
LOAN NUMBER 3286-UZB

LOAN AGREEMENT
(Ordinary Operations)

(Advanced Electricity Metering Phase 4 Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 12 November 2015

UZB 41340

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated *12 November 2015* between REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

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

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and Uzbekenergo;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

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

Commitment Charge; Credit; Maturity Premium.

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

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

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB

shall add the maturity premium to the interest payable by the Borrower.

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

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

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

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

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

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in

ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

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

(a) “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 2(e) of Schedule 1 to this Loan Agreement;

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

(d) “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;

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

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

(g) “PAM” means the project administration manual for the Project dated 21 July 2015 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(h) “PMU” means the project management unit established by Uzbekenergo for the Project;

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

(j) “Procurement Plan” means the procurement plan for the Project dated 21 July 2015 and agreed between the Borrower and ADB, as updated from time to time in

accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

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

(l) “Project Regions” means the Andijan, Fergana, Kashkadarya, Namangan, and Sukhandarya regions of the Borrower;

(m) “Public Information Program” means the public information program developed in accordance with the PAM and agreed with ADB;

(n) “Subsidiary Loan Agreement” means any and all agreements entered into between the Borrower and Uzbekenergo for purposes of relending the Loan as specified in Section 3.01 of this Loan Agreement;

(o) “UFRD” means the Fund for Reconstruction and Development of the Republic of Uzbekistan established pursuant to the Decree УП – 3751 dated 11 May 2006 of the President of the Republic of Uzbekistan “On Establishing the Fund for Reconstruction and Development of the Republic of Uzbekistan”; and

(p) “Works” means construction or civil works to be financed out of the proceeds of the Loan, including 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. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of three hundred million Dollars (\$300,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

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

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

(a) LIBOR;

- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

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

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

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

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

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

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

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan to Uzbekenergo under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for relending the

proceeds of the Loan shall include interest at the rate applicable to the Loan from time to time (with Uzbekenergo bearing the foreign exchange risk) and a repayment period identical to the repayment period of the Loan.

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

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

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2021 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

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

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

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

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable Uzbekenergo to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.06. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the Subsidiary Loan Agreement shall have been duly executed and become effective in accordance with its terms.

Section 5.02. The following is specified as an additional matter, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and Uzbekenergo and is legally binding upon the Borrower and Uzbekenergo in accordance with its terms.

Section 5.03. A date 60 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Delegation of Authority

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

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

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

ARTICLE VII

Miscellaneous

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

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

For the Borrower

Ministry of Finance
5 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) 636-2471.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

REPUBLIC OF UZBEKISTAN

By 

RUSTAM AZIMOV
Minister of Finance

ASIAN DEVELOPMENT BANK

By 

TAKEO KONISHI
Country Director
Uzbekistan Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is improved electricity revenue collection in the Project Regions.
2. The Project shall comprise:
 - (a) installation of approximately 3.1 million advanced electricity meters and associated equipment for all customer categories and the electricity grid substations in the Project Regions;
 - (b) development and operationalization of the electricity billing and data management system; development of operations manual for metering, testing and billing functions;
 - (c) conducting staff training in relation to meter installation, maintenance and operation, customer database creation, management of regional data management and district service centers, including such training provided to meter controllers subject to redeployment to other functions;
 - (d) improvement of customer services for end-users through the implementation of the Public Information Program; and
 - (e) provision of technical support to the PMU in project management and implementation, including assistance in the development and implementation of the Public Information Program.
3. The Project is expected to be completed by 31 December 2020.

SCHEDULE 2**Amortization Schedule****(Advanced Electricity Metering Phase 4 Project)**

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

Payment Due	Installment Share (Expressed as a %)
15 March 2021	2.500000
15 September 2021	2.500000
15 March 2022	2.500000
15 September 2022	2.500000
15 March 2023	2.500000
15 September 2023	2.500000
15 March 2024	2.500000
15 September 2024	2.500000
15 March 2025	2.500000
15 September 2025	2.500000
15 March 2026	2.500000
15 September 2026	2.500000
15 March 2027	2.500000
15 September 2027	2.500000
15 March 2028	2.500000
15 September 2028	2.500000
15 March 2029	2.500000
15 September 2029	2.500000
15 March 2030	2.500000
15 September 2030	2.500000
15 March 2031	2.500000
15 September 2031	2.500000
15 March 2032	2.500000
15 September 2032	2.500000
15 March 2033	2.500000
15 September 2033	2.500000
15 March 2034	2.500000
15 September 2034	2.500000
15 March 2035	2.500000

Payment Due	Installment Share (Expressed as a %)
15 September 2035	2.500000
15 March 2036	2.500000
15 September 2036	2.500000
15 March 2037	2.500000
15 September 2037	2.500000
15 March 2038	2.500000
15 September 2038	2.500000
15 March 2039	2.500000
15 September 2039	2.500000
15 March 2040	2.500000
15 September 2040	2.500000
Total	100.000000

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

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

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

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

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

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

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

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

Basis for Withdrawal from the Loan Account

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

Reallocation

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

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

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

Disbursement Procedures

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

Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of 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 Consulting Services, subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for any turnkey contract until a loan agreement

between UFRD and an eligible commercial bank, and a related subsidiary loan agreement between such bank and Uzbekenergo, both for the purposes of the Project and in form and substance satisfactory to ADB, shall have been duly executed and delivered and become effective in accordance with their terms.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Advanced Electricity Metering Phase 4 Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Turnkey Contracts*	264,300,000	80.8% of total amount due **
2	Consulting Services	5,000,000	100% of total amount due **
3	Unallocated	30,700,000	
	Total	300,000,000	

* Subject to the condition for withdrawal described in paragraph 6 of Schedule 3

**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. In particular, the Borrower shall ensure that registration of such contracts, to the extent required under the laws of the Borrower, will be processed promptly without delay.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of international competitive bidding.
4. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Consulting Services

5. Except as ADB may otherwise agree and except as set forth in paragraph 6 below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.
6. The Borrower shall apply the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Least-Cost Selection for auditing services.

Industrial or Intellectual Property Rights

7. (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.

(c) 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

8. 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.

9. 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).

10. 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.

11. The Borrower shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including change orders) within 1 month following amendment of the contract.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

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

2. The Borrower shall cause Uzbekenergo to adequately staff and equip the PMU within 45 days from the date of loan signing in accordance with the PAM and to ensure that the PMU is fully functioning until the Project completion.

Operational Covenants

3. The Borrower shall cause Uzbekenergo to ensure that (i) the Project facilities are installed in accordance with design specifications and construction norms; and (ii) construction supervision, quality control and contract management are performed in accordance with best international industry practices. The Borrower shall cause Uzbekenergo to install, equip, operate, maintain and manage the Project facilities in compliance with applicable standards and best international practices.

4. The Borrower shall ensure that electricity tariffs are adjusted to enable Uzbekenergo to maintain financial sustainability covering market risks including adequate debt-service coverage including inflation, foreign exchange and interest risks. The Government shall ensure that Uzbekenergo applies for tariff adjustment in a timely manner.

5. The Borrower shall cause Uzbekenergo to develop and introduce standard operations procedures for the meter-to-cash operations under the advanced electricity metering system, meter data recording, access authority to the meter data system, and load monitoring and reporting, by 28 February 2018.

6. The Borrower shall cause Uzbekenergo to maintain an independent metering and testing unit, with powers, staff and resources adequate to operate in respect of all the distribution subsidiaries of Uzbekenergo, and whose mandate shall be to develop and implement procedures for meter testing, test report issuing, meter repair and programming, and secured installation for large customers.

7. The Borrower shall ensure that Uzbekenergo has adequate legal powers and defaulters in order to improve the collection efficiency, deter non-payment and ensure sustainability of Uzbekenergo's operations.

8. The Borrower shall cause Uzbekenergo to ensure that, throughout the term of the Loan Agreement, (i) appropriate operational procedures are maintained (a) for giving electricity users reasonable prior notice before disconnection of power due to non-payment of invoices; and (b) for ensuring prompt reconnection upon settlement of outstanding invoices by electricity users; and (ii) all such procedures are implemented in a transparent and consistent manner in relation to the operation of the Project facilities.

9. The Borrower shall cause Uzbekenergo to ensure that an effective complaint redress mechanism is functional to handle concerns or complaints in relation to the Project, including designating a focal point at each district service center within each Project Region with the responsibility of providing quarterly reports on the number, nature and outcome of the customer requests or complaints handled during Project implementation.

10. The Borrower and Uzbekenergo shall ensure that ADB's consent is obtained at least 6 months prior to the implementation of any of the following: (i) any change in ownership of any asset, facility or structure financed under the Project; (ii) any sale, transfer, or assignment of interest or control in any asset, facility or structure financed under the Project; or (iii) any lease or other contract or modification of the functions and authority of Uzbekenergo over operation and maintenance of any such asset, facility or structure financed under the Project. The Borrower shall ensure that any such changes shall be carried out in a legal and transparent manner.

Financial Covenants

11. The Borrower shall cause Uzbekenergo to ensure that during the term of this Loan Agreement, the free cash flows of Uzbekenergo for the current Financial Year shall be at least 1.2 times the debt service requirements for the same period on all debt based on Uzbekenergo's entity financial statements which shall be prepared on a fully consolidated basis in accordance with IFRS. For the purposes of this paragraph:

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

12. The Borrower shall cause Uzbekenergo to generate, for each Financial Year during the term of this Loan Agreement, cash from internal sources equivalent to not less than 20% of the average of Uzbekenergo's capital expenditures incurred, or expected to be incurred, for the current Financial Year, the previous Financial Year and the next Financial Year based on Uzbekenergo's entity financial statements which shall be prepared on a fully consolidated basis in accordance with IFRS. For the purposes of this paragraph:

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

Counterpart Support

13. The Borrower shall make available adequate counterpart funds and other resources in addition to the proceeds of the Loan, and have such counterpart funds and resources released in a timely manner, for successful Project implementation. In addition to the foregoing, the Borrower shall provide all necessary financial support to Uzbekenergo to satisfy all liabilities under the Project.

14. The Borrower shall cause Uzbekenergo to ensure that (a) necessary staff resources are mobilized in a timely manner for the installation of the advanced meters and creation of customer meter database for purposes of the project; and (b) the relevant staff will attend the training related to such activities provided by contractors.

15. The Borrower shall cause Uzbekenergo to commence implementation of the Public Information Program by January 2016 and continue to implement such gender action plan and public information program in a timely manner over the Project implementation period, and that adequate resources are allocated for this purpose.

Health and Labor Standards

16. The Borrower shall cause Uzbekenergo to ensure that the core labor standards and the Borrower’s applicable labor laws and regulations are complied with during Project implementation. The Borrower shall cause Uzbekenergo 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 laws and regulations and incorporate workplace safety norms; (b) not to use child labor; (c) not to discriminate workers in respect of employment and occupation; (d) not to use

forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

17. The Borrower shall cause Uzbekenergo to strictly monitor compliance with the requirements set forth in paragraph 16 above and provide ADB with regular reports.

Gender and Development

18. The Borrower shall cause Uzbekenergo 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:

- (a) ensuring that a gender specialist is designated in the PMU by 31 December 2016;
- (b) ensuring that, by 31 December 2018, at least 50% of the training modules developed for the advanced electricity metering system are engendered;
- (c) ensuring that, by 31 December 2020, at least 20% of the staff trained for the advanced electricity metering system are women;
- (d) disseminating gender-sensitive brochures and media and knowledge products by 31 December 2018;
- (e) ensuring that gender-sensitive customer service training modules are developed and training is provided to staff (with women representing at least 20% of staff) by 31 December 2018; and
- (f) ensuring that under the customer complaint feedback mechanism to be established and made operational under the Project by 31 December 2018, at least 20% of staff assigned to deal with customer feedback are women.

Safeguards

19. The Borrower, through Uzbekenergo, shall ensure that (a) the Project does not have any environmental, indigenous peoples or involuntary resettlement impacts, all within the meaning of ADB's Safeguard Policy Statement (2009); (b) in the event that the Project does have such an impact, the design and implementation of the Project and operation of the Project facilities are in accordance with ADB's Safeguard Policy Statement (2009); and (c) during Project implementation, adequate mitigation measures are

implemented and that all environmental management provisions are included in the contracts financed under the Project.

Governance and Anticorruption

20. The Borrower shall, and shall ensure that Uzbekenergo will, (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.

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

22. The Borrower shall ensure that Uzbekenergo will provide updated information on the Project on Uzbekenergo's website. Such information shall reflect the performance of the Project, business opportunities, bidding process and guidelines, outcome of biddings and summary progress reports of the Project.