
LOAN NUMBER 2630-UZB(SF)

LOAN AGREEMENT
(Special Operations)
(Talimarjan Power Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 1 MAY 2010

LAS:UZB 43151

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 1 May 2010 between the REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan from its Special Funds resources for the purposes of the part of the Project described in paragraph 2(c) of Schedule 1 to this Loan Agreement and for a loan from its ordinary capital resources for the purposes of the part of the Project described in paragraphs 2(a) and (b) of Schedule 1 to this Loan Agreement;

(B) by an agreement of even date herewith between the Borrower and ADB ("Ordinary Operations Loan Agreement"), ADB has agreed to lend to the Borrower from its ordinary capital resources an amount of three hundred forty million Dollars (\$340,000,000) ("Ordinary Operations Loan") upon terms and conditions set forth therein;

(C) the Borrower has also applied to the Japan International Cooperation Agency ("JICA") for a loan of approximately three hundred million Dollars (\$300,000,000) equivalent ("JICA Loan") for the purposes of the part of the Project described in paragraph 2(a) of Schedule 1 to this Loan Agreement, and JICA has agreed to provide the amount and for the amount to be fully administered by ADB;

(D) the Project will be carried out by State Joint Stock Company UzbekEnergO ("UzbekEnergO"), and for this purpose the Borrower will make available to UzbekEnergO the proceeds of the Loan provided for herein, the JICA Loan and the Ordinary Operations Loan upon terms and conditions satisfactory to ADB; and

(E) 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 to be signed between ADB and UzbekEnergO;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

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) "ADB Loans" means Ordinary Operations Loan provided under the Ordinary Operations Loan Agreement and the Loan provided hereunder;

(b) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2007, as amended from time to time);

(c) "Consulting Services" means the services to be financed out of the proceeds of the ADB Loans as described in paragraphs 2(b) and (c) of Schedule 1 to this Loan Agreement, but excluding any services provided in relation to Goods and Works;

(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) "JICA Loan Agreement" means the loan agreement between JICA and the Borrower for provision of the JICA Loan;

(f) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2007, as amended from time to time);

(g) "PAM" means the project administration manual for the Project dated 16 March 2010 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) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);

(i) "Procurement Plan" means the procurement plan for the Project dated 16 March 2010 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;

(j) "Project facilities" means 2 combined cycle gas turbine power generation units and related infrastructure and facilities to be installed and constructed under the Project;

(k) "Subsidiary Loan Agreement" means any and all agreements entered into between the Borrower and UzbekEnergo for purposes of relending the ADB Loans as specified in Section 3.01 of this Loan Agreement, and Section 3.01 of the Ordinary Operations Loan Agreement, respectively;

(l) "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

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

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to six million five hundred forty-two thousand Special Drawing Rights (SDR6,542,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum 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 paragraph (a) of this Section 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 February and 15 August 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 of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan together with other funds required for the Project to UzbekEnergO under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as the Borrower and ADB shall otherwise agree, the terms of the Subsidiary Loan Agreement shall include (i)

interest at the rate applicable from time to time to the Loan plus an additional 0.2% per annum and (ii) a term of 32 years, including a grace period of 8 years.

(b) The Borrower shall cause UzbekEnergo to apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement, the Ordinary Operations 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 items of expenditure in accordance with the applicable provisions of Schedule 4 to this Loan Agreement.

Section 3.04 Withdrawals from the Loan Account in respect of the 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 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 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2015 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 the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

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

Section 4.03. (a) The Borrower shall cause UzbekEnergo to (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), 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 UzbekEnergO's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by UzbekEnergO pursuant to subparagraph (a) hereabove, 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 UzbekEnergO unless UzbekEnergO shall otherwise agree.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable UzbekEnergO to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

(a) the Borrower or UzbekEnergO shall have failed to perform any of their respective obligations under the Subsidiary Loan Agreement; and

(b) the JICA Loan Agreement or Subsidiary Loan Agreement shall have been amended, repealed, accelerated, terminated or waived in any manner which in the reasonable opinion of ADB will or may adversely affect the carrying out of the Project or the operation of the Project facilities.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred and continued for a period of 45 days.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the JICA Loan Agreement, in form and substance satisfactory to ADB, shall have been signed and all conditions to its effectiveness (other than effectiveness of this Loan Agreement) shall have been met.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the JICA Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower, and is legally valid and binding upon the Borrower in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

Section 6.03. 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 9.04 of the Loan Regulations.

ARTICLE VII

Delegation of Authority

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

Section 7.02. Any action taken or any agreement entered into by UzbekEnergO pursuant to the authority conferred under Section 7.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 7.03. The authority conferred on UzbekEnergO under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VIII

Miscellaneous

Section 8.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

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

Facsimile Numbers:

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

For ADB

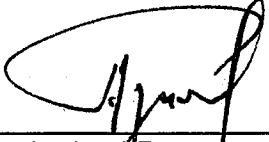
Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2301.

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 
Authorized Representative
Rustam Azimov
Minister of Finance

ASIAN DEVELOPMENT BANK

By 
HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

1. The objective of the Project is (i) to expand power generation capacity using advanced combined cycle gas turbine technology and (ii) to enhance power utility management systems and practice. Power supply will be increased by 4,700 GWh per year, and power generation efficiency will increase from 31% to 50%. The power system will operate more reliably, and UzbekEnergo's corporate management and performance will be improved.

2. The Project shall comprise:
 - (a) Detailed design, construction, installation and commissioning of 2 combined cycle gas turbine units with installed capacity of approx. 370-450 MW each and related infrastructure at the Talimarjan thermal power plant in Uzbekistan;
 - (b) Construction supervision and implementation consultancy; and
 - (c) Capacity development for corporate management, financial management systems and audit capabilities, operation and management of combined cycle gas turbine power plants, and social and gender development.

3. The Project is expected to be completed by 30 June 2015.

SCHEDULE 2**Amortization Schedule****(Talimarjan Power Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights) *
15 August 2018	136,292
15 February 2019	136,292
15 August 2019	136,292
15 February 2020	136,292
15 August 2020	136,292
15 February 2021	136,292
15 August 2021	136,292
15 February 2022	136,292
15 August 2022	136,292
15 February 2023	136,292
15 August 2023	136,292
15 February 2024	136,292
15 August 2024	136,292
15 February 2025	136,292
15 August 2025	136,292
15 February 2026	136,292
15 August 2026	136,292
15 February 2027	136,292
15 August 2027	136,292
15 February 2028	136,292
15 August 2028	136,292
15 February 2029	136,292
15 August 2029	136,292
15 February 2030	136,292
15 August 2030	136,292
15 February 2031	136,292
15 August 2031	136,292
15 February 2032	136,292
15 August 2032	136,292
15 February 2033	136,292
15 August 2033	136,292
15 February 2034	136,292
15 August 2034	136,292
15 February 2035	136,292

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Special Drawing Rights)*</u>
15 August 2035	136,292
15 February 2036	136,292
15 August 2036	136,292
15 February 2037	136,292
15 August 2037	136,292
15 February 2038	136,292
15 August 2038	136,292
15 February 2039	136,292
15 August 2039	136,292
15 February 2040	136,292
15 August 2040	136,292
15 February 2041	136,292
15 August 2041	136,292
15 February 2042	<u>136,276</u>
	<u>6,542,000</u>

* 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 amounts of the Loan to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Categories 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.

Conditions for Withdrawals from Loan Account

5. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account until:

(a) a loan agreement between the UFRD and an eligible commercial bank, and a related subsidiary loan agreement between such bank and UzbekEnergo, all for the purposes of the Project described in paragraph 2 of Schedule 1 to this Loan Agreement and in form and substance satisfactory to ADB, shall have been signed and become effective in accordance with their terms; and

(b) the Subsidiary Loan Agreement, and the subsidiary loan agreement between the Borrower and UzbekEnergy for purposes of relending the JICA Loan, shall have been signed and become effective in accordance with its terms.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Talimarjan Power Project)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Equipment	1,963,000	100 percent of total expenditure*
2	Consulting Services	3,925,000	100 percent of total expenditure*
3	Unallocated	654,000	
	Total	6,542,000	

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

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Procurement of 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; and
 - (b) 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.

Consulting Services

5. 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.
6. The Borrower shall apply the following methods for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:
 - (a) Least-Cost Selection for capacity development consultancy and auditing.
7. The Borrower shall recruit the individual consultants for capacity development consultancy in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

8. (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.

9. 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

10. 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.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

1. The Borrower shall designate UzbekEnergo as the Project Executing Agency with responsibility for overall Project implementation and for liaison with ADB and other Government agencies. The Borrower and UzbekEnergo, assisted by the Project Management Unit ("PMU") established within UzbekEnergo for purposes of Project implementation, shall 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 Ordinary Operations Loan Agreement and the Project Agreement, the provisions of this Loan Agreement, the Ordinary Operations Loan Agreement and the Project Agreement shall prevail.
2. The Borrower shall cause UzbekEnergo to establish, adequately staff and equip the PMU in a manner acceptable to ADB.

Environment

3. The Borrower, through UzbekEnergo, shall ensure that potential adverse environmental impacts arising from the Project are minimized by implementing all the mitigation measures presented in the environmental impact assessment ("EIA") and environmental management plan ("EMP"). The Borrower will also ensure that the design, construction, and operation of the Project are in accordance with ADB's *Safeguards Policy Statement* (2009) and the Borrower's environmental laws and regulations. The Borrower shall cause UzbekEnergo to ensure that (i) during construction, the contractor has primary responsibility for implementing the mitigation measures and EMP measures and the PMU will have access to sufficient resources to ensure that all environmental management provisions are included in the contract; (ii) the PMU will monitor and record the implementation of the EMP prepared for the Project, under the guidance of the State Committee for Nature Protection; (iii) the PMU, with the assistance of the project implementation and supervision consultant, prepares semiannual environmental reports and submits to ADB, within 3 months of the end of each half of the calendar year, from the start of project implementation and until completion of the Project. The report will include, among other things, a review of progress made on environmental measures detailed in the EIA and EMP, and problems encountered and remedial measures taken; (iv) UzbekEnergo will undertake quantification and monitoring of greenhouse gases and report annually in accordance with the methodology stated in the EMP; and (v) detailed engineering designs, civil works, and other contracts for the Project facilities incorporate applicable environmental measures identified in the EIA and EMP.

Land Acquisition and Resettlement

4. No land acquisition and resettlement activities are expected for the Project, and the Borrower shall ensure that UzbekEnergo implements the Project within the boundaries of its existing allotment for the Talimarjan thermal power plant or on otherwise state-owned land duly allocated for such purpose. If, however, Project implementation will

require land acquisition and resettlement, then the Borrower shall ensure that UzbekEnergy promptly prepares a resettlement plan ("RP") acceptable to ADB pursuant to applicable laws and regulations of the Borrower and ADB's *Safeguards Policy Statement (2009)* and carries out such activities promptly and efficiently in accordance with such approved RP.

Health and Labor Standards

5. The Borrower shall cause UzbekEnergy to ensure that contractors engaged under the Project (i) comply with all applicable labor laws; (ii) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the Project; (iii) provide equal pay to men and women for work of equal type; (iv) provide and adequately equip first-aid, health and sanitation, and personal hygiene facilities for male and female workers at the Project site; (v) maximize female training and employment; (vi) conduct an information and education campaign on sexually transmitted diseases and HIV/AIDS for construction workers as part of the health and safety program at campsites and adjacent communities during Project implementation; and (vii) abstain from child labor. Relevant contracts financed under the Project must include specific clauses on these undertakings.

Gender and Development

6. The Borrower shall cause UzbekEnergy to ensure that within 6 months of the Effective Date the community and gender action plan agreed with ADB is implemented in a timely manner over the Project period, and that adequate resources are allocated for this purpose.

Counterpart Support

7. The Borrower shall ensure that the counterpart funding, including that of UzbekEnergy and the UFRD, is promptly provided for purposes of successful Project implementation.

Governance and Corruption

8. The Borrower shall cause UzbekEnergy to have the Project and corporate accounts annually audited in accordance with international standards by an independent auditor acceptable to ADB.

9. The Borrower shall comply with ADB's *Anticorruption Policy (1998, as amended to date)* for the purposes of the Project. The Borrower, consistent with its commitment to good governance, accountability and transparency, agrees (a) that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project and (b) to cooperate fully with any such investigation and to extend all necessary assistance. The Borrower shall ensure that all contracts financed by ADB under the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the UzbekEnergy and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

Operational covenants

10. The Borrower shall cause UzbekEnergy 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 international standards.

11. The Borrower and UzbekEnergy shall ensure that the associated power transmission facility is commissioned before the commission of the first combined cycle gas turbine unit financed under the Project.

12. The Borrower shall ensure that electricity tariffs are adjusted to enable UzbekEnergy to maintain financial sustainability covering market risks, including adequate debt-service coverage, and inflation, foreign exchange and interest risks. The Borrower shall cause UzbekEnergy to comply with the following financial parameters from June 2013: (i) debt service coverage ratio not less than 1.2, and (ii) self-financing ratio of not less than 20%. The Borrower shall ensure that UzbekEnergy applies for tariff adjustment in a timely manner.

13. The Borrower shall cause UzbekEnergy to receive uninterrupted gas supply to the Talimarjan combined cycle gas turbine power plant throughout its lifetime.

14. The Borrower shall ensure that UzbekEnergy has adequate legal powers and enforcement mechanisms to effectively collect service fees and penalize defaulters in order to improve the collection efficiency, deter non-payment and ensure sustainability of UzbekEnergy's operations. The Borrower shall ensure that UzbekEnergy enters into a sustainable power trade framework with neighboring countries, and exports and imports power based on sound commercial arrangements.

15. The Borrower shall cause UzbekEnergy to ensure that power system technical losses are reduced in accordance with internationally acceptable standards. UzbekEnergy shall ensure secure and uninterrupted operations, dispatch coordination and technical maintenance of its high-voltage power transmission network in Uzbekistan and that access to this network is provided to parties based on commercial arrangements.

16. The Borrower and UzbekEnergy 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 UzbekEnergy over operation and maintenance of any such asset, facility or structure financed under the Project. The Borrower shall ensure that any such changes will be carried out in a legal and transparent manner.