

---

LOAN NUMBER 3673-UZB(COL)

LOAN AGREEMENT  
(Ordinary Operations [Concessional])

(Horticulture Value Chain Development Project – Additional Financing)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 05 November 2018

---

UZB 47305

**LOAN AGREEMENT**  
**(Ordinary Operations [Concessional])**

LOAN AGREEMENT dated *05 November 2014* between REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 3 March 2017 between the Borrower and ADB ("Original Loan Agreement"), ADB agreed to make a loan to the Borrower from ADB's Special Funds resources in an amount in various currencies equivalent to one hundred eleven million five hundred eighty-five thousand Special Drawing Rights (SDR111,585,000) for the purposes of the project described in Schedule 1 to the Original Loan Agreement ("Original Project");

(B) by project agreements between the original participating financial institutions ("Original PFIs") and ADB ("Original PFI Project Agreements"), the Original PFIs agreed to undertake certain obligations towards ADB as set forth in the Original PFI Project Agreements;

(C) by a project agreement between the Rural Restructuring Agency ("RRA") and ADB ("Original RRA Project Agreement"), RRA agreed to undertake certain obligations towards ADB as set forth in the Original RRA Project Agreement;

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

(E) the Project will be carried out by the participating financial institutions ("PFIs") and the RRA, respectively, and for this purpose the Borrower will make available to the PFIs proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(F) ADB has agreed to make an additional concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreements of even date herewith between ADB, and each PFI and RRA, respectively;

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("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(w) is deleted and the following is substituted therefor:

"Project Agreement" means each project agreement of even date herewith between ADB and a PFI and the project agreement between ADB and RRA, as each such agreement may be amended from time to time; and each such project agreement includes all schedules to the project agreement.

- (b) In Sections 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) 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 and the Original Loan Agreement 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 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, Mirabad District, Tashkent, 100015, Republic of Uzbekistan;

(b) "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, 100011, Republic of Uzbekistan;

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

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

(e) "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;

(f) "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, Shahrisabzskaya Street, Mirzo Ulugbek District, Tashkent, 100000, Republic of Uzbekistan;

(g) "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;

(h) "PAM" means the project administration manual for the Project dated 10 April 2018 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;

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

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

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

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

(m) "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;

(n) "RRA" means Rural Restructuring Agency of the Borrower, or any successor thereto acceptable to ADB;

(o) "RRA Project Agreement" means the Project Agreement entered into, or to be entered into, between ADB and the Project Executing Agency;

(p) "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;

(q) "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;

(r) "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;

(s) "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, Shahrizabzskaya Street, Yunusabad District, Tashkent, 100000, Republic of Uzbekistan; and

(t) "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. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred ninety-eight million Dollars (\$198,000,000).

(b) The Loan has a principal repayment period of 20 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 an interest charge at the rate of 2% 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.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December 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 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.

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. The Borrower shall enter into a Subsidiary Loan Agreement with each PFI, providing inter alia for the relending of the proceeds of the Loan to each PFI, the carrying out 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.

Section 3.04. (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 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 Loan Closing Date for the purposes of Section 8.02 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 Sections 6.01 and 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 not take or permit any action which would interfere with the performance of the PFIs' obligations under the Project Agreements.

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. 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.

Section 6.02. Any action taken or any agreement entered into by MOF and the Project Executing Agency 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 Project Executing Agency 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  
29 Istiqlol Street  
Tashkent 100017  
Republic of Uzbekistan

## Facsimile Numbers:

(998-71) 239-8893  
(998-71) 239-1252.

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



KUCHKAROV JAMSHID ANVAROVICH  
Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By



CYNTHIA MALVICINI  
Authorized Representative

## SCHEDULE 1

## Amortization Schedule

<u>Payment Due</u>	<u>Payment of Principal</u> (Expressed in Dollar)*
15 June 2023	4,950,000
15 December 2023	4,950,000
15 June 2024	4,950,000
15 December 2024	4,950,000
15 June 2025	4,950,000
15 December 2025	4,950,000
15 June 2026	4,950,000
15 December 2026	4,950,000
15 June 2027	4,950,000
15 December 2027	4,950,000
15 June 2028	4,950,000
15 December 2028	4,950,000
15 June 2029	4,950,000
15 December 2029	4,950,000
15 June 2030	4,950,000
15 December 2030	4,950,000
15 June 2031	4,950,000
15 December 2031	4,950,000
15 June 2032	4,950,000
15 December 2032	4,950,000
15 June 2033	4,950,000
15 December 2033	4,950,000
15 June 2034	4,950,000
15 December 2034	4,950,000
15 June 2035	4,950,000
15 December 2035	4,950,000
15 June 2036	4,950,000
15 December 2036	4,950,000
15 June 2037	4,950,000
15 December 2037	4,950,000
15 June 2038	4,950,000
15 December 2038	4,950,000
15 June 2039	4,950,000
15 December 2039	4,950,000
15 June 2040	4,950,000
15 December 2040	4,950,000
15 June 2041	4,950,000

<u>Payment Due</u>	<u>Payment of Principal</u> (Expressed in Dollar)*
15 December 2041	4,950,000
15 June 2042	4,950,000
15 December 2042d	4,950,000
<b>Total</b>	<b>198,000,000</b>

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

Disbursement Procedures

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

Conditions for Withdrawals from Loan Account

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

- (a) 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; and

- (b) an opinion or opinions satisfactory to ADB of counsel acceptable to ADB has been furnished to ADB, showing the Subsidiary Loan 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, the Project Executing Agency and the relevant PFI in accordance with its terms.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Credit Lines to Participating Financial Institutions <sup>a</sup>	198,000,000	
	<b>Total</b>	<b>198,000,000</b>	

<sup>a</sup> Subject to the disbursement conditions 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. 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.

Eligible Source of Procurement of Goods, Works and Consulting Services by Qualified Subborrowers

3. Goods, Works and Consulting Services may also be procured under the Project from non-member countries of ADB.
4. 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

5. (a) The Borrower shall cause 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 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.
6. The Borrower shall cause 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.

**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, (A) the net amount of non-performing loans minus reserves divided by (B) 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 the PFIs, the Borrower shall (a) cause the PFIs to ensure that they satisfy the eligibility criteria for the 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.

SafeguardsScreening, Categorization, and Environmental and Social Assessment and Planning

9. The Borrower shall cause the Project Executing Agency and the PFIs to ensure that before any Qualified Subproject is approved for financing:
- (a) the ESMS is used to screen and categorize the significance of potential environmental, indigenous peoples or involuntary resettlement impacts associated with such Qualified Subproject; and
  - (b) an IEE and an EMP are prepared for such Qualified Subproject as required pursuant to the ESMS.

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; (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. The Borrower through the Project Executing Agency shall cause each PFI to ensure that each Qualified Subproject financed by a Subloan does not have any involuntary resettlement impacts, all within the meaning of the SPS.

Indigenous Peoples

12. The Borrower through the Project Executing Agency shall cause each PFI to ensure that each Qualified Subproject financed by a Subloan does not have any indigenous peoples impacts, all within the meaning of the SPS.

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; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

#### 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.

