
LOAN NUMBER 3064-UZB(SF)

LOAN AGREEMENT
(Special Operations)

(Water Supply and Sanitation Services Investment Program - Project 4)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 27 February 2014

UZB 42489

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 27 February 2014 between REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 28 August 2009 between the Borrower and ADB ("FFA"), ADB has agreed to provide a multitranche financing facility ("Facility") to the Borrower for the purpose of financing projects under the Water Supply and Sanitation Services Investment Program ("Investment Program");

(B) by a periodic financing request dated 11 February 2013, as amended by the Borrower through the minutes of the loan negotiations for the Project dated 18 July 2013, 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 Uzbekistan Agency "Uzkommunhizmat" ("UCSA"), and for this purpose the Borrower will make available to UCSA the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and UCSA;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

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

(a) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (March 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 Part II of Schedule 1 to this Loan Agreement;

(c) “EARF” means the environmental assessment and review framework prepared for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(d) “EMDF” means the ethnic minority development framework for the Investment Program, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(e) “EMP” means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

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

(g) “Environmental Safeguards Monitoring Report” means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP, including any corrective and preventative actions;

(h) “Ethnic Minority Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(i) “FAM” means the revised facility administration manual dated 18 July 2013 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

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

(k) “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;

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

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

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

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

(p) “PFR” means the periodic financing request submitted or to be submitted by the Borrower for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request #4 dated 11 February

2013, as amended by the Borrower through the minutes of the loan negotiations for the Project dated 18 July 2013;

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

(r) “Procurement Plan” means the procurement plan for the Project dated 18 July 2013 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(s) “Project Area” means the cities of Fergana, Margilan and Tashlak and their respective surrounding districts in Fergana province of the Borrower;

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

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

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

(w) “RF” means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

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

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

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

(aa) “vodokanals” means the water supply and sewage entities in the Project Area; and

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

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to twenty seven million nine hundred seventy seven thousand Special Drawing Rights (SDR27,977,000).

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

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

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 December and 15 June in each year.

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

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

ARTICLE III

Use of Proceeds of the Loan

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

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

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

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

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

Section 3.05. Withdrawals from the Loan Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

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

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

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 March 2018 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. The Borrower shall take all actions which shall be necessary on its part to enable UCSA to perform its obligations under the Project Agreement, including the establishment and maintenance of tariffs as stipulated in paragraph 3 of Schedule 5 to this Loan Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.04. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

ARTICLE V

Effectiveness

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

(a) the Borrower shall have issued a resolution specifying, among other things, the general project scope, the project's exemption from taxation within the territory of the Borrower and the project's implementation arrangements; and

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

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

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

ARTICLE VI

Delegation of Authority

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

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

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

ARTICLE VII**Miscellaneous**

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

For the Borrower

Ministry of Finance
5, Mustaqillik Square
Tashkent 100008
Republic of Uzbekistan

Facsimile Numbers:

(998-71) 244-5643
(998-71) 239-1259.

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2407.

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

REPUBLIC OF UZBEKISTAN

By 

RUSTAM AZIMOV
Minister of Finance

ASIAN DEVELOPMENT BANK

By 

KAZUHIKO HIGUCHI
Country Director
Uzbekistan Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is to provide safe, reliable and sustainable sewerage services in the Project Area.
2. The Project shall comprise:
 - Part I. Sewerage Infrastructure Improvement
 - (a) rehabilitation and expansion of the sewerage system, and provision of spare parts and operation and maintenance equipment for the rehabilitated sewerage system, in the Project Area;
 - (b) promotion of good hygiene and practices in selected schools in Fergana and Margilan cities;
 - Part II. Capacity Development and Investment Program Management
 - (c) implementation of institutional strengthening and capacity development for vodokanals in the Project Area; and
 - (d) provision of technical, financial, auditing and consulting support for program preparation, implementation and management, including the detailed design and civil works supervision of the physical investments referred to in paragraph (a) of Part I above.
3. The Project is described more fully in the PFR.
4. The Project is expected to be completed by 30 September 2017.

SCHEDULE 2**Amortization Schedule****(Water Supply and Sanitation Services Investment Program - Project 4)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15-Dec-2018	699,400.00
15-Jun-2019	699,400.00
15-Dec-2019	699,400.00
15-Jun-2020	699,400.00
15-Dec-2020	699,400.00
15-Jun-2021	699,400.00
15-Dec-2021	699,400.00
15-Jun-2022	699,400.00
15-Dec-2022	699,400.00
15-Jun-2023	699,400.00
15-Dec-2023	699,400.00
15-Jun-2024	699,400.00
15-Dec-2024	699,400.00
15-Jun-2025	699,400.00
15-Dec-2025	699,400.00
15-Jun-2026	699,400.00
15-Dec-2026	699,400.00
15-Jun-2027	699,400.00
15-Dec-2027	699,400.00
15-Jun-2028	699,400.00
15-Dec-2028	699,400.00
15-Jun-2029	699,400.00
15-Dec-2029	699,400.00
15-Jun-2030	699,400.00
15-Dec-2030	699,400.00
15-Jun-2031	699,400.00
15-Dec-2031	699,400.00
15-Jun-2032	699,400.00
15-Dec-2032	699,400.00
15-Jun-2033	699,400.00
15-Dec-2033	699,400.00
15-Jun-2034	699,400.00
15-Dec-2034	699,400.00
15-Jun-2035	699,400.00
15-Dec-2035	699,400.00
15-Jun-2036	699,400.00
15-Dec-2036	699,400.00
15-Jun-2037	699,400.00
15-Dec-2037	699,400.00
15-Jun-2038	700,400.00
Total	27,977,000.00

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

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

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

Interest Charge

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

Reallocation

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

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

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

Disbursement Procedures

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

Retroactive Financing

6. Withdrawals from the Loan Account may be made 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 for detailed design, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Water Supply and Sanitation Services Investment Program – Project 4)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Works	12,796,000	90.5% of total expenditure claimed *
2	Goods	9,213,000	100% of total expenditure claimed *
3	Training and Capacity Building	85,000	100% of total expenditure claimed *
4	Detailed Design	866,000	100% of total expenditure claimed *
5	Other Consulting Services	278,000	100% of total expenditure claimed *
6	Incremental Administration	494,000	100% of total expenditure claimed *
7	Interest Charge	1,174,000	100% of amounts due
8	Unallocated	3,071,000	
	Total	27,977,000	

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

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively. Without limiting the generality of the foregoing, the Borrower shall ensure that registrations of contracts in respect of such procurement, to the extent required under the laws of Uzbekistan, are processed promptly without delay.

2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

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

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

Domestic Preference

5. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.

National Competitive Bidding

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

Conditions for Award of Contract

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

(a) the relevant environment authority of the Borrower has granted the final approval of the IEE; and

(b) the Borrower has incorporated the relevant provisions from the EMP into the Works contract.

Consulting Services

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

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

Industrial or Intellectual Property Rights

10. (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.

11. 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

12. 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.

13. In the case of a contract for Goods or Works, which is subject to ADB's prior review, the Borrower shall seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:

(a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Loan Closing Date, and

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

14. 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.

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

SCHEDULE 5

Execution of Project; and Operation of Project Facilities; Financial Matters

Implementation Arrangements

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

Counterpart Funds

2. Without limiting the generality of Section 6.06 of the Loan Regulations, the Borrower shall make adequate annual budget allocations for, and have them released in a timely manner, the counterpart funds and other resources, in addition to the proceeds of the Loan, for the successful implementation of the Project.

Collection Efficiency and Tariffs

3. The Borrower shall cause UCSA to ensure that:

(a) the Fergana provincial government and related vodokanals take necessary measures for improving collection efficiency to achieve a collection rate of 90% for each vodokanal by December 2018;

(b) the Fergana provincial government reviews semiannually and adjusts as necessary the level and structure of tariffs to ensure that, by December 2018, the vodokanals have: (i) incorporated full operation and maintenance costs for water supply and sanitation in the tariffs; and (ii) serviced their debts, including proceeds of the Loan onlent to the vodokanals by the Fergana provincial government. Results of the reviews and adjustments shall be reported by UCSA to ADB within 3 months of each review; and

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

Policy and Institutional Reforms

4. The Borrower shall ensure that the policies and institutional reforms required to make the vodokanals more autonomous and efficient are implemented. Such reforms include:

(a) regular revision and adjustment of water supply and sanitation tariffs to reflect actual cost of operation and maintenance and capital depreciation by the Project completion date; and

(b) ensuring that UCSA and the Fergana provincial government: (i) review and adjust the responsibilities of the vodokanals with the view of further improving quality of services in the Project Area and strengthening vodokanals' accountability ; (ii) introduce performance-based management for the vodokanals; and (iii) establish modern accrual-based accounting systems in the vodokanals.

Performance Benchmarking and Financial Management

5. The Borrower shall cause UCSA to ensure that the vodokanals shall develop and adopt computerized financial management systems and performance benchmarking systems by September 2017.

Operation and Maintenance

6. The Borrower shall cause UCSA to ensure that each vodokanal in the Project Area will prepare an operation and maintenance manual in respect of the Project facilities relevant to such vodokanal by September 2017.

Hygiene Consultation and Promotion

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

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

Environment

9. The Borrower shall ensure, or cause UCSA to ensure, that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; (c) the EARF and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in an Environmental Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

10. The Borrower shall ensure, or cause UCSA to ensure, that (a) all land and all rights-of-way required for the Project are made available to the Works contractor in accordance with the schedule agreed under the related Works contract; and (b) the Project does not have any land acquisition or resettlement impacts within the meaning of the SPS. If there are any such impacts, the Borrower shall ensure, or cause UCSA to ensure, that all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures

and requirements set forth in the resettlement plan or any corrective or preventative actions set forth in a monitoring report on the implementation of the resettlement plan submitted by the Borrower to ADB.

Ethnic Minorities

11. The Borrower shall ensure, or cause UCSA to ensure, that the Project does not have any impact on ethnic minorities within the meaning of the SPS. If any impact on ethnic minorities is identified during the planning, design or implementation of the Project, the Borrower shall ensure that such preparation, design, construction, implementation and operation of the Project and all Project facilities shall comply with (a) all applicable laws and regulations of the Borrower relating to ethnic minorities; (b) the Ethnic Minorities Safeguards; (c) the EMDF; and (d) all measures and requirements set forth in the ethnic minority plan or any corrective or preventative actions set forth in a monitoring report on the implementation of the ethnic minority plan submitted by the Borrower to ADB.

Human Resources to Implement Safeguards Requirements

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

Safeguards-Related Provisions in Bidding Documents and Works Contracts

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

(a) comply with the measures relevant to the contractor set forth in the IEE and EMP, and any corrective or preventative actions set forth in an Environmental Safeguards Monitoring Report;

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

(c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or ethnic minorities risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE and EMP;

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

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

Safeguards Monitoring and Reporting

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

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

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

(c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP promptly after becoming aware of the breach.

Gender and Labor

15. The Borrower shall cause UCSA to ensure that: (a) the GAP is fully implemented and monitored in a timely manner in accordance with its terms, related regulations of the Borrower, and ADB's Policy on Gender and Development (1998) and adequate resources are allocated for this purpose; (b) progress in achieving the GAP targets are reflected in the Project progress reports and Project completion report; and (c) targets under the GAP are achieved including, but not limited to (i) at least 30% of the participants in the technical and financial management provided for sewerage operators by September 2017 are women; (ii) at least 30% of the employees of the customer care unit established by the sewerage operators in each project city by September 2017 are women; (iii) sex-disaggregated consumer databases for sewerage services are developed and all consumers registered by September 2017; and (iv) at least 30% of water consumer group members are women by September 2017.

16. The Borrower shall cause UCSA to ensure that civil works contracts under the Project shall follow all applicable laws and regulations in Uzbekistan, and that civil works contractors: (a) to the extent possible, employ women and local people, including disadvantaged people, living in the vicinity of the relevant subproject; (b) provide equal pay to men and women for work of equal type; (c) provide safe working conditions and reasonable accommodation with access to safe water and proper sanitation facilities for male and female workers; (d) abstain from child labor; and (e) carry out HIV/AIDS awareness programs for laborer and disseminate information at worksites on risks of sexually transmitted diseases and HIV/AIDS for construction workers, as part of the health and safety program at campsites during the construction period. The Borrower shall cause UCSA to monitor compliance by the contractors during Project implementation and to acknowledge that breaches by contractors can result in termination of contracts.

Good Governance and Anticorruption

17. The Borrower acknowledges, and shall cause UCSA to acknowledge, that ADB, consistent with its commitment to good governance, accountability, and transparency, reserves the right to investigate directly, or through its agents, any possible corrupt, fraudulent, collusive, or coercive practices relating to the Project. In support of these efforts and pursuant to ADB's Anticorruption Policy (1998, as amended to date), the Borrower shall cause UCSA to ensure that (a) the bidding documents for the Project, and all contracts financed by ADB in connection with Project, include provisions specifying the right of ADB to audit and examine the records and accounts of UCSA, and subproject vodokanals, and all contractors, suppliers, consultants, and other service providers as they relate to the Project; (b) periodic inspections of the contractor's activities relating to fund withdrawals and settlements are carried out by UCSA; and (c) the auditors, appointed by UCSA, have the right to conduct random or spot audits of contract implementation activities under the Project. All costs related to such periodic inspections and audits shall be borne under the Project.

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