
LOAN NUMBER 4000-UZB

LOAN AGREEMENT
(Ordinary Operations)

(CAREC Corridor 2 (Pap–Namangan–Andijan) Railway
Electrification Project – Additional Financing)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 06 August 2021

UZB 48025

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 06 August 2021 between REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 8 November 2017 between the Borrower and ADB ("Initial Loan Agreement"), ADB provided a loan (Loan No. 3527-UZB) in the amount of eighty million Dollars (\$80,000,000) for the purposes of the CAREC Corridor 2 (Pap–Namangan–Andijan) Railway Electrification Project ("Initial Project") as described in Schedule 1 to the Initial Loan Agreement;

(B) the Borrower has applied to ADB for a loan for the purposes of financing additional activities to the Initial Project as described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out by O'zbekiston Temir Yo'llari Joint Stock-Company ("UTY"), and for this purpose the Borrower will make available to UTY the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and UTY;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations 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.

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) "Associated Facilities" means the facilities to be constructed as described in paragraph 3 of Schedule 1 to this Loan Agreement;
- (b) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;

- (c) "Environmental Management Plan" or "EMP" means the environmental management plan for the Project, 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) "Existing Facilities" means the land allocated by UTY for the construction of the Kokand traction substation and the Andijan traction substation, including all existing structures on such land;
- (f) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (g) "Initial Environmental Examination" or "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (h) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (i) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (j) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (k) "PAM" means the project administration manual for the Project dated 23 September 2020 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (l) "Procurement Plan" means the procurement plan for the Project dated 23 September 2020 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (m) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (n) "Project facilities" means the facilities to be constructed, rehabilitated or improved under the Project;
- (o) "Project Railway" means the 441 km of existing track linking Angren-Pap-Kokand-Andijan, including four branch lines for which signaling and telecommunications systems will be installed;

- (p) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (q) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the IEE, the EMP and the Social Due Diligence Report, including (in each case) the corrective and preventative actions set out therein;
- (r) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);
- (s) "Services" means Consulting Services and Nonconsulting Services;
- (t) "Social Due Diligence Report" means the Social Due Diligence Report for the Project dated August 2020 and agreed between the Borrower and ADB, including any update thereof agreed by ADB;
- (u) "Subsidiary Loan Agreement" means any and all agreements entered into between the Borrower and UTY for purposes of relending the Loan as specified in Section 3.01 of this Loan Agreement; and
- (v) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services, and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred and twenty-one million Dollars (\$121,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

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

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

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

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

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

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

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

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

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

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan to UTY under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for relending the proceeds of the Loan shall

include (i) interest at the rate applicable from time to time to the Loan with foreign exchange risk being borne by UTY and (ii) a term of 25 years including a grace period of 5 years.

(b) The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2025 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, and any relevant records and documents.

Section 4.03. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable UTY 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 Agreement 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

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(m) of the Loan Regulations: UTY shall have failed to perform any of its obligations under the Subsidiary Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred and continued for a period of 60 days.

ARTICLE VI

Effectiveness

Section 6.01. A date 60 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Delegation of Authority

Section 7.01. The Borrower hereby designates UTY as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.04 of this Loan Agreement and under Sections 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by UTY pursuant to the authority conferred under Section 7.01 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 7.03. The authority conferred on UTY under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VIII**Miscellaneous**

Section 8.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

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

For the Borrower

Ministry of Finance
29 Istiqlol Street
Tashkent 100017
Republic of Uzbekistan

Facsimile Number:

(998-71) 239-4949
(998-71) 239-1259.

For ADB

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

Facsimile Numbers:

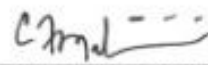
(632) 8636-2444
(632) 8636-2424.

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 
TIMUR ISHMETOV
Minister of Finance

ASIAN DEVELOPMENT BANK

By 
CYNTHIA MALVICINI
Country Director
Uzbekistan Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is to improve the level of rail passenger and freight service in, to and from the Fergana Valley.
2. The Project shall comprise:
 - (a) the upgrading of railway infrastructure along the Angren-Pap-Kokand-Andijan line, comprised of:
 - (i) completion of the design, supply and installation of the signaling and telecommunications system on 441 km of existing track, including four branch lines;
 - (ii) installation of a video surveillance system to monitor the safe operation of trains;
 - (iii) the fitting of a landslide detection and warning system on the section of the line traversing the mountainous area between Pap and Angren;
 - (iv) the enhancement of the electric power supply through the construction of 2 traction substations and 2 sectioning posts, and an upgrade to 2 existing traction substations;
 - (v) the connection of all traction substations to a supervisory control and data acquisition system (SCADA) and an external power supply; and
 - (vi) the commissioning of machinery and equipment for maintenance of electrified lines and the upgrading of the Kokand Depot to allow for servicing of electric locomotives; and
 - (b) the upgrading of the train control and management systems to allow UTY to control and manage all train movements in the Fergana Valley from a single central train control ("CTC") center in Tashkent, comprised of:
 - (i) the upgrading of the CTC center in Tashkent;
 - (ii) the implementation of a functional automated train timetabling system; and
 - (iii) the training of staff members (including all relevant female technical staff) on the modernized train control and management system.
3. The Project is associated with external power supply lines, financed and installed using government funds, for linking the two new traction substations to be built under the Project at Asaka and Kokand to the national power grid.

4. The Project is expected to be completed by 31 December 2024.

SCHEDULE 2**Amortization Schedule**

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 April 2026 | 2.500000 |
| 15 October 2026 | 2.500000 |
| 15 April 2027 | 2.500000 |
| 15 October 2027 | 2.500000 |
| 15 April 2028 | 2.500000 |
| 15 October 2028 | 2.500000 |
| 15 April 2029 | 2.500000 |
| 15 October 2029 | 2.500000 |
| 15 April 2030 | 2.500000 |
| 15 October 2030 | 2.500000 |
| 15 April 2031 | 2.500000 |
| 15 October 2031 | 2.500000 |
| 15 April 2032 | 2.500000 |
| 15 October 2032 | 2.500000 |
| 15 April 2033 | 2.500000 |
| 15 October 2033 | 2.500000 |
| 15 April 2034 | 2.500000 |
| 15 October 2034 | 2.500000 |
| 15 April 2035 | 2.500000 |
| 15 October 2035 | 2.500000 |
| 15 April 2036 | 2.500000 |
| 15 October 2036 | 2.500000 |
| 15 April 2037 | 2.500000 |
| 15 October 2037 | 2.500000 |
| 15 April 2038 | 2.500000 |
| 15 October 2038 | 2.500000 |
| 15 April 2039 | 2.500000 |
| 15 October 2039 | 2.500000 |
| 15 April 2040 | 2.500000 |
| 15 October 2040 | 2.500000 |
| 15 April 2041 | 2.500000 |
| 15 October 2041 | 2.500000 |
| 15 April 2042 | 2.500000 |

| <u>Payment Due</u> | <u>Installment Share</u> (Expressed as a %) |
|--------------------|--|
| 15 October 2042 | 2.500000 |
| 15 April 2043 | 2.500000 |
| 15 October 2043 | 2.500000 |
| 15 April 2044 | 2.500000 |
| 15 October 2044 | 2.500000 |
| 15 April 2045 | 2.500000 |
| 15 October 2045 | 2.500000 |
| Total | 100.000000 |

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

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

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

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

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

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

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

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and 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.

Retroactive Financing

5. Withdrawals from the Loan Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with Works, Goods and Consulting Services, subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until the Subsidiary Loan Agreement shall have been signed and become effective 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 |
| 1 | Works, Goods and Consulting Services** | 121,000,000 | 100% of total expenditure claimed* |
| | TOTAL | 121,000,000 | |

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

** Subject to the condition for withdrawal described in paragraph 6 of Schedule 3.

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

1. The Borrower shall ensure, or cause UTY to 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 and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Procurement

2. The Borrower shall ensure, or cause UTY to ensure, that:
- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
 - (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
 - (c) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.
3. The Borrower shall ensure, or cause UTY to ensure, that no Works contract is awarded which involves environmental impacts until:
- (a) the relevant environment authority of the Borrower has granted the final approval of the IEE; and
 - (b) UTY has incorporated the relevant provisions from the EMP into the Works contract.

Environment

4. The Borrower shall ensure, or cause UTY to ensure, that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to

environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE (including, without limitation, the corrective action plans for the Associated Facilities and Existing Facilities) and the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

5. The Borrower shall ensure, or cause UTY to ensure, that all land and all rights-of-way required for the Project are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the Social Due Diligence Report, including the corrective actions set out in such report; and (d) any corrective or preventative actions set forth in a Safeguards Monitoring Report.

6. The Borrower shall ensure, and cause UTY to ensure, that all land acquisition and resettlement activities in relation to the Associated Facilities and Existing Facilities, including all payments of required compensation and entitlements, and satisfaction of all requirements and actions set out in the Social Due Diligence Report, are completed before any construction or civil works commences under any Works contract.

Indigenous Peoples

7. The Borrower shall ensure, and cause UTY to ensure, that the Project does not have any indigenous peoples impact within the meaning of the Safeguard Policy Statement. In the event that the Project does have any such impact, the Borrower shall, and shall cause UTY to, take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the Safeguards Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

8. The Borrower shall make available, or cause UTY to make available, the necessary monetary and human resources to fully implement the EMP; the Social Due Diligence Report, including the corrective actions set out in such report.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

9. The Borrower shall ensure, or cause UTY to ensure, that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP and the Social Due Diligence Report (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;

- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project or the Associated Facilities or Existing Facilities that were not considered in the IEE, the EMP, and the Social Due Diligence Report;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) upon the completion of construction, reinstate pathways and other local infrastructure to at least their pre-project condition, and recultivate agricultural land.

Safeguards Monitoring and Reporting

10. The Borrower shall do the following, or cause UTY to do the following:
- (a) submit semiannual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
 - (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project, the Associated Facilities or the Existing Facilities that were not considered in the IEE, the EMP and the Social Due Diligence Report, 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 IEE; EMP; the Social Due Diligence Report, including the corrective actions set out in such report, promptly after becoming aware of the breach.

Prohibited List of Investments

11. The Borrower shall ensure, and cause UTY to ensure, that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards, Health and Safety

12. The Borrower shall ensure, and cause UTY to ensure, that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall cause UTY to include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or

engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

13. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 12 above and provide ADB with regular reports.

Gender and Development

14. The Borrower shall ensure, and shall cause UTY to ensure, that the principles of gender equality aimed at increasing Project benefits and impact on women in the Project area are followed during implementation of the Project. These include (a) appointment of a gender focal point in the executing agency for the implementation of gender-related activities; (b) gathering the baseline sex-disaggregated data as part of surveys and assessments; (c) providing gender awareness training for UTY; (d) integration of the gender-related content into capacity building activities and communication strategies, wherever appropriate; (e) proactively encouraging and promoting women's employment in UTY; and (f) conducting the information campaigns on HIV/AIDS. The Borrower shall ensure, and shall cause UTY to ensure, that sufficient funds are available to implement these activities.

Counterpart Support

15. The Borrower shall ensure that the counterpart funding (including cash contribution and exemption for taxes and duties), land, rights-of-way, facilities and human resources required for the Project, including cost overruns, are promptly provided for purposes of successful Project implementation. In addition to the foregoing, the Borrower shall ensure that UTY has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract.

Financial Covenant

16. (a) The Borrower shall cause UTY to develop a long-term development strategy to improve its operational efficiency, including in the areas of locomotive and rolling stock utilization, operational practices, timely adjustment of tariffs and optimization of operating expenses. Through implementation of the actions identified in the foregoing long-term development strategy, except as ADB shall otherwise agree, the Borrower shall cause UTY to: (i) maintain an operating income ratio of not less than 0.1 in each of its financial years beginning with the financial year of UTY ending 31 December 2021; and (ii) disclose through its annual financial statement the composition of its operating revenue, broken down into revenue from domestic traffic (paid in local currency) and international traffic (paid in hard currency).

(b) For purposes of subparagraph (a) above,

- (i) the term "operating income ratio" means operating income divided by operating revenues;
- (ii) the term "operating income" means the difference between operating revenue and operating expenses;

- (iii) the term "operating expenses" means all expenses related to operations, including administration, maintenance, and depreciation but excluding interest and other charges on debt;
- (iv) the term "operating revenue" means revenues from all sources related to operations; and
- (v) the terms "operations" or "operating" refer to UTY's core business of providing railway transport services including other services auxiliary to railway transport.

Operational Covenants

17. The Borrower and UTY shall ensure that (a) the Project facilities are installed in accordance with design specifications and construction norms; and (b) construction supervision, quality control and contract management are performed in accordance with applicable standards and best international practices.

18. The Borrower shall ensure that domestic freight and passenger tariffs are adjusted to enable UTY to maintain financial sustainability covering market risks, including adequate debt-service coverage, and inflation, foreign exchange and interest risks. UTY shall apply for domestic tariff adjustment in a timely manner.

19. The Borrower shall cause UTY to (a) ensure that all contracts include contractor's obligation to comply with railway safety measures, (b) conduct safety awareness on the railway electrification for local residents along the rail line, (c) install adequate safety equipment, and (iv) regularly monitor and report the accident rate and traffic volume.

20. The Borrower shall cause UTY to (a) set up procedures for operation and maintenance of electrification, signaling and telecommunication equipment procured under the Project; and (b) ensure that the structure and conditions of track and other Project facilities are satisfactorily maintained to ensure safe railway operation.

21. The Borrower shall ensure that the Project Railway is assured reliable power supply. In this regard, the Borrower shall ensure that (a) the 220kV transmission line from power station Yulduz (in) and Lochin (out) to Asaka traction substation; and (b) the 220kv transmission lines from power station Obihayot (in) and Ozgarish (out) to Kokand traction substation are kept operational. The Borrower shall furnish to ADB periodic reports and updates on construction works, resettlement activities and environmental mitigation measures (if any) related to such external power transmission facilities.

22. The Borrower shall ensure that ADB's consent is obtained at least 6 months prior to the implementation of any of the following: (a) any change in ownership of any asset, facility or structure financed under the Project; (b) any sale, transfer, or assignment of interest or control in any asset, facility or structure financed under the Project; or (c) any lease or other contract or modification of the functions and authority of UTY over operation and maintenance of any such asset, facility or structure financed under the Project. The Borrower shall ensure that any such changes will be carried out in a legal and transparent manner.

23. The Borrower shall pass an official decree by 30 June 2021: (a) confirming the removal of activities from UTY which are not part of UTY's core business of providing railway transport services including other services auxiliary to railway transport, and (b) prohibiting the addition of any activities to the responsibilities of UTY which are not part of UTY's core business of providing railway transport services including other services auxiliary to railway transport.

Governance and Anticorruption

24. The Borrower and UTY 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.

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

Project Website

26. The Borrower shall cause UTY to maintain and update its website with the information on the Project, including among other things, details on the adopted bidding procedures, amounts of the contract awards and the list of Works, Goods and Services procured and their intended and actual utilization.