
LOAN NUMBER 2772-UZB

LOAN AGREEMENT
(Ordinary Operations)

(Second CAREC Corridor 2 Road Investment Program – Project 1)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 1 DECEMBER 2011

UZB 44483

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 1 December 2011 between the REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 4 July 2011 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for the purpose of financing projects under the Second CAREC Corridor 2 Road Investment Program ("Investment Program");

(B) by a periodic financing request dated 4 July 2011 submitted by the Borrower, the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement; 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;

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

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

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

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

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

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

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

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a

percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, 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) “Accelerated Development Program” or “ADP” means the program for accelerated development of infrastructure, transport and communication for 2011-2015, as approved by Resolution No. 1446 of the President of the Republic of Uzbekistan dated 21 December 2010;

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

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

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

(e) “EMP” means an 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) “Facility” means the multitranche financing facility provided by ADB to the Borrower for the purpose of financing projects under the Investment Program;

(h) “FAM” means the facility administration manual for the Investment Program dated 04 July 2011 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective procedures of the Borrower and ADB;

(i) “FFA” means the framework financing agreement dated 4 July 2011 between ADB and the Borrower with respect to the Facility;

(j) “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;

(k) “IEE” means an initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(l) “Investment Program I” means the CAREC Corridor 2 Road Investment Program financed under the multitranche financing facility approved by ADB on 20 April 2010;

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

(n) “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 periodic financing request No. 1 dated 4 July 2011;

(o) “PMU” means the program management unit established in the Road Fund for the Investment Program;

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

(q) “Procurement Plan” means the procurement plan for the Project dated 4 July 2011 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

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

(s) “Project Facilities” means the Goods and the road sections that will be the subject of the Works to be procured, rehabilitated, installed, maintained or serviced under the Project;

(t) “Road Fund” means the Republican Road Fund under the Ministry of Finance of the Borrower;

(u) “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, other social safeguards planning documents (as applicable), including any corrective and preventative actions;

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

(w) “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. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred and thirty million Dollars (\$130,000,000), 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 paragraph (c) of this Section.

(c) The term "grace period" as used in paragraph (b) 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 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations, less a credit of 0.20% as provided by Section 3.03 of the Loan Regulations.

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

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

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

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

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

(b) Any conversion requested pursuant to paragraph (a) of this Section 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. 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.

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 31 March 2014 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.

Section 4.02. The Borrower shall make available, promptly as needed, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.

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

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. The Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

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

Section 4.05. (a) The Borrower, through the Road Fund, shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement), 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, through the Road Fund, shall enable ADB, upon ADB's request, to discuss the Road Fund's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Road Fund pursuant to subsection (a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Road Fund unless the Road Fund shall otherwise agree.

Section 4.06. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.07. The Borrower shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

ARTICLE V**Effectiveness**

Section 5.01. A date 45 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**Miscellaneous**

Section 6.01. 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 6.02. 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) 636-2407.

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 Investment Program is to improve transport connectivity and efficiency, and institutional effectiveness through financing projects with one or more of the following activities:
 - (a) road development with reconstruction of about 236 km of the A373, A373/4R112 and A380 highways; and
 - (b) implementation of road sector sustainability plans relating to road safety and road asset management.
2. As part of the Investment Program, the Project shall support:
 - (a) reconstruction of about 74 km of the A373 highway (between Km 116 and Km 190);
 - (b) improvement of road safety management through (i) development of a national road infrastructure safety strategy and road safety checklist, guidelines, and measures; (ii) development of a road safety action plan for all the road sections under the Investment Program and Investment Program I; (iii) provision and installation of solar road signs for A373 Kamchik Pass section; and (iv) development and implementation of road safety capacity development program, and of public awareness programs.
3. The Project is described more fully in the PFR.
4. The Project is expected to be completed by 30 September 2013.

SCHEDULE 2

Amortization Schedule

(Second CAREC Corridor 2 Road Investment Program – Project 1)

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

<u>Date Payment Due</u>	<u>Installment Share (Expressed as a %)</u>
15 August 2015	2.500000
15 February 2016	2.500000
15 August 2016	2.500000
15 February 2017	2.500000
15 August 2017	2.500000
15 February 2018	2.500000
15 August 2018	2.500000
15 February 2019	2.500000
15 August 2019	2.500000
15 February 2020	2.500000
15 August 2020	2.500000
15 February 2021	2.500000
15 August 2021	2.500000
15 February 2022	2.500000
15 August 2022	2.500000
15 February 2023	2.500000
15 August 2023	2.500000
15 February 2024	2.500000
15 August 2024	2.500000
15 February 2025	2.500000
15 August 2025	2.500000
15 February 2026	2.500000

<u>Date Payment Due</u>	<u>Installment Share (Expressed as a %)</u>
15 August 2026	2.500000
15 February 2027	2.500000
15 August 2027	2.500000
15 February 2028	2.500000
15 August 2028	2.500000
15 February 2029	2.500000
15 August 2029	2.500000
15 February 2030	2.500000
15 August 2030	2.500000
15 February 2031	2.500000
15 August 2031	2.500000
15 February 2032	2.500000
15 August 2032	2.500000
15 February 2033	2.500000
15 August 2033	2.500000
15 February 2034	2.500000
15 August 2034	2.500000
15 February 2035	2.500000
Total	<u>100.000000</u>

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

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

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

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

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

Percentages of ADB Financing

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

Reallocation

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

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with 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, in consultation with 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 procurement of Works, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Second CAREC Corridor 2 Road Investment Program – Project 1)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Works	107,400,000	100% of total expenditure claimed*
2	Equipment	500,000	100% of total expenditure claimed*
3	Consulting Services (Construction Supervision and Road Safety Impact Assessment)	4,800,000	100% of total expenditure claimed*
4	Recurrent Cost	300,000	100% of total expenditure claimed*
5	Unallocated	17,000,000	
	Total	130,000,000	

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

Procurement of 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 set forth in the Procurement Plan, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

Industrial or Intellectual Property Rights

6. (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.
7. 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. The Borrower shall seek ADB's approval before it:

(a) grants any extension of the stipulated time for completion of a contract for Goods or Works; or

(b) agrees to any modification or waiver of the conditions of a contract for Goods or Works, including any change order that falls under (c) or (d) of this paragraph; or

(c) issues any change order under a contract for Goods or Works which would in aggregate increase the original contract price (for the avoidance of doubt, such aggregate shall take into account any previous or simultaneous change order or orders under such contract); or

(d) issues any change order under a contract for Goods or Works that would affect more than 15% of the original contract price (either through increase or decrease), even if the net effect of such change order would not in aggregate increase the original contract price. For the avoidance of doubt, such aggregate shall take into account any previous or simultaneous change order or orders under such contract.

10. ADB shall respond to each request for approval under paragraph 9 above within 10 business days (in Manila) of ADB's receipt of such request. Such response will indicate that the request is (a) approved, (b) declined, (c) pending receipt of additional information or documentation, or (d) pending consideration by ADB's procurement committee, in each case as determined by ADB. If ADB fails to respond within 10 business days (in Manila) of ADB's receipt of such request, the request shall be deemed to have been approved by ADB. In the case of (c), the Borrower shall promptly provide the requested information or documentation to ADB and ADB shall respond to the relevant request within 10 business days (in Manila) upon receipt of such requested information or documentation satisfactory to ADB. In the case of (d), ADB shall notify the Borrower of the decision by ADB's procurement committee within 10 business days (in Manila) of such decision by the procurement committee.

11. The Borrower shall, or shall ensure that the Project Executing Agency will:

(a) provide a copy of all time extensions, modifications or waivers to the contracts (including change orders) requiring ADB's approval in accordance with paragraph 9 above to ADB for its record promptly after signing; and

(b) maintain an accurate record of all change orders under all contracts for Goods or Works which do not require ADB's prior approval under paragraph 9 above and submit such record for ADB's review every 6 months.

SCHEDULE 5

Execution of Project; Financial Matters

Project Management and Implementation

1. The Borrower, through the Road Fund, shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any update 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, through the Road Fund, shall make available all counterpart funds required for timely and effective implementation of the Project through providing annual budget allocations to the Road Fund and releasing applicable funds in a timely manner. The Borrower, through the Road Fund, shall include updated funding requirements for implementation of the Project in its annual development program.

Construction and Road Sector Development

3. The Borrower, through the Road Fund, shall ensure that the Project is carried out in accordance with the agreed technical specifications and design, and that the construction supervision, quality control and project management of the Project are performed in accordance with applicable standards and best international practices.

4. The Borrower, through the Road Fund, shall ensure that Works contracts for the Project include the contractors' obligation to comply with road safety measures, and shall, through the Road Fund, ensure that such obligation is monitored during the term of the contracts. The Road Fund shall disclose on its website/provide to ADB the accident rate and traffic volume during construction and the operation of the Project.

5. The Borrower, through the Road Fund, shall keep ADB informed semiannually of the progress in implementing its road sector policy framework.

6. The Borrower, through the Road Fund, shall allocate routine maintenance budget in accordance with the Accelerated Development Program for all existing roads including new road sections to be constructed following the expiry of their defects liability period. For each fiscal year thereafter, such budget shall be increased by no less than the annual inflation rate. For implementation of the ADP, the Borrower shall allocate and make available, on a timely basis, sufficient funds and ensure that the road sections covered by the ADP are maintained in accordance with applicable standards and best international practices.

Environment

7. The Borrower, through the Road Fund, shall ensure that the preparation, design, construction, implementation and operation of the Project 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 IEE and the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Social Safeguards

8. The Borrower, through the Road Fund, shall ensure that the Project does not have any impacts with respect to involuntary resettlement or ethnic minorities within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower, through the Road Fund, shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

9. The Borrower, through the Road Fund, shall ensure that any change to the location, alignment of road or environmental impact arising from detailed design for the Project is subject to prior approval by ADB and the relevant government bodies of the Borrower in accordance with the approval process set forth in Schedule 4 to the FFA.

Human and Financial Resources to Implement Safeguards Requirements

10. The Borrower, through the Road Fund, shall make available necessary budgetary and human resources to fully implement the EMP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

11. The Borrower shall ensure or cause the Road Fund to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE and the EMP, and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental measures and requirements;
- (c) provide the Borrower with a written notice of any unanticipated environmental or social risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE and the EMP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

12. The Borrower, through the Road Fund, shall do the following:
- (a) submit semiannual 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 the 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.

Prohibited List of Investments

13. The Borrower shall ensure or cause the Road Fund to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Gender and Labor

14. The Borrower, through the Road Fund, shall ensure that the gender action plan for the Project 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.
15. The Borrower, through the Road Fund, shall include a specific provision in the bidding documents to ensure that civil works contractors: (a) comply with core labor standards, applicable laws and regulations in Uzbekistan and incorporate workplace occupational safety norms; (b) do not differentiate pay between men and women for work of equal value; (c) do not employ child labor in the construction and maintenance activities; (d) eliminate forced or compulsory labor; (e) eliminate employment discrimination; (f) allow for freedom of association; and (g) to the extent possible, maximize employment of local people for project construction purposes provided that the requirements for job and efficiency are adequately met. The Borrower, through the Road Fund, shall include in the quarterly progress reports for the Project the implementation status of such matters.
16. The Borrower, through the Road Fund, shall ensure that appropriate bodies, particularly nongovernment organizations, disseminate information on the risks of sexually transmitted diseases, including human immunodeficiency virus/acquired immunodeficiency syndrome, to the employees of civil works contractors engaged under the Project and to members of the local communities surrounding the Project, particularly females.

Good Governance and Anticorruption

17. The Borrower, through the Road Fund: (a) acknowledges that ADB, consistent with its commitment to good governance, accountability and transparency and the ADB's Anticorruption Policy (1998, as amended to date), reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; and (b) agrees to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, for the satisfactory completion of any such investigation. In addition, the Borrower, through the Road Fund, shall: (c) conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements; (d) ensure that all contracts financed by ADB in connection with the Investment Program include provisions specifying the right of ADB to audit and examine the records and accounts of all contractors, suppliers, consultants, and other service providers as they relate to the Project; and (e) ensure that the construction supervision consultant verify the contractors' invoices in accordance with working drawings and contract specifications.

18. The Borrower, through the Road Fund, shall include, in the Road Fund's website information on the performance of the Project with clear performance indicators, the Borrower's policy on roads construction and reconstruction, a 5-year investment plan, business opportunities, bidding process and guidelines, outcome of biddings, and summary progress reports of the Project.