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LOAN NUMBER 3039-UZB

LOAN AGREEMENT  
(Ordinary Operations)

(Housing for Integrated Rural Development Investment Program – Project 2)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 11 October 2013

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UZB 44318

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 19 October 2013 between REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) by a periodic financing request dated 7 June 2013 submitted by the Borrower ("PFR"), the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out by the participating commercial banks ("PCBs") (for Part 1 of the Project) and the Ministry of Economy of the Borrower ("MOE") (for Part 2 of the Project), and for this purpose the Borrower will make available to the PCBs and MOE the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

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

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

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

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

"Project Agreement" means each of the Project Agreements between ADB and the PCBs, including the Project Agreement between ADB and NBU and the Project Agreement between ADB and QQB.

- (b) The term "Project Executing Agency" appearing in Section 7.04(b), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations

shall be substituted by NBU, QQB and such other PCB that is a party to a Project Agreement”.

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

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

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

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

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

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

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

**Surcharge.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge.

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

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

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

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

(b) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, 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 sub-paragraph 2(b) of Schedule 1 to this Loan Agreement;

(d) "ESMS" means an environmental and social management system, including any update thereto, prepared and submitted by a PCB for the purposes of the Project and cleared by ADB;

(e) "Facility" means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;

(f) "FAM" means the Facility administration manual dated 29 July 2011 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(g) “Goods” means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

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

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

(j) “NBU” means the National Bank of Uzbekistan for Foreign Economic Activity which is established under the laws and regulations of the Borrower and has its registered address at 101 Amir Temur Street, Tashkent 100084, Republic of Uzbekistan;

(k) “NBU Subsidiary Loan Agreement” means the agreement between the Borrower and NBU;

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

(m) “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 dated 7 June 2013;

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

(o) “Project 1” means the first project of the Investment Program (Loan No. 2775-UZB);

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

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

(r) “QQB Subsidiary Loan Agreement” means the agreement between the Borrower and QQB;

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

(t) “Qualified Subborrower” means an individual which satisfies the eligibility criteria set out in paragraph 3 of Schedule 5 to this Loan Agreement;

(u) “Qualified Subproject” means a specific subproject, which satisfies the criteria set out in paragraph 4 of Schedule 5 to this Loan Agreement, to be carried out by a

Qualified Subborrower;

(v) "Rural Housing Scheme" means the Rural Housing Scheme for 2011 to 2015 of the Borrower;

(w) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(x) "Safeguards Monitoring Report" means each report prepared and submitted by a PCB to ADB on its performance with regard to the ESMS and compliance with the safeguards covenants described in Schedule 5 to this Loan Agreement, including any corrective and preventative actions;

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

(z) "Subsidiary Loan Agreement" means each of the Subsidiary Loan Agreements between the Borrower and the PCBs, including the NBU Subsidiary Loan Agreement and the QQB Subsidiary Loan Agreement;

(aa) "Sum" means the currency of the Borrower; and

(bb) "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 two hundred million Dollars (\$200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

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

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

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

- (a) LIBOR; and
- (b) 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 April and 15 October in each year.

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

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

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

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

### **ARTICLE III**

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

Section 3.01. (a) The Borrower shall relend a portion of the proceeds of the Loan to the PCBs (\$14,376,000 to NBU and \$77,384,000 to QQB for financing Subloans in 2013 and \$21,360,000 to NBU and \$85,440,000 to QQB for financing Subloans in 2014), in Sum equivalent, under a Subsidiary Loan Agreement with each PCB, upon terms and conditions satisfactory to ADB. If there is any change to the current

composition of the PCBs, or if there is a need to reallocate the proceeds of the Loan for more effective Project implementation, the Borrower shall reallocate the Loan proceeds amongst the PCBs in a manner acceptable to ADB.

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

Section 3.02. The Borrower shall make the remainder of the proceeds of the Loan (\$1,440,000) available to MOE upon terms and conditions satisfactory to ADB, and cause MOE to apply such proceeds to the financing of expenditures on Part 2 of the Project in accordance with the provisions of this Loan Agreement.

Section 3.03. (a) The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

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

Section 3.04. Except as ADB may otherwise agree, the Borrower shall 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 3.05. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.06. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 March 2016 or such other date as may from time to time be agreed between the Borrower and ADB.

## **ARTICLE IV**

### **Particular Covenants**

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



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

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

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

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

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

Section 4.06. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

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

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

Section 4.07. In addition to the reports and information set forth in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished to ADB, all such reports and information as ADB shall reasonably request concerning: (a) the

Qualified Subborrowers, the Qualified Subprojects and the Subloans; and (b) the administrative, operational and financial condition of the PCBs.

Section 4.08. The Borrower shall take all actions, including the provision of funds and other resources, which shall be necessary on its part to enable the PCBs to perform their obligations under the Project Agreements, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.09. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreements 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 Agreements shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

## **ARTICLE V**

### **Effectiveness**

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

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

Section 5.02. The following are specified as additional matters, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) the NBU Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower and NBU in accordance with its terms, subject only to the effectiveness of this Loan Agreement; and
- (b) the QQB Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower and QQB in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

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

## **ARTICLE VI**

### **Delegation of Authority**

Section 6.01. The Borrower hereby designates each of the PCBs as its agents 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 6.01, 6.02 and 6.03 of the Loan Regulations for the purposes of Part 1 of the Project.

Section 6.02. Any action taken or any agreement entered into by the PCBs 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 the PCBs under Section 6.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

## **ARTICLE VII**

### **Miscellaneous**

Section 8.01. 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 8.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

#### For the Borrower

Ministry of Finance  
5 Mustaqillik Square  
Tashkent 100008  
Republic of Uzbekistan

Facsimile Numbers:

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

For ADB

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

Facsimile Numbers:

(632) 636-2444

(632) 636-2424.

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

REPUBLIC OF UZBEKISTAN

By  \_\_\_\_\_  
RUSTAM AZIMOV  
Minister of Finance

ASIAN DEVELOPMENT BANK

By  \_\_\_\_\_  
KAZUHIKO HIGUCHI  
Country Director  
Uzbekistan Resident Mission

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

1. The objective of the Investment Program is to improve housing for targeted beneficiaries in the rural communities through financing projects aimed to:
  - (a) finance housing loans provided by PCBs to targeted beneficiaries for their purchase of new residential housing under the Rural Housing Scheme;
  - (b) improve capacity of local governments to prepare integrated rural development plans and investment promotion strategies; and
  - (c) improve enabling environment for rural micro and small sized enterprises.
2. As a part of the Investment Program, the Project shall support:
  - (a) financing of housing loans provided by the PCBs to targeted beneficiaries for their purchases of new residential housing under the Rural Housing Scheme of the Borrower ("Part 1"); and
  - (b) capacity development of local governments, the MOE, the PCBs and related bodies, improvement of enabling environment for rural micro and small sized enterprises, and project management support ("Part 2").
3. The Project is described more fully in the PFR.
4. The Project is expected to be completed by 30 September 2015.

**SCHEDULE 2****Amortization Schedule****(Housing for Integrated Rural Development Investment Program – Project 2)**

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

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 October 2016	3.333333
15 April 2017	3.333333
15 October 2017	3.333333
15 April 2018	3.333333
15 October 2018	3.333333
15 April 2019	3.333333
15 October 2019	3.333333
15 April 2020	3.333333
15 October 2020	3.333333
15 April 2021	3.333333
15 October 2021	3.333333
15 April 2022	3.333333
15 October 2022	3.333333
15 April 2023	3.333333
15 October 2023	3.333333
15 April 2024	3.333333
15 October 2024	3.333333
15 April 2025	3.333333
15 October 2025	3.333333
15 April 2026	3.333333
15 October 2026	3.333333
15 April 2027	3.333333
15 October 2027	3.333333
15 April 2028	3.333333
15 October 2028	3.333333
15 April 2029	3.333333
15 October 2029	3.333333
15 April 2030	3.333333

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 October 2030	3.333333
15 April 2031	3.333343
Total	100.000000

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

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

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

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

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

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

## SCHEDULE 3

### Allocation and Withdrawal of Loan Proceeds

#### General

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

#### Basis for Withdrawal from the Loan Account

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

#### Reallocation

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

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

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

#### Disbursement Procedures

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

#### Condition for Disbursement for Subprojects

5. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for the purpose of any Qualified Subproject until the Borrower has caused each PCB to: (a) establish an ESMS in a manner satisfactory to ADB; and (b) appoint a designated staff who is trained in implementing the ESMS.

6. The Borrower shall cause QQB to provide ADB with (a) the auditors' opinion on the use of loan proceeds, compliance with financial covenants and the use of imprest fund and statement of expenditures procedures in 2012 for Project 1 (as described in Section 3.06(a) of the Project Agreement for Project 1 between ADB and QQB dated 16 February 2012); and (b) an action plan satisfactory to ADB to address any deficiency identified in that



audit of QQB's 2012 financial statements. In the event that such auditors' opinion and action plan are not provided to ADB by 31 December 2013, ADB shall not process any withdrawal application for the Loan received after 31 December 2013.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Housing for Integrated Rural Development Investment Program – Project 2)</b>				
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (\$)</b>		<b>Basis for Withdrawal from the Loan Account</b>
		<b>Category</b>	<b>Subcategory</b>	
1	Financing of Subloans	198,560,000		
1A	Financing of Subloans (made by PCBs in 2013)		91,760,000	30% of total expenditure claimed
1B	Financing of Subloans (made by PCBs in 2014)**		106,800,000	20% of total expenditure claimed
2	Goods (Equipment and Office Supplies)	158,000		100% of total expenditure claimed*
3	Consulting Services (including Project Management Support)	1,282,000		100% of total expenditure claimed*
	<b>Total</b>	<b>200,000,000</b>		

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

\*\*Subject to the condition for withdrawal described in paragraph 5 of Schedule 3.

## 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

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

(b) Notwithstanding the generality of subparagraph (a) hereinabove and except as ADB may otherwise agree: (i) Works for the Qualified Subprojects shall be procured on the basis of national competitive bidding (unless the threshold for national competitive bidding is exceeded, in which case international competitive bidding shall be used); and (ii) Goods for the Project shall be procured using national competitive bidding (unless the threshold for national competitive bidding is exceeded, in which case international competitive bidding shall be used) and shopping.

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

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

#### Consulting Services

4. Except as ADB may otherwise agree and as 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

5. (a) The Borrower shall cause the PCBs to 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 cause the PCBs to 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.

6. The Borrower shall cause MOE to ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

#### ADB's Review of Procurement Decisions

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

- (a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Loan Closing Date; and
- (b) increases in aggregate of the original price by more than 15% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).

8. ADB shall respond to each request for approval under sub-paragraphs 7(a) and (b) hereinabove within 20 ADB 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.

9. 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.

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

## SCHEDULE 5

### Execution of Project; Financial Matters

#### Implementation Arrangements

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

#### Sale of Construction Materials Businesses/Companies

2. The Borrower shall cause QQB to sell the construction materials businesses/companies (comprising 12 brick companies and 1 door, window and roof factory, transferred by QQI to QQB) to independent third parties by 30 September 2014.

#### Qualified Subborrower

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

- (a) he/she is a citizen, and resident of a rural area, of the Borrower;
- (b) he/she agrees to use the Subloan only for the financing of his/her Qualified Subproject and he/she is only entitled to 1 Qualified Subproject for the purposes of this Investment Program;
- (c) he/she meets the middle-income, or low-income, threshold of the Rural Housing Scheme (to be defined annually as a multiple of the national minimum wage); and
- (d) he/she agrees to occupy, and not to sell or transfer ownership of, the house purchased under his/her Qualified Subproject for at least 5 years from the date he/she receives the legal title to the house.

#### Qualified Subproject

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

- (a) the Qualified Subproject is for the purchase by the Qualified Subborrower of a house under the Rural Housing Scheme of the Borrower; and
- (b) the Qualified Subproject shall adhere to the safeguards requirements set forth in paragraphs 9 to 15 of this Schedule.

Subloan

5. The Borrower shall cause the PCBs to ensure that:
- (a) each Subloan made by a PCB in 2013 shall: (i) have a term of 15 years, including a grace period of 12 months; and (ii) charge interest at the rate of 7% per annum for the first 10 years and equal to the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 5 years;
  - (b) each Subloan made by a PCB in 2014 shall: (i) have a term of 15 years, including a grace period of 12 months; and (ii) charge interest at the rate of 7% per annum for the first 5 years and equal to 90% of the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 10 years; and
  - (c) all Subloans shall not exceed \$50,000 equivalent.
6. The Borrower shall cause the PCBs to ensure that for each Qualified Subproject, at least 25% of the subproject costs shall be paid by the Qualified Subborrower. The remainder of such costs shall be financed by way of a Subloan. (For the avoidance of doubt, the Subloan shall not finance any costs relating to QQI activities under the Rural Housing Scheme.) Each such Subloan approved by a PCB, for which a loan agreement is entered into between the PCB and a Qualified Subborrower, in 2013 shall comprise 70% of its amount from the PCB's funds and 30% of the amount from the proceeds of the Loan relented by the Borrower to the PCB. Each such Subloan approved by a PCB in 2014 shall comprise 80% of its amount from the PCB's funds and 20% of the amount from the proceeds of the Loan relented by the Borrower to the PCB.
7. In the event that any eligibility criteria for a Qualified Subborrower, Qualified Subproject or Subloan is not complied with, whether at the time of Subloan approval or thereafter, ADB reserves the right to exclude such Subloan from the Project.

Financial Covenants

8. The PCBs shall remain financially sound throughout the Project implementation period. Specifically, the PCBs shall:
- (a) maintain a capital adequacy ratio of not less than 12%. For the purpose of this subparagraph, capital adequacy ratio means the ratio of regulatory capital to risk assets, expressed as a percentage. Regulatory capital means the aggregate of equity share capital, general reserves and subordinate debt. Risk assets mean the aggregate of total assets less risk-free assets (i.e. cash in hand, with CBU and other banks, and holdings of securities issued by the Borrower and by governments of countries of the Organisation for Economic Cooperation and Development) plus off-balance sheet contingencies;

- (b) maintain a return on average assets ratio of not less than 0.5% for each of the last two completed fiscal years. For the purpose of this subparagraph, return on assets ratio means the division of net profit by the sum of the total assets at the end of the year in issue and the total assets at the end of the previous year, expressed as a percentage; and
- (c) ensure that its non-performing loans (i.e. debts requiring 100% loan-loss provisioning as defined by CBU) are less than 5% of its total loan portfolio.

#### Screening, Categorization, and Environmental and Social Assessment and Planning

9. The Borrower shall, or shall cause the PCBs to, ensure that before any Qualified Subproject is approved for financing:

- (a) the ESMS is used to screen the Qualified Subproject from the environmental, ethnic minority/indigenous peoples or involuntary resettlement impacts associated with such Qualified Subproject and ensure that all Qualified Subprojects shall not involve any environmental, ethnic minority/indigenous peoples or involuntary resettlement impact which can be categorized as Category A or B within the meaning of the SPS;
- (b) the environmental clearance from the Nature Protection Committee of the Borrower for the rural housing site for the Qualified Subproject has been obtained; and
- (c) the rural housing site for the Qualified Subproject has been classified under the local government reserve land for non-agricultural activities since 31 December 2010 for 2013 houses and 31 December 2011 for 2014 houses, and there is no claim from any third party on this rural housing site.

#### Environment

10. The Borrower shall cause the PCBs to ensure that the preparation, design and construction of each Qualified Subproject comply with all applicable laws and regulations of the Borrower relating to environment, health and safety and the SPS. Without limiting the generality of the foregoing, no environmental impact under the SPS is permitted for the Qualified Subprojects. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, the Borrower shall cause the PCBs to ensure that they adhere to applicable laws and regulations of the Borrower and the SPS. If there is any discrepancy between the SPS and the Borrower's laws and regulations, the SPS shall prevail.

Land Acquisition and Involuntary Resettlement

11. The Borrower shall cause the PCBs to ensure that all land used for each Qualified Subproject comply with paragraph 9(c) of this Schedule, all applicable laws and regulations of the Borrower and the SPS. Without limiting the generality of the foregoing, no land acquisition or resettlement impact under the SPS is permitted for the Qualified Subprojects. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, the Borrower shall cause the PCBs to ensure that they adhere to applicable laws and regulations of the Borrower and the SPS. If there is any discrepancy between the SPS and the Borrower's laws and regulations, the SPS shall prevail.

Ethnic Minority/Indigenous Peoples

12. No ethnic minority/indigenous peoples impact under the SPS is permitted for the Qualified Subprojects. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, the Borrower shall cause the PCBs to ensure that they adhere to applicable laws and regulations of the Borrower and the SPS. If there is any discrepancy between the SPS and the Borrower's laws and regulations, the SPS shall prevail.

Human and Financial Resources to Implement Safeguards Requirements

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

Safeguards Monitoring and Reporting

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

Prohibited List of Investments

15. The Borrower shall cause the PCBs 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 and as set forth in the ESMS.



Gender and Development

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

Labor Standards

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

18. The Borrower shall cause the PCBs to ensure that appropriate bodies, particularly nongovernment organizations, disseminate information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of civil works contractors engaged under the Project and to members of the local communities surrounding the Project, particularly females.

Counterpart Support

19. Notwithstanding the generality of Section 4.02 of this Loan Agreement, the Borrower shall allocate in its national budget for 2013 and 2014 counterpart financing for approximately 10,000 houses for 2013, and 10,000 houses for 2014, under the Rural Housing Scheme and related infrastructure and social services. Such counterpart financing of the Borrower shall be made by the end of 2012 and 2013 respectively. The Borrower shall ensure that the PCBs make provision for the financing of Subloans in 2013 and 2014.

Sector Development

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

Governance and Anticorruption

21. The Borrower and the PCBs shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice

relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

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

#### Combating Money Laundering and Financing of Terrorism

23. The Borrower shall ensure that the PCBs:

- (a) comply with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;
- (b) formulate and implement internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove;
- (c) promptly inform the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs a PCB of its concern that there has been such an alleged violation, the PCB shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request; and
- (d) provide an update in their periodic reports to ADB on any change in their management or shareholders.

24. The Borrower shall ensure that the PCBs comply with the requirements of United Nations Security Council Resolutions 1737, 1747, 1803 and 1929 (and any additional related resolution of the United Nations Security Council), which are mandatory requirements for the Borrower, to ensure that the PCBs do not have any direct or indirect dealing with entities or persons identified in these resolutions.