made, by QQB out of the proceeds of the Loan together with its own funds, in Sum equivalent, to a Qualified Subborrower for a Qualified Subproject;

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

(w) “Sum” means the currency of the Borrower; and

(x) “Works” means construction (comprising civil works and construction materials) to be financed out of the proceeds of the Loan, including services such as project related services, but excluding Consulting Services.

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred million Dollars (\$200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 15 years, and a grace period as defined in subsection (c) hereinafter.

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

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations, less a credit of 0.20% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

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

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

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

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;

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

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

### **ARTICLE III**

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

Section 3.01. (a) The Borrower shall relend a portion of the proceeds of the Loan (\$199,600,000), in Sum equivalent, to QQB under a Subsidiary Loan Agreement, upon terms and conditions satisfactory to ADB.

(b) The Borrower shall cause QQB to apply the proceeds of the Loan described in subsection (a) hereinabove to the financing of expenditures on Part 1 of the Project in accordance with this Loan Agreement and the Project Agreement.

Section 3.02. The Borrower shall make the remainder of the proceeds of the Loan (\$400,000) available to MOE upon terms and conditions satisfactory to ADB, and cause MOE to apply such proceeds to the financing of expenditures on Part 2 of the Project in accordance with the provisions of this Loan Agreement.

Section 3.03. (a) 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.

(b) Notwithstanding the generality of subsection (a) hereinabove and except as ADB may otherwise agree, the proceeds of the Loan described in Section 3.01(a) of this Loan Agreement shall be used only for making Subloans to Qualified Subborrowers for Qualified Subprojects and shall be applied exclusively for the financing of expenditures under Part 1 of the Project.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all Goods, Works and Consulting Services to be financed out of the proceeds of the Loan to be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the

Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.05. 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 3.06 The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2013 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound banking, financial and business practices.

(b) In the carrying out of the Project, the Borrower shall perform, or cause to be performed, all the obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

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

Section 4.03. In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

Section 4.04. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. The Borrower shall enable ADB's representatives to inspect any Qualified Subborrower, any Qualified Subproject, the Goods and Works, and any relevant records and documents.

Section 4.06. (a) The Borrower shall: (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this



Loan Agreement as well as on the use of the procedures for imprest account and statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to subsection (a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.

Section 4.07. In addition to the reports and information set forth in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished to ADB, all such reports and information as ADB shall reasonably request concerning: (a) the Qualified Subborrowers, the Qualified Subprojects and the Subloans; and (b) the administrative, operational and financial condition of QQB.

Section 4.08. The Borrower shall promptly take all action, including the provision of funds and other resources, which shall be necessary on its part to enable QQB 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 4.09. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

## **ARTICLE V**

### **Effectiveness**

Section 5.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations:

- (a) a Government Resolution(s) shall have been adopted to approve:
  - (i) an action plan for implementing the Housing for Integrated Rural Development Strategy of the Borrower for the period up to 2015; and
  - (ii) the establishment of a program implementation unit comprising a program manager, a financial management specialist, an institutional development specialist and a

engineer/procurement specialist within 1 month of the adoption of the Government resolution(s) described in subsection (a) hereinabove; and

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

Section 5.02. The following is specified as an additional matter, for the purposes of Section 10.02(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 or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower and QQB in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

Section 5.03. A date 45 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VI**

### **Delegation of Authority**

Section 6.01. The Borrower hereby designates QQB its agent for the purposes of taking any action or entering into any agreement required or permitted under Section 3.03 of this Loan Agreement and under Sections 6.01, 6.02 and 6.03 of the Loan Regulations for the purposes of Part 1 of the Project.

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

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

## **ARTICLE VII**

### **Miscellaneous**

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

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

For the Borrower

Ministry of Finance  
5 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) 636-2424.

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  \_\_\_\_\_  
HARUHIKO KURODA  
President

**SCHEDULE 1****Description of the Project**

1. The objective of the Investment Program is to improve housing for targeted beneficiaries in the rural communities through financing projects aimed to:
  - (a) finance housing loans provided by participating commercial banks to targeted beneficiaries for their purchase of new residential housing under the Rural Housing Scheme;
  - (b) improve capacity of local governments to prepare integrated rural development plans and investment promotion strategies; and
  - (c) improve enabling environment for rural micro and small sized enterprises.
2. As part of the Investment Program, the Project shall support:
  - (a) financing of housing loans provided by QQB to targeted beneficiaries for their purchase of new residential housing under the Rural Housing Scheme ("Part 1"); and
  - (b) capacity development of local governments, MOE, QQB and related bodies, improvement of enabling environment for rural micro and small sized enterprises, and project management support ("Part 2").
3. The Project is described more fully in the PFR.
4. The Project is expected to be completed by 30 June 2013.

## SCHEDULE 2

### Amortization Schedule

#### (Housing for Integrated Rural Development Investment Program – Project 1)

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

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 February 2015	3.333333
15 August 2015	3.333333
15 February 2016	3.333333
15 August 2016	3.333333
15 February 2017	3.333333
15 August 2017	3.333333
15 February 2018	3.333333
15 August 2018	3.333333
15 February 2019	3.333333
15 August 2019	3.333333
15 February 2020	3.333333
15 August 2020	3.333333
15 February 2021	3.333333
15 August 2021	3.333333
15 February 2022	3.333333
15 August 2022	3.333333
15 February 2023	3.333333
15 August 2023	3.333333
15 February 2024	3.333333
15 August 2024	3.333333
15 February 2025	3.333333
15 August 2025	3.333333
15 February 2026	3.333333
15 August 2026	3.333333
15 February 2027	3.333333
15 August 2027	3.333333
15 February 2028	3.333333
15 August 2028	3.333333

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 February 2029	3.333333
15 August 2029	3.333343
<b>Total</b>	<b>100.000000</b>

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

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

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

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

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

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

### SCHEDULE 3

#### Allocation and Withdrawal of Loan Proceeds

##### General

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

##### Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

##### Reallocation

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

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

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

##### Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook. For the avoidance of doubt, if any amount withdrawn from the Loan Account is determined by ADB to be in excess of or ineligible for ADB financing, the Borrower shall arrange for a refund of such amount to ADB.

##### Imprest Account and Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall establish, and cause to be established, immediately after the Effective Date: (i) two first generation imprest accounts to be separately held by MOF and MOE at CBU; and (ii) a second generation imprest account for QQB at CBU or a commercial bank acceptable to ADB (collectively, imprest accounts). The imprest accounts shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The imprest accounts shall only be used for the purposes of the Project. The currency of the first generation imprest accounts



shall be the Dollar, and the currency of the second generation imprest account shall be Sum. The aggregate amount to be deposited into the imprest accounts shall not exceed the estimated expenditure to be financed from the second generation imprest account for the next 6 months of Project implementation.

(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures, and to liquidate advances provided into the imprest accounts, in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the statement of expenditures procedure shall not exceed the equivalent of \$50,000.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b>			
<b>(Housing for Integrated Rural Development Investment Program – Project 1)</b>			
<b>CATEGORY</b>			<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b><u>Total Amount Allocated for</u> <u>ADB Financing</u> <b>(\$)</b> <b><u>Category</u></b></b>	<b>Percentage and Basis for Withdrawal from the Loan Account</b>
1	Financing of Subloans	\$199,600,000	65% of total expenditure claimed
2	Consulting Services (including project management support)	\$400,000	100% of total expenditure claimed*
	Total	\$200,000,000	

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

## **SCHEDULE 4**

### **Procurement**

#### General

1. All Goods, Works and Consulting Services shall be subject to and governed by applicable provisions of 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.

#### Procurement

3. (a) The Borrower and QQB shall ensure that procurement of Goods, Works and other items of expenditures for the Qualified Subprojects is carried out with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB.

(b) Notwithstanding the generality of subparagraph (a) hereinabove and except as ADB may otherwise agree, Works shall only be procured on the basis of national competitive bidding (unless the threshold for national competitive bidding is exceeded, in which case international competitive bidding shall be used).

(c) 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.

(d) 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 and bidding documents 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 FAM. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

#### Consulting Services

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

#### Industrial or Intellectual Property Rights

5. (a) The Borrower shall cause QQB to ensure that all Goods and Works procured for the Qualified Subprojects (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 cause QQB to ensure that all contracts entered into with respect to the Qualified Subprojects 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) hereinabove.

6. The Borrower shall cause MOE to 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

7. 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.

8. The Borrower shall seek ADB's approval before it:

- (a) grants any extension of the stipulated time for completion of a contract for Goods or Works;
- (b) agrees to any modification or waiver of the conditions of a contract for Goods or Works, including any change order that falls under (c) or (d) below;
- (c) issues any change order under a contract for Goods or Works that will in aggregate increase the original contract price (for the avoidance of doubt, such aggregate shall take into account any previous or simultaneous change order or orders under such contract); or
- (d) issues any change order under a contract for Goods or Works that will affect more than 15% of the original contract price (either through increases or decreases), even if the net effect of such change order will not in aggregate increase the original contract price. For the avoidance of doubt, such aggregate shall take into account any previous or simultaneous change order or orders under such contract.

9. ADB shall respond to each request for approval under paragraph 8 above within 7 business days (in Manila) of ADB's receipt of such request. Such response will indicate that the request is: (a) approved; (b) declined; (c) pending receipt of additional information or documentation; or (d) pending consideration by ADB's Procurement Committee, in each case as determined by ADB. If ADB fails to respond within 7 business days (in Manila) of ADB's receipt of such request, the request shall be deemed to have been approved by ADB. In the case of (c), the Borrower shall promptly provide the requested information or documentation to ADB and ADB shall respond to the relevant request within 7 business days (in Manila) upon receipt of such requested information or documentation satisfactory to ADB. In the case of (d), ADB shall notify the Borrower of the decision by the

Procurement Committee within 7 business days (in Manila) of such decision by the Procurement Committee.

10. The Borrower shall, or shall ensure that QQB:
  - (a) provides to ADB within 7 days a copy of all time extensions, modifications or waivers to the contracts (including change orders) following ADB's approval in accordance with paragraph 8 above and amendment of the contracts; and
  - (b) maintains a record of all change orders under all contracts for Goods or Works which do not require ADB's prior approval under paragraph 8 above and submit such record for ADB's review every 6 months.

## SCHEDULE 5

### Execution of Project; Financial Matters

#### Implementation Arrangements

1. The Borrower and QQB shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower, QQB and ADB. In the event of any discrepancy between the FAM and this Loan Agreement and/or the Project Agreement, the provisions of this Loan Agreement and/or the Project Agreement shall prevail.

#### Qualified Subborrowers

2. The Borrower shall cause QQB to ensure that each Qualified Subborrower shall meet and maintain the following eligibility criteria:

- (a) he/she is a citizen, and resident of a rural area, of the Borrower;
- (b) he/she agrees to use the Subloan only for the financing of his/her Qualified Subproject; and
- (c) he/she meets the middle-income, or low-income, threshold of the Rural Housing Scheme (to be defined annually as a multiple of the national minimum wage).

#### Qualified Subproject

3. The Borrower shall cause QQB to ensure that each Qualified Subproject meets the following eligibility criteria:

- (a) the Qualified Subproject is for the purchase by the Qualified Subborrower of a house under the Rural Housing Scheme; and
- (b) the Qualified Subproject shall adhere to the safeguards requirements set forth in paragraphs 8 to 12 and 15 of this Schedule.

#### Subloan

4. The Borrower shall cause QQB to ensure that each Subloan:

- (a) shall charge interest at the rate of 7% per annum and have a term of 15 years, including a grace period of 6 months; and
- (b) shall not exceed \$50,000 equivalent.

5. The Borrower shall cause QQB to ensure that for each Qualified Subproject, at least 25% of the subproject costs shall be paid by the Qualified Subborrower. The remainder of such costs shall be financed by way of a Subloan. (For the avoidance of doubt, the Subloan shall not finance any costs relating to QQI activities under the Rural Housing Scheme.) Each such Subloan approved by QQB, for which a loan agreement is entered into between QQB and a Qualified Subborrower, in 2012 shall comprise 35% of its amount from QQB's funds and 65% of the amount from the proceeds of the Loan relented by the Borrower to QQB.

6. In the event that any eligibility criteria for a Qualified Subborrower, Qualified Subproject or Subloan is not complied with, whether at the time of Subloan approval or thereafter, ADB reserves the right to exclude such Subloan from the Project.

#### Financial Covenants

7. QQB shall remain financially sound throughout the Project implementation period. Specifically, QQB shall:

- (a) maintain a capital adequacy ratio of not less than 12%. For the purpose of this subparagraph, capital adequacy ratio means the ratio of regulatory capital to risk assets, expressed as a percentage. Regulatory capital means the aggregate of equity share capital, general reserves and subordinate debt. Risk assets mean the aggregate of total assets less risk-free assets (i.e. cash in hand, with CBU and other banks, and holdings of securities issued by the Borrower and by governments of countries of the Organisation for Economic Cooperation and Development) plus off-balance sheet contingencies;
- (b) maintain a return on average assets ratio of not less than 0.5% for each of the last two completed fiscal years. For the purpose of this subparagraph, return on assets ratio means the division of net profit by the sum of the total assets at the end of the year in issue and the total assets at the end of the previous year, expressed as a percentage;
- (c) ensure that its non-performing loans (i.e. debts requiring 100% loan-loss provisioning as defined by CBU) is less than 5% of its total loan portfolio;
- (d) maintain corporate, financial and governance practices acceptable to ADB; and
- (e) maintain adequate credit and risk management policies, operating systems and procedures.

Screening, Categorization, and Environmental and Social Assessment and Planning

8. The Borrower shall, or shall cause QQB to, ensure that before any Qualified Subproject is approved for financing:

- (a) the ESMS is used to screen the Qualified Subproject from the environmental, indigenous peoples or involuntary resettlement impacts associated with such Qualified Subproject. The Borrower shall cause QQB to ensure that each Qualified Subproject is not category A or category B in terms of environmental, involuntary resettlement and/or ethnic minority or indigenous people impacts, within the meaning of the SPS;
- (b) the environmental clearance from the Nature Protection Committee of the Borrower for the rural housing site for the Qualified Subproject has been obtained; and
- (c) the rural housing site for the Qualified Subproject has been classified under the local government reserve land for non-agricultural activities since 31 December 2009 and there is no claim from any third party on this rural housing site.

Environment

9. The Borrower shall cause QQB to ensure that the preparation, design and construction of each Qualified Subproject comply with all applicable laws and regulations of the Borrower relating to environment, health and safety, the SPS, the ESMS and any corrective or preventative actions in the Safeguards Monitoring Reports.

Land Acquisition and Involuntary Resettlement

10. The Borrower shall cause QQB to ensure that all land used for each Qualified Subproject comply with paragraph 8(c) of this Schedule, all applicable laws and regulations of the Borrower, the SPS, the ESMS and any corrective or preventative actions set forth in the Safeguards Monitoring Reports.

11. The Borrower shall cause QQB to ensure that no physical or economic displacement takes place in connection with any Qualified Subproject.

Indigenous Peoples

12. The Borrower shall cause QQB to ensure that the preparation, design and construction of each Qualified Subproject does not generate any adverse impact to the ethnic minority or indigenous people within the meaning of SPS, and to comply with the ESMS and any corrective or preventative actions set forth in the Safeguards Monitoring Reports.



Human and Financial Resources to Implement Safeguards Requirements

13. The Borrower shall cause QQB to ensure that necessary financial and human resources are made available to fully implement the ESMS.

Safeguards Monitoring and Reporting

14. The Borrower shall cause QQB to:

- (a) submit annual Safeguards Monitoring Reports to ADB;
- (b) if any unanticipated environmental and/or social risks and impacts arise during Qualified Subproject implementation, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) promptly report any actual or potential breach of compliance with the measures and requirements set forth in the ESMS after becoming aware of the breach.

Prohibited List of Investments

15. The Borrower shall cause QQB to ensure that no proceeds of the Loan is used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS and as set forth in the ESMS.

Gender and Development

16. The Borrower shall ensure that: (a) the gender action plan prepared under the Investment Program is implemented in accordance with its terms; (b) adequate resources are allocated for the implementation of this plan; and (c) key gender outcome and output targets in this plan are monitored regularly and achieved.

Labor Standards

17. The Borrower shall cause QQB to include a specific provision in the bidding documents and civil works contracts to ensure that contractors: (a) comply with core labor standards, applicable laws and regulations of the Borrower and incorporate workplace occupational safety norms; (b) do not differentiate pay between men and women for work of equal value; (c) do not employ child labor in the construction and maintenance activities; (d) eliminate forced or compulsory labor; (e) eliminate employment discrimination; (f) allow for freedom of association; and (g) to the extent possible, maximize employment of local people for project construction purposes provided that the requirements for job and efficiency are adequately met. The Borrower shall cause QQB to include in the quarterly progress reports for the Project the implementation status of such matters.

18. The Borrower shall cause QQB to ensure that appropriate bodies, particularly nongovernment organizations, disseminate information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of civil works contractors engaged under the

Project and to members of the local communities surrounding the Project, particularly females.

#### Counterpart Support

19. Notwithstanding the generality of Section 4.02 of this Loan Agreement, the Borrower shall allocate in its national budget for 2012 counterpart financing for approximately 10,300 houses under the Rural Housing Scheme, and related infrastructure and social services, in 2012. Such counterpart financing of the Borrower shall be made by the end of 2011. The Borrower shall ensure that QQB makes provision for the financing of Subloans in 2012.

#### Sector Development

20. The Borrower shall complete a study on the sale of QQI's construction materials businesses/companies (comprising 12 brick companies and 1 door, window and roof factory) and on the introduction of new construction supervision agents (in addition to QQI) for the Rural Housing Scheme.

21. The Borrower shall identify at least 1 new commercial bank (in addition to QQB) for participation in the provision of subloans under similar terms and eligibility criteria in the subsequent projects of the Investment Program. Such identification shall be completed by the end of 2012. ADB shall assist the Borrower on this process of identification, including carrying out of due diligence on prospective commercial banks.

22. The Borrower shall cause QQB to ensure that the standard contracts to be used under the Rural Housing Scheme (i.e. the QQB mortgage agreements with the individual purchasers, the QQI purchase agreements with the individual purchasers and the QQI contracts with the contractors) comply with the laws and regulations of the Borrower and are satisfactory to ADB.

#### Governance and Anticorruption

23. The Borrower and QQB 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.

24. The Borrower and QQB shall ensure that anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

Combating Money Laundering and Financing of Terrorism

25. The Borrower shall ensure that QQB:
- (a) complies with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;
  - (b) formulates and implements internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
  - (c) promptly informs the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs QQB of its concern that there has been such an alleged violation, QQB shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.
26. The Borrower shall ensure that QQB comply with the requirements of United Nations Security Council Resolutions 1737, 1747, 1803 and 1929 (and any additional related resolution of the United Nations Security Council), which are mandatory requirements for the Borrower, to ensure that QQB does not have any direct or indirect dealing with entities or persons identified in these resolutions.