
LOAN NUMBER 3471-UZB (SF)

LOAN AGREEMENT
(Special Operations)

(Horticulture Value Chain Development Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 3 March 2017

UZB 47305

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 3 March 2017 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 financial institutions ("PFIs") and the Rural Restructuring Agency ("RRA"), respectively, and for this purpose the Borrower will make available to PFIs and RRA the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB;

(C) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreements between ADB, and each PFI and RRA, respectively; and

(D) ADB and the Borrower have agreed to implement the designation of all loans from ADB's Special Funds resources as concessional loans from ADB's ordinary capital resources loans with effect from 1 January 2017, which is implemented through the amendment of applicable legal agreements as set forth in an amendment letter dated 3 October 2016, including this Loan Agreement. Accordingly, this Loan Agreement shall be read together with the amendment letter.

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

(a) Section 2.01(25) is deleted and the following is substituted therefor:

"Project Agreement" means each project agreement between ADB and a PFI and the project agreement between ADB and the Project Executing Agency, as each such agreement may be amended from time to time, and such term includes all agreements supplementary to the Project Agreement and all schedules to the Project Agreement.

- (b) In Sections 6.01(a), 8.01(d), 8.01(f), 8.01(k) of the Loan Regulations, the words "and each PFI" shall be added immediately after the term "Project Executing Agency".

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) "Asaka Bank" means State Joint-Stock Commercial Bank "Asaka" which is established under the laws and regulations of the Borrower and has its registered address at 67, Nukus Street, Mirobod District, Tashkent, 100015, Republic of Uzbekistan;

(b) "CBU" means the Central Bank of the Republic of Uzbekistan or any successor thereto;

(c) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(d) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in Section 3.01(b) of this Loan Agreement;

(e) "Davr Bank" means the Private Joint-Stock Commercial Bank "Davr Bank" which is established under the laws and regulations of the Borrower and has its registered address at Block A, Navoi-Zarqaynar Street, Tashkent, 100021, Republic of Uzbekistan;

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

(g) "ESMS" means an environmental and social management system, including an update thereto, established by each PFI and cleared by ADB;

(h) "GAP" means the gender action plan prepared for the Project, including any update thereto, prepared by the Borrower and cleared by ADB;

(i) "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;

(j) "Hamkorbank" means the Joint-Stock Commercial Bank with Foreign Capital "Hamkorbank" which is established under the laws and regulations of the Borrower and has its registered address at 85, Babur Avenue, Andijan, 170119, Republic of Uzbekistan;

(k) "Ipak Yuli Bank" means Joint-Stock Innovation Commercial Bank "Ipak Yuli" which is established under the laws and regulations of the Borrower and has its registered address at 2, Abdullah Qodiriy Street, Yunusabad District, Tashkent, 100017, Republic of Uzbekistan;

(l) "Ipoteka Bank" means Joint-Stock Commercial Mortgage Bank "Ipoteka Bank" which is established under the laws and regulations of the Borrower and has its registered address at 30, Shahrizabzskaya Street, Yunusabad District, Tashkent, 100000, Republic of Uzbekistan;

(m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(n) "MOF" means the Ministry of Finance of the Borrower;

(o) "National Bank of Uzbekistan" means the National Bank for Foreign Economic Activity of the Republic of Uzbekistan 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;

(p) "PAM" means the project administration manual for the Project dated 18 October 2016 and agreed between the Borrower, the PFIs and ADB as updated from time to time in accordance with the respective administrative procedures of the Borrower, the PFIs and ADB;

(q) "PFI" means a participating financial institution under the Project; and "PFIs" means all of them;

(r) "PFI Project Agreement" means a Project Agreement entered into, or to be entered into, between ADB and a PFI;

(s) "PMO" means project management office established at the Project Executing Agency responsible for monitoring the project implementation;

(t) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(u) "Procurement Plan" means the procurement plan for the Project dated 18 October 2016 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;

(v) "Project Agreements" means the RRA Project Agreement and the PFI Project Agreements;

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

(x) "Qualified Subborrower" means a subborrower which satisfies the eligibility criteria set out in paragraph 6 of Schedule 4 to this Loan Agreement;

(y) "Qualified Subproject" means a specific subproject, which satisfies the eligibility criteria set out in paragraph 7 of Schedule 4 to this Loan Agreement, to be carried out by a Qualified Subborrower;

- (z) "RRA" means Rural Restructuring Agency of the Borrower;
- (aa) "RRA Project Agreement" means the Project Agreement entered into between ADB and the Project Executing Agency;
- (bb) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);
- (cc) "Safeguards Monitoring Report" means an environmental and social performance report prepared and submitted by each PFI to ADB on its performance with regard to the ESMS, including any corrective and preventive actions;
- (dd) "Subloan" means a loan made, or proposed to be made, by a PFI out of the proceeds of the Loan to a Qualified Subborrower for a Qualified Subproject;
- (ee) "Subsidiary Loan Agreement" means the tripartite agreement among the Borrower, the Project Executing Agency and a PFI referred to in Section 3.03 of this Loan Agreement;
- (ff) "Turon Bank" means Joint-Stock Commercial Bank "Turon Bank" which is established under the laws and regulations of the Borrower and has its registered address at 4A, Abay Street, Shayhontohur District, Tashkent, 100011, Republic of Uzbekistan;
- (gg) "Uzpromstroybank" means Joint-Stock Commercial Bank "Uzbek Industrial and Construction Bank" which is established under the laws and regulations of the Borrower and has its registered address at 3, ShahrIsabzskaya Street, Yunusabad District, Tashkent, 100000, Republic of Uzbekistan; and
- (hh) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to one hundred eleven million five hundred eighty-five thousand Special Drawing Rights (SDR111,585,000).

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

(b) The term "grace period" as used in subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

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

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

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

ARTICLE III

Description of Project; Use of Proceeds of the Loan

Section 3.01. The Borrower shall ensure that the Loan is applied for purposes of the Project, which comprises:

- (a) the financing by the PFIs of Qualified Subprojects by making Subloans to Qualified Subborrowers in accordance with this Loan Agreement and the PFI Project Agreements ("Part A"); and
- (b) Project management support to the PMO in relation to its implementation and monitoring of Part A of the Project, financial auditing, capacity development and technical advisory services for PFIs, and prospective borrowers of Subloans ("Part B").

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. (a) The Borrower shall enter into a Subsidiary Loan Agreement with each PFI and the Project Executing Agency, providing inter alia for the relending of the proceeds of the Loan to each PFI, respectively, for the carrying out of Part A of the Project, and the rights and obligations of the Borrower, the Project Executing Agency and ADB with respect thereto. Such Subsidiary Loan Agreement shall be in form and on terms and conditions acceptable to ADB, and shall be without prejudice to, and without limitation on, the obligations of the Borrower under this Loan Agreement.

(b) The Borrower shall make available to the Project Executing Agency a portion of the Loan of up to \$3,000,000, or such other amount as ADB may otherwise agree, for the carrying out of Part B of the Project.

Section 3.04. (a) Except as ADB may otherwise agree, the proceeds of the Loan as referred to in Section 3.03(a) above shall be used only for making Subloans to Qualified Subborrowers for Qualified Subprojects and shall be applied

exclusively to the cost of Goods, Works and Consulting Services 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 3 to this Loan Agreement.

Section 3.05. The Project is expected to be completed by 31 December 2021. The Loan Closing Date for the purposes of Section 8.02(III) of the Loan Regulations shall be 30 June 2022 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 Executing Agency and the PFIs to carry out the Project 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, the Borrower shall perform, or cause to be performed, all the obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. In addition to the reports and information set forth in Section 6.05 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 PFIs.

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 Project Executing Agency and the PFIs.

Section 4.04. The Borrower shall promptly take all actions, including as specified in Section 6.06 of the Loan Regulations, which shall be necessary on its part to enable the Project Executing Agency and the PFIs 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. In addition to the foregoing, the Borrower shall ensure that the Project Executing Agency has sufficient funds to satisfy its liabilities arising from any Goods and/or Consulting Services contract.

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 any 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 9.01(f) of the Loan Regulations:

- (a) at least 3 PFIs shall have executed and delivered a PFI Project Agreement and such execution and delivery shall have been duly authorized or ratified by all necessary corporate, administrative and governmental action; and
- (b) a Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been executed and delivered on behalf of the Borrower, the Project Executing Agency and each PFI as referred to in paragraph (a) above, and shall have become fully effective and legally binding on the parties thereto 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 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) each PFI Project Agreement as referred to in Section 5.01(a) above have been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower and the relevant PFIs in accordance with their terms, subject only to the effectiveness of this Loan Agreement; and
- (b) each Subsidiary Loan Agreement as referred to in Section 5.01(b) above have been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower, the Project Executing Agency and the relevant PFIs in accordance with their terms, subject only to the effectiveness of this Loan Agreement.

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

ARTICLE VI**Delegation of Authority**

Section 6.01. The Borrower hereby designates:

- (a) MOF as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.03 and 3.05 of this Loan Agreement; and
- (b) the Project Executing Agency as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations and paragraph 2 of Schedule 3 to this Loan Agreement, provided that loan proceeds of Subloans shall be deposited in the respective designated imprest account of the relevant PFI.

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

ARTICLE VII

Miscellaneous

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

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

For the Borrower

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

Facsimile Numbers:

(998-71) 233-7073
(998-71) 239-1259.

For ADB

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

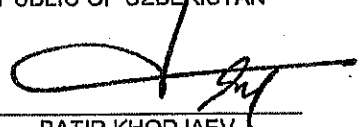
Facsimile Numbers:

(63-2) 636-2444
(63-2) 636-2017.

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

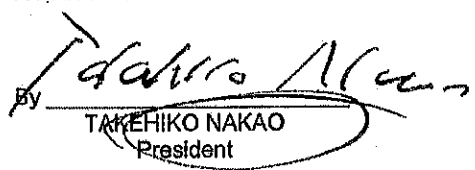
By



BATIR KHODJAEV
Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By



TAKEHIKO NAKAO
President

SCHEDULE 1**Amortization Schedule****(Horticulture Value Chain Development Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (Expressed in Special Drawing Rights)*
15 May 2022	2,789,625
15 November 2022	2,789,625
15 May 2023	2,789,625
15 November 2023	2,789,625
15 May 2024	2,789,625
15 November 2024	2,789,625
15 May 2025	2,789,625
15 November 2025	2,789,625
15 May 2026	2,789,625
15 November 2026	2,789,625
15 May 2027	2,789,625
15 November 2027	2,789,625
15 May 2028	2,789,625
15 November 2028	2,789,625
15 May 2029	2,789,625
15 November 2029	2,789,625
15 May 2030	2,789,625
15 November 2030	2,789,625
15 May 2031	2,789,625
15 November 2031	2,789,625
15 May 2032	2,789,625
15 November 2032	2,789,625
15 May 2033	2,789,625
15 November 2033	2,789,625
15 May 2034	2,789,625
15 November 2034	2,789,625
15 May 2035	2,789,625
15 November 2035	2,789,625
15 May 2036	2,789,625
15 November 2036	2,789,625
15 May 2037	2,789,625
15 November 2037	2,789,625
15 May 2038	2,789,625
15 November 2038	2,789,625
15 May 2039	2,789,625
15 November 2039	2,789,625
15 May 2040	2,789,625
15 November 2040	2,789,625

<u>Date Payment Due</u>	<u>Payment of Principal</u> (Expressed In Special Drawing Rights)*
15 May 2041	2,789,625
15 November 2041	2,789,625
TOTAL	111,585,000

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

SCHEDULE 2

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, 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.

Conditions for Withdrawals from Loan Account

5. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account for a PFI for the purposes of any Qualified Subproject until:

- (a) such PFI has executed a PFI Project Agreement with ADB and the execution of such PFI Project Agreement on behalf of that PFI has been duly authorized or ratified by all necessary corporate, administrative and governmental action;
- (b) such PFI has executed a Subsidiary Loan Agreement, in form and substance satisfactory to ADB, and such Subsidiary Loan Agreement has become fully effective and legally binding on the parties thereto in accordance with its terms;
- (c) an opinion or opinions satisfactory to ADB of counsel acceptable to ADB has been furnished to ADB, showing:
 - (i) the PFI Project Agreement as referred to in paragraph (a) above has been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower and the relevant PFI in accordance with its terms; and
 - (ii) the Subsidiary Loan Agreement as referred to in paragraph (b) above has been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower, the Project Executing Agency and the relevant PFI in accordance with its terms;
- (d) such PFI has established the ESMS in a manner satisfactory to ADB, which includes, without limitation, guidelines for site visits of Qualified Subprojects and a tracking system of Qualified Subprojects; and
- (e) such PFI has appointed designated staff who is capable and adequately trained in fully implementing the ESMS, in particular implementing environmental Category B Qualified Subprojects including identifying and executing any corrective or preventive measures needed to ensure compliance of such Qualified Subprojects with the applicable laws and regulations of the Borrower and the SPS.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Horticulture Value Chain Development Project			
CATEGORY			ADB ADF LOAN FINANCING
Number	Item	Amount Allocated (SDR)	Percentage and Basis for Withdrawal from the Loan Account
1	Credit Lines to Participating Financial Institutions ^a	109,411,000	100 percent of total expenditure claimed
2	Project Management and Implementation	2,174,000	100 percent of total expenditure claimed
	Total	111,585,000	

^a Subject to the disbursement condition set forth in paragraph 5 of Schedule 2.

SCHEDULE 3**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. Except as ADB may otherwise agree, Goods shall be procured, and Consulting Services shall be selected and engaged, by the Project Executing Agency for Part B of the Project only on the basis of the procurement method and the selection method set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the procurement method and the selection method or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
3. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods

4. The Borrower shall cause the Project Executing Agency to procure Goods for Part B of the Project on the basis of Shopping.

Consulting Services

5. The Borrower shall cause the Project Executing Agency to apply (a) Consultants' Qualifications Selection for Consulting Services for capacity development for the PFIs, Project beneficiaries, and horticulture export agency; and (b) Least Cost Selection for external audit services, each for Part B of the Project.

Eligible Source of Procurement

6. Withdrawals from the Loan Account in respect of Goods and/or Consulting Services by the Project Executing Agency shall be made only on account of expenditures relating to Goods and/or Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.
7. Goods, Works and Consulting Services may be procured by Qualified Subborrowers under the Project from either member countries or non-member countries of ADB.

Procurement by Qualified Subborrowers

8. The Borrower shall cause the PFIs 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

9. (a) The Borrower shall cause the Project Executing Agency and the PFIs 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 Project Executing Agency and the PFIs 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.

10. The Borrower shall cause the Project Executing Agency and the PFIs 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.

ADB's Review of Procurement Decisions

11. Contracts for Consulting Services to be engaged by the Project Executing Agency for Part B of the Project shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

12. In the case of a contract for Goods to be entered into by the Project Executing Agency for Part B of the Project, which is subject to ADB's prior review, the Borrower shall cause the Project Executing Agency to 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 5% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).

13. In the case of a contract for Goods to be entered into by the Project Executing Agency for Part B of the Project, 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.

14. The Borrower shall cause the Project Executing Agency to provide to ADB copies of all modifications or waivers to the contracts (including change orders) within 1 month following amendment of the contract.

SCHEDULE 4**Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower shall, and shall ensure that the Project Executing Agency and the PFIs 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 Project Executing Agency, the relevant PFIs and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Disbursement Procedures

2. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook. The Borrower through the Project Executing Agency shall cause the PFIs to ensure that (a) ADB's financing shall not exceed 75% of the total costs under each Qualified Subproject and (b) any valuation of a Qualified Subborrower's share of financing by in-kind contribution shall be done in an objective and transparent manner acceptable to ADB.

Financial Covenants

3. The Borrower shall (a) cause the PFIs to ensure that they remain financially sound throughout the Project implementation period and (b) through the Project Executing Agency monitor such compliance and promptly report any non-compliance to ADB. Specifically each PFI shall satisfy and maintain:

- (i) prudential ratios as required by the CBU for banks, as applicable from time to time;
- (ii) a cost to income ratio of less than 75%. For the purpose of this subparagraph, cost to income ratio means the sum of operating expenses and non-operating expenses divided by the sum of operating and non-operating income;
- (iii) a return on average assets ratio of not less than 1%. For the purpose of this subparagraph, return on assets ratio means the PFI's net income after tax divided by its average total assets in a financial year as reported in its management accounts in accordance with International financial reporting standards;
- (iv) net non-performing loans ratio of not more than 5%. For the purpose of this subparagraph, net non-performing loans ratio means, in relation to any date, (i) the net amount of non-performing loans minus reserves divided by (ii) the amount of gross loan portfolio. For the purpose of this subparagraph, non-performing loan means any loan in respect of which any principal or interest amount has been outstanding for a

period of more than 90 days after the relevant due date provided for under the agreement(s) pursuant to which that loan was made;

- (v) a maximum limit on an individual related party exposure of 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;
- (vi) a maximum limit on portfolio exposure to one insider of 25% of Tier 1 capital (as defined by CBU regulations), and to all insiders of 100% of Tier 1 capital (as defined by CBU regulations). For the purpose of this subparagraph, insider means member of the supervisory board or management board of a PFI, employee in management position and shareholder with voting rights of more than 10% of that PFI; and
- (vii) positive net income for the current and two immediately preceding financial years.

Financial Management

4. In addition to the financial covenants in relation to PFIs, the Borrower shall (a) cause the PFIs to ensure that they satisfy the eligibility criteria for PFIs as set out in the PAM throughout the Project Implementation period; and comply with the time-bound financial management actions as set out in the PAM as applicable to the relevant PFIs; and (b) through the Project Executing Agency monitor such compliance and promptly report any non-compliance to ADB.

5. The Borrower shall ensure that the Project Executing Agency comply with the time-bound financial management actions as set out in the PAM as applicable to the Project Executing Agency.

Criteria for Qualified Subborrowers

6. The Borrower through the Project Executing Agency shall cause the PFIs to ensure that each Qualified Subborrower:

- (a) is an entity of entrepreneurial activities established and registered in accordance with applicable laws of the Borrower, and is in compliance with all laws and regulations of the Borrower;
- (b) is not a related party with respect to the PFI under the laws and regulations of the Borrower and CBU regulations; and
- (c) is determined to be acceptable based on due diligence undertaken by the PFI in accordance with the PFI's prevailing credit and risk management policies and procedures that are consistent with appropriate commercial banking criteria.

Criteria for Qualified Subprojects

7. The Borrower through the Project Executing Agency shall cause the PFIs to ensure that each Qualified Subproject shall be for activities that:

- (a) relate to one of the following: (i) manufacture and/or supply of farm technology, machinery and infrastructure, and the supply of farm inputs and services appropriate to the production of horticultural produce; (ii) production of horticultural produce; or (iii) post-harvest handling, storage, processing and marketing of horticultural produce;
- (b) do not involve any involuntary resettlement or indigenous peoples impacts, all within the meaning of the SPS;
- (c) do not involve any environmental impacts, which can be categorized as Category A, all within the meaning of the SPS or class 1 or 2 of all applicable laws and regulations of the borrower relating to the environment;
- (d) are not included in the list of prohibited investment activities set out in Appendix 5 of the SPS; and
- (e) do not involve mining or genetically modified organisms.

Criteria for Subloans

8. The Borrower through the Project Executing Agency shall cause the PFIs to ensure that each Qualified Subloan:

- (a) does not exceed the maximum Subloan amount of \$5,000,000 equivalent;
- (b) is used for investment purposes (being purchase of capital assets) only and not for financing of working capital;
- (c) has a maximum tenor of 10 years;
- (d) carries interest at a market-based rate as determined by the relevant PFI based on its prevailing risk management policies and procedures;
- (e) is secured or collateralized with realizable and otherwise unencumbered assets with a value of at least 125% of the Subloan; and
- (f) requires a minimum debt service coverage ratio of 1.2.

Environmental and Social Assessment and Planning

9. The Borrower through the Project Executing Agency shall cause each PFI to ensure that before any Subloan is approved, the ESMS is used to screen and categorize the significance of potential environmental, involuntary resettlement or indigenous peoples impacts associated with the relevant subproject.

Environment

10. The Borrower through the Project Executing Agency shall cause each PFI to ensure that the preparation, design construction, implementation, operation and decommissioning of each subproject financed by a Subloan comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environment Safeguards; and (c) the ESMS, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

11. The Borrower, through the Project Executing Agency shall cause each PFI to ensure that each subproject financed by a Subloan does not have any involuntary resettlement impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower through the Project Executing Agency shall cause the PFI to take all steps required to ensure that the relevant subproject complies with all the applicable laws and regulations of the Borrower and the SPS. In case of any inconsistency or discrepancy between the SPS and the applicable laws and regulations of the Borrower, the SPS shall prevail.

Indigenous Peoples

12. The Borrower, through the Project Executing Agency shall cause each PFI to ensure that each subproject financed by a Subloan does not have any indigenous peoples impacts, all within the meaning of the SPS. In the event that the subproject does have any such impact, the Borrower through the Project Executing Agency shall cause the PFI to take all steps required to ensure that the subproject complies with all the applicable laws and regulations of the Borrower and the SPS. In case of any inconsistency or discrepancy between the SPS and the applicable laws and regulations of the Borrower, the SPS shall prevail.

Human and Financial Resources to Implement Safeguards Requirements

13. The Borrower through the Project Executing Agency shall cause each PFI to ensure that necessary financial and human resources are made available to fully implement the ESMS.

Safeguard Monitoring and Reporting

14. The Borrower, through the Project Executing Agency shall cause each PFI 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.

Labor Standards and Safety

15. The Borrower, through the Project Executing Agency shall cause the PFIs to ensure that the Qualified Subborrowers comply with the core labor standards and the Borrower's applicable laws and regulations during the Project implementation, including, but not limited to, the requirements relating to (a) workplace occupational safety norms; (b) no use of child labor; (c) no discrimination against workers in respect of employment and occupation; and (d) no use of forced labor. The Borrower shall cause the PFIs to ensure that the workers engaged by the Qualified Subborrowers for the Qualified Subprojects are not restricted from developing legally permissible means of expressing their grievances and protecting their rights regarding conditions and terms of employment.

16. The Borrower, through the Project Executing Agency shall cause the PFIs to strictly monitor compliance with the requirements set forth in paragraph 15 above and provide ADB with regular reports.

Gender and Development

17. The Borrower through the Project Executing Agency shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to: at least 5 associations of women farmers are established and operational in 5 regions by 31 December 2021, at least 1 gender awareness training is conducted for the key stakeholders and at least 30 participants per region (of which at least 30% are women) in at least 5 regions.

Governance and Anticorruption

18. The Borrower shall, and shall cause the Project Executing Agency and the PFIs to, (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.

19. The Borrower shall, and shall cause the Project Executing Agency and the PFIs 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

20. The Borrower through the Project Executing Agency shall ensure that each PFI:

- (a) complies 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) formulates and implements internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
- (c) promptly informs the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs the Project Executing Agency and a PFI of its concern that there has been such an alleged violation, that PFI 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.