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LOAN NUMBER 3043-UZB

LOAN AGREEMENT  
(Ordinary Operations)

(Small Business and Entrepreneurship Development Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 21 NOVEMBER 2013

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UZB 42007

**LOAN AGREEMENT**  
**(Ordinary Operations)**

LOAN AGREEMENT dated 21 November 2013 between REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Section 3.01 of this Loan Agreement;

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

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreements to be signed 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 Hamkorbank and the Project Agreement between ADB and Ipak Yuli Bank.

(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 Hamkorbank, Ipak Yuli Bank 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 Republic of Uzbekistan 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) "Environmental Management Plan" or "EMP" means the environmental management plan for a Qualified Subproject, including any update thereto, incorporated in the IEE;

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

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

(f) "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;

(g) “Hamkorbank” means the Open Joint Stock Commercial Bank Hamkorbank which is established under the laws and regulations of the Borrower and has its registered address at 85 Babur Avenue, Andijan City 170119, Republic of Uzbekistan;

(h) “Hamkorbank Subsidiary Loan Agreement” means the agreement between the Borrower and Hamkorbank;

(i) “Initial Environmental Examination” or “IEE” means the initial environmental examination for a Qualified Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the ESMS and cleared by ADB;

(j) “Ipak Yuli Bank” means the Open Joint Stock Innovation Commercial Bank Ipak Yuli Bank which is established under the laws and regulations of the Borrower and has its registered address at 2 Abdulla Qodirly Street, Tashkent City 100017, Republic of Uzbekistan;

(k) “Ipak Yuli Bank Subsidiary Loan Agreement” means the agreement between the Borrower and Ipak Yuli Bank;

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

(m) “PAM” means the project administration manual for the Project dated 7 August 2013 and agreed between the Borrower, the PCBs and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, the PCBs and ADB;

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

(o) “Qualified Subborrower” means a Subborrower, which satisfies the eligibility criteria set out in paragraph 4 of Schedule 3 to this Loan Agreement;

(p) “Qualified Subproject” means a specific subproject, which satisfies the eligibility criteria set out in paragraph 5 of Schedule 3 to this Loan Agreement, to be carried out by a Qualified Subborrower;

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

(r) “Safeguards Monitoring Report” means each report prepared and submitted by the Borrower to ADB on the PCB’s performance with regard to the ESMS, including any corrective and preventative actions;

(s) “Subloan” means a loan made, or proposed to be made, by a PCB out of the proceeds of the Loan to a Qualified Subborrower for a Qualified Subproject;

(t) “Subsidiary Loan Agreement” means each of the Subsidiary Loan Agreements between the Borrower and the PCBs, including the Hamkorbank Subsidiary Loan Agreement, and the Ipak Yuli Bank Subsidiary Loan Agreement;

(u) “Sum” means the currency of the Borrower; and

(v) “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 fifty million Dollars (\$50,000,000), 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 1 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 March and 15 September in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 1 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**

#### **Description of Project; Use of Proceeds of the Loan**

Section 3.01. The Project for which the Loan is made is the financing by PCBs of Qualified Subprojects through making Subloans to Qualified Subborrowers in accordance with this Loan Agreement and the Project Agreement.

Section 3.02. The Borrower shall relend the proceeds of the Loan to the PCBs (\$20,000,000 to Hamkorbank, \$20,000,000 to Ipak Yuli Bank and \$10,000,000 to a third PCB provided that it meets all the requirements for the purposes of the Project) 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.

Section 3.03. (a) Except as ADB may otherwise agree, the proceeds of the Loan shall be used only for making Subloans to Qualified Subborrowers for Qualified Subprojects and shall be applied exclusively to the cost of Goods, Works, consulting services and other items of expenditure required to carry out such Qualified Subprojects.

(b) Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, all Goods, Works and consulting services in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2017 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 PCBs to carry out the Project with due diligence and efficiency and in conformity with sound applicable financial, business and development practices.

(b) In the carrying out of the Project, the Borrower shall perform, or cause to be performed, all the obligations set forth in Schedule 3 to this Loan Agreement and the Project Agreements.

Section 4.02. 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 administration, operations and financial condition of the PCBs.

Section 4.03. The Borrower shall enable ADB's representatives to inspect any Qualified Subborrower, any Qualified Subproject, the Goods and Works, and any relevant records and documents maintained by the PCBs.

Section 4.04. The Borrower shall promptly take all action, including the provision of funds, facilities, services and other resources, which shall be necessary on its part to enable the PCBs to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the Subsidiary Loan 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 Agreement 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 Hamkorbank Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and Hamkorbank and become fully effective and legally binding upon such parties in accordance with its terms subject only to the effectiveness of this Loan Agreement; and



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

Section 5.02. The following 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 Hamkorbank 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 Hamkorbank in accordance with its terms, subject only to the effectiveness of this Loan Agreement; and

(b) the Ipak Yuli Bank 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 Ipak Yuli Bank in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

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

## **ARTICLE VI**

### **Delegation of Authority**

Section 6.01. The Borrower hereby designates the PCBs as its agents in relation to the respective parts of the Project they are implementing for the purposes of taking any action or entering into any agreement required or permitted under Sections 6.01 and 6.03 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by a PCB 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 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

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

For the Borrower

Ministry of Finance  
5 Mustaqillik Square  
Tashkent 100008

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



TAKEHIKO NAKAO  
President

**SCHEDULE 1****Amortization Schedule****(Small Business and Entrepreneurship Development Project)**

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

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 March 2019	3.333333
15 September 2019	3.333333
15 March 2020	3.333333
15 September 2020	3.333333
15 March 2021	3.333333
15 September 2021	3.333333
15 March 2022	3.333333
15 September 2022	3.333333
15 March 2023	3.333333
15 September 2023	3.333333
15 March 2024	3.333333
15 September 2024	3.333333
15 March 2025	3.333333
15 September 2025	3.333333
15 March 2026	3.333333
15 September 2026	3.333333
15 March 2027	3.333333
15 September 2027	3.333333
15 March 2028	3.333333
15 September 2028	3.333333
15 March 2029	3.333333
15 September 2029	3.333333
15 March 2030	3.333333
15 September 2030	3.333333
15 March 2031	3.333333
15 September 2031	3.333333
15 March 2032	3.333333
15 September 2032	3.333333
15 March 2033	3.333333

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 September 2033	3.333343
<b>Total</b>	<b>100.000000</b>

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 2****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. The Borrower shall cause the PCBs to ensure that each Qualified Subborrower undertakes procurement of Goods, Works, and consulting services with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB.

Industrial or Intellectual Property Rights

4. (a) The Borrower shall cause the PCBs to ensure that all Goods and Works procured by the Qualified Subborrower (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 entered into by the Qualified Subborrower 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) hereinabove.

5. The Borrower shall cause the PCBs to ensure that all ADB-financed contracts entered into by the Qualified Subborrower 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.

### SCHEDULE 3

#### Execution of Project; Financial Matters

##### Implementation Arrangements

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

##### Condition for Withdrawal

2. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account for any PCB until such time as the PCB has:

- (a) established an ESMS to the satisfaction of ADB; and
- (b) appointed a designated staff who is trained in implementing the ESMS.

##### Financial Covenants

3. The Borrower shall cause the PCBs to ensure that they remain financially sound throughout the Project implementation period. Specifically, each PCB 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. It is calculated using total regulatory capital as the numerator and risk-weighted assets as the denominator;
- (b) maintain a return on average assets ratio of not less than 1%. For the purpose of this subparagraph, return on average assets ratio means the division of net profit by one half of 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;
- (c) maintain a loan to deposit ratio of under 100%. For the purpose of this subparagraph, loan to deposit ratio is calculated as the ratio of total gross loans to customers divided by total customer deposits, expressed as a percentage;
- (d) maintain a ratio of operating expenses to operating income (i.e. cost to income ratio) of under 75%. For the purpose of this subparagraph, cost to income ratio is calculated as the total of specified operating expenses plus specified non-operating expenses divided by the total of specified operating income plus specified non-operating income, expressed as a percentage;

- (e) ensure that its loan delinquency does not exceed 5% of its total loan portfolio. For the purpose of this subparagraph, loan delinquency means the aggregate of loans classified as “loss” in the CBU definition of “loss” and loans written-off in a year (even if not classified as “loss” in the particular year’s financial statement); and
- (f) maintain a maximum limit on an individual related party exposure of no more than 25%. For the purpose of this subparagraph, this limit is calculated as an individual exposure to a related party divided by the gross loan portfolio, expressed as a percentage.

#### Criteria for Qualified Subborrower

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

- (a) a debt to equity ratio not higher than 75:25 for the subproject which the Subloan is financing;
- (b) a debt service coverage ratio not lower than 1.1 times; and
- (c) a proven track record.

#### Criteria for Qualified Subproject

5. The Borrower shall cause the PCBs to ensure that Qualified Subprojects shall be for activities that:

- (a) are not included in the list of prohibited investment activities provided in Appendix 5 of the SPS; and
- (b) do not fall under category A for environment of the SPS or class 1 or 2 of the Borrower’s environmental impact assessment and have no involuntary resettlement or ethnic minority/indigenous peoples impact under the SPS.

#### Criteria for Subloan

6. The Borrower shall cause the PCBs to ensure that each Subloan:

- (a) carry interest at an appropriate rate that takes into account the cost of funds, administrative costs and credit and foreign exchange risks (i.e. have a market-based interest rate) and have a repayment period not exceeding 5 years;
- (b) does not exceed the maximum Subloan amount of \$100,000 equivalent; and



- (c) is denominated in Dollar or Sum and such denomination shall be determined at the time the Subloan is made. The Subloan may be withdrawn in any legal form.
7. The Borrower shall cause the PCBs to ensure that:
- (a) at least 30% of the aggregate number of all Subloans made by each PCB shall be for:
    - (i) Qualified Subborrowers with a minimum of 50% women ownership; or
    - (ii) Qualified Subborrowers with a minimum of 50% women in their senior management; or
    - (iii) Qualified Subborrowers with a minimum of 50% registered women employees; and
  - (b) at least 50% of the aggregate number of all Subloans made by each PCB shall be for Qualified Subborrowers registered or located outside the City of Tashkent. For the avoidance of doubt, the Subloans to Qualified Subborrowers under subparagraph (a) hereinabove can also be counted as Subloans to Subborrowers under this subparagraph (b), if the Qualified Subborrowers under subparagraph (a) hereinabove are registered or located outside the City of Tashkent.
8. The Borrower shall cause the PCBs to ensure that:
- (a) the Subloan for each Qualified Subproject shall cover up to 75% of the subproject costs. The remainder of such costs shall be met by equity contribution from the Qualified Subborrower. Each such Subloan shall comprise 50% of its loan amount from the PCB's funds and 50% of its loan amount from the proceeds of the Loan relented by the Borrower to the PCB; and
  - (b) the aggregate value of all Subloans to a Qualified Subborrower does not exceed \$100,000 equivalent.

Screening, Categorization, and Environmental and Social Assessment and Planning

9. The Borrower shall cause the PCBs to ensure that before any Qualified Subproject is approved for financing, the PCBs will:
- (a) use the ESMS to screen and categorize the significance of potential environmental, ethnic minority/indigenous peoples or involuntary resettlement impacts associated with such Qualified Subproject;
  - (b) ensure that all Qualified Subprojects shall not involve (i) any environmental impact which can be categorized as Category A within the meaning of the SPS; and (ii) any involuntary resettlement or ethnic

minority/indigenous peoples impact which can be categorized as Category A or B within the meaning of the SPS; and

- (c) ensure that an IEE and an EMP are prepared for such Qualified Subproject as required pursuant to the ESMS.

#### Environment

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

#### Land Acquisition and Involuntary Resettlement

11. No land acquisition or resettlement impact under the SPS is expected for the Project. In the event that there is any such impact, 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 expected for the Project. In the event that there is any such impact, 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 (a) necessary budgetary and human resources are made available to fully implement the ESMS; and (b) each Qualified Subborrower makes necessary budget and human resources to fully implement EMP for the Qualified Subproject, where applicable.

#### Safeguards Monitoring and Reporting

14. The Borrower shall cause the PCBs to do the following:
- (a) submit semi-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 and any EMP promptly after becoming aware of the breach.

#### Labor Standards

15. The Borrower shall cause the PCBs to ensure that the core labor standards and applicable laws and regulations of the Borrower, including workplace occupational safety norms, are complied with during Project implementation.

#### Gender and Development

16. The Borrower shall cause the PCBs to ensure that: (a) the gender action plan is implemented in accordance with its terms; and (b) key gender outcome and output targets (of at least 30% of the aggregate number of all Subloans are for: (i) Qualified Subborrowers with a minimum of 50% women ownership; or (ii) Qualified Subborrowers with a minimum of 50% women in their senior management; or (iii) Qualified Subborrowers with a minimum of 50% registered women employees) are monitored regularly and achieved.

#### Governance and Anticorruption

17. 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.

18. The Borrower shall cause the PCBs to ensure that all contracts in relation to the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the Project.

#### Combating Money Laundering and Financing of Terrorism

19. 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 ensure 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 quarterly progress reports to ADB on any change in their management and shareholders.