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LOAN NUMBER 3737-UZB(COL)

LOAN AGREEMENT  
(Ordinary Operations [Concessional])  
(Horticulture Value Chain Infrastructure Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 4 MAY 2019

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UZB 51041

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

LOAN AGREEMENT dated 4 May 2019 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 Schedule 1 to this Loan Agreement;

(B) the Project will be carried out by AIFSA (as hereinafter defined), and for this purpose the Borrower will make available to AIFSA the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB and the Borrower; and

(C) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement to be entered into between ADB and the ALC Management Company (as hereinafter defined);

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of ADB's 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 the project agreement between ADB and ALC Management Company, as such agreement may be amended from time to time; and such project agreement includes all schedules to the project agreement; and

(b) The term "Project Executing Agency" appearing 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 shall be substituted by the term "ALC Management Company".

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) "AIFSA" means the Agency for Implementation of Projects in the Field of Agro-industry and Food Security of the Borrower, or any successor thereto acceptable to ADB;
- (b) "ALCs" means the agro-logistic centers to be established under the Project in Andijian and Samarkand regions of the Borrower; and "ALC" means either of them;
- (c) "ALC Management Company" means a special purpose vehicle to be established as a limited liability company to operate and manage the ALCs, which shall be fully owned by the Borrower;
- (d) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);
- (e) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;
- (f) "EMP" means an environmental management plan for the Project, including any update thereto, incorporated in the respective IEE;
- (g) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (h) "GAP" means the gender action plan 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) "IEE" means an initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (k) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (l) "LARP" means a land acquisition and resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);

- (n) "MIFT" means the Ministry of Investment and Foreign Trade of the Borrower, or any successor thereto acceptable to ADB;
- (o) "Output" means an output of the Project;
- (p) "PAM" means the project administration manual for the Project dated 11 October 2018 and agreed between the Borrower, through AIFSA, and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (q) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);
- (r) "Procurement Plan" means the procurement plan for the Project dated 11 October 2018 and agreed between the Borrower, through AIFSA, and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;
- (s) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means AIFSA or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (t) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMPs and the LARPs, including any corrective and preventative actions;
- (u) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (v) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

## ARTICLE II

### The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred ninety-seven million Dollars (\$197,000,000).

(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 2 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 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 2 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

#### Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan available to AIFSA upon terms and conditions satisfactory to ADB and the Borrower and shall cause AIFSA to apply such proceeds 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. Withdrawals from the Loan Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and 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
- (b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2024 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 5 to this Loan Agreement and the Project Agreement.

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

Section 4.03. (a) The Borrower shall cause AIFSA to (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than six months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

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

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

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable the ALC Management Company 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.

**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 AIFSA 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 3.05 of this Loan Agreement and 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 AIFSA 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 AIFSA 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 100008  
Republic of Uzbekistan

Facsimile Numbers:

(998-71) 239-1128  
(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 

ELYAR GANIEV  
Deputy Prime Minister

ASIAN DEVELOPMENT BANK

By 

SHIXIN CHEN  
Vice President (Operations 1)

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to increase the production and value addition of horticulture products in the territory of the Borrower.
2. The Project shall comprise the following Outputs:
  - (a) **Output 1: Establishment of ALCs.** This Output comprises:
    - (i) the establishment of an ALC in Andijan region with (A) approximately 25,000 square meters (m<sup>2</sup>) of trading area split evenly between wholesale and small farmer sales areas with an annual throughput of approximately 425,000 tons; (B) approximately 60,000 cubic meters (m<sup>3</sup>) of cold storage with an annual capacity of approximately up to 1.5 million tons; (C) approximately 12 processing lines with an approximate annual throughput of 600,000 tons for export and 80,000 tons for the domestic market; and (D) groundworks for future expansion of the ALC for an increased volume of horticulture produce and/or trading, storage and processing of alternative food products; and
    - (ii) the establishment of an ALC in Samarkand with: (A) approximately 35,600 m<sup>2</sup> of trading area split evenly between wholesale and small farmer sales areas with an annual throughput of approximately 550,000 tons; (B) approximately 60,000 m<sup>3</sup> of cold storage with an annual capacity of approximately up to 1.5 million tons; (C) approximately 17 processing lines with an approximate annual throughput of 850,000 tons for export and 150,000 tons for the domestic market; and (D) groundworks for future expansion of the ALC for an increased volume of horticulture produce and/or trading, storage and processing of alternative food products.
  - (b) **Output 2: Improvement of ALC Management Capacity.** This Output comprises the development of institutional and operational capacity of various stakeholders in the horticulture value chain, including the assistance to MIFT in (i) establishing the ALC Management Company in accordance with best international practices; (ii) preparing operation and management guidelines for the ALCs; (iii) conducting training in management, operation, and maintenance of the ALCs; (iv) conducting training in horticulture business development and management; and (v) learning from successful international agro-logistic models.
3. The Project shall include the provision of Consulting Services for activities, including those specified in paragraph 2(b) above.
4. The Project is expected to be completed by 31 December 2023.

## SCHEDULE 2

### Amortization Schedule

<u>Payment Due</u>	<u>Payment of Principal</u> expressed in US Dollars*
15 May 2024	4,925,000
15 November 2024	4,925,000
15 May 2025	4,925,000
15 November 2025	4,925,000
15 May 2026	4,925,000
15 November 2026	4,925,000
15 May 2027	4,925,000
15 November 2027	4,925,000
15 May 2028	4,925,000
15 November 2028	4,925,000
15 May 2029	4,925,000
15 November 2029	4,925,000
15 May 2030	4,925,000
15 November 2030	4,925,000
15 May 2031	4,925,000
15 November 2031	4,925,000
15 May 2032	4,925,000
15 November 2032	4,925,000
15 May 2033	4,925,000
15 November 2033	4,925,000
15 May 2034	4,925,000
15 November 2034	4,925,000
15 May 2035	4,925,000
15 November 2035	4,925,000
15 May 2036	4,925,000
15 November 2036	4,925,000
15 May 2037	4,925,000
15 November 2037	4,925,000
15 May 2038	4,925,000
15 November 2038	4,925,000
15 May 2039	4,925,000
15 November 2039	4,925,000
15 May 2040	4,925,000
15 November 2040	4,925,000
15 May 2041	4,925,000
15 November 2041	4,925,000

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

<u>Payment Due</u>	<u>Payment of Principal</u> expressed in US Dollars*
15 May 2042	4,925,000
15 November 2042	4,925,000
15 May 2043	4,925,000
15 November 2043	4,925,000
<b>Total</b>	<b>197,000,000</b>

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

**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.

Conditions for Withdrawals from Loan Account

5. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account in respect of Goods and Works (Turnkey Contract) until:

- (a) the ALC Management Company has been duly established and is adequately staffed and fully operational in accordance with the laws of the Borrower;

- (b) the ALC Management Company has entered into the Project Agreement with ADB upon terms and conditions satisfactory to ADB; and
- (c) ADB has received a satisfactory legal opinion confirming that the Project Agreement referred to in paragraph 5(b) above has been duly authorized by, and executed and delivered on behalf of, and is legally binding upon the ALC Management Company in accordance with its terms.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing</b>	<b>Basis for Withdrawal from the Loan Account</b>
		<b>\$ Category</b>	
1	Goods and Works (Turnkey Contract) **	187,119,707	100% of total expenditure claimed*
2	Other Expenditures, including for: (a) Project Management and Supervision Consultants; (b) Project Management; (c) Resettlement; (d) Project Financial Audit; and (e) Environmental Management	9,880,293	100% of total expenditure claimed
	<b>TOTAL</b>	<b>197,000,000</b>	

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

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

**SCHEDULE 4****Procurement of Goods, Works and Consulting Services**General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods 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 methods and the selection methods 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 and Works

4. Goods and Works shall be procured on the basis of the procurement methods set forth below:
  - (a) International Competitive Bidding; and
  - (b) Shopping.

Conditions for Award of Contract

5. The Borrower shall not award and shall cause AIFSA not to award any Works contract which involves environmental impacts until:
  - (a) the relevant environmental authority of the Borrower has granted the final approval of the applicable IEE; and
  - (b) AIFSA has incorporated the relevant provisions from the applicable EMP into the Works contract.
6. The Borrower shall not and shall cause AIFSA not to award any Works contract which involves involuntary resettlement impacts, until AIFSA has prepared and submitted to ADB the final LARPs based on the Project's detailed design, and obtained ADB's clearance of such LARPs.

Consulting Services

7. Except as set forth in the paragraph below, the Borrower shall apply Quality- and Cost-Based Selection for Consulting Services.



8. The Borrower shall apply the following selection method for the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Least-Cost Selection for financial auditing.

Industrial or Intellectual Property Rights

9. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

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

ADB's Review of Procurement Decisions

11. Contracts procured under international competitive bidding procedures and contracts for Consulting Services 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 or Works, which is subject to ADB's prior review, the Borrower shall seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:

- (a) granting an extension of the stipulated time for completion of a contract for a period of one 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 or Works, which is subject to ADB's post review, ADB shall review the required contract modification or waiver and respond to the Borrower as soon as practicable, but not later than one month after the receipt of the required document.

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

**SCHEDULE 5****Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower and AIFSA 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, through AIFSA, and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

SafeguardsEnvironment

2. The Borrower shall and shall cause AIFSA 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 IEEs, the EMPs, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

3. The Borrower shall and shall cause AIFSA 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; and (c) all measures and requirements set forth in each LARP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

4. Without limiting the application of the Involuntary Resettlement Safeguards or each LARP, the Borrower shall and shall cause AIFSA to ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to affected people in accordance with each LARP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with each LARP.

Indigenous Peoples

5. The Borrower shall and shall cause AIFSA to ensure that the Project does not have any indigenous peoples impacts within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall take and shall cause AIFSA to take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

6. The Borrower shall and shall cause AIFSA to make available necessary budgetary and human resources to fully implement the EMPs and the LARPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Borrower shall and shall cause AIFSA 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 IEEs, the EMPs, and the LARPs (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 that were not considered in the IEEs, the EMPs, and the LARPs;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

8. The Borrower shall cause AIFSA 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 that were not considered in the IEEs, the EMPs, and the LARPs, 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 EMPs and the LARPs promptly after becoming aware of the breach.

Prohibited List of Investments

9. The Borrower shall and shall cause AIFSA 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

10. The Borrower shall and shall cause AIFSA 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 AIFSA 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.

11. The Borrower shall and shall cause AIFSA to ensure strictly monitor compliance with the requirements set forth in paragraph 10 above and provide ADB with regular reports.

Gender and Development

12. The Borrower shall and shall cause AIFSA to 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: (i) promote jobs for female workers in the ALCs; (ii) improve entrepreneurial abilities for existing and potential women entrepreneurs; (iii) monitor employment created by the ALCs for female workers, and agribusiness start-ups by female entrepreneurs; (iv) recruit national social and gender officer in the project management office; (v) identify gender focal points in the ALC Management Company; and (vi) ensure collection of sex-disaggregated baseline and end-line information, and monitor trends on number of female beneficiaries.

Grievance Redress Mechanism

13. The Borrower shall cause AIFSA to ensure that a joint safeguards grievance redress mechanism acceptable to ADB is established in accordance with the provisions of the IEEs, the EMPs, and the LARPs at the project management office, within three months of the Effective Date, to consider safeguards complaints.

14. The safeguards grievance redress mechanism referred to in paragraph 13 above shall function to (a) review and document eligible complaints of Project stakeholders; (b) proactively address grievances; (c) provide the complainants with notice of the chosen

mechanism and/or action; and (d) prepare and make available to ADB upon request periodic reports to summarize (i) the number of complaints received and resolved; (ii) chosen actions; and (iii) final outcomes of the grievances.

#### Counterpart Support

15. The Borrower shall make available requisite counterpart support, including, without limitation, by exempting taxes and duties imposed on the Goods and within the territory of the Borrower for the timely, smooth and successful implementation of the Project. In addition, the Borrower shall ensure that AIFSA, at all times, have sufficient funds to satisfy its obligations arising from any Goods, Works or Consulting Services contract.

#### Financial/Operational Covenants

16. The Borrower shall cause MIFT to establish the ALC Management Company on or before 31 December 2019 to ensure professional, independent, efficient and smooth operations of the ALCs.

17. To enable the ALC Management Company to be operationally and commercially autonomous, and free from any interference by state agencies and local administrations, the Borrower shall and shall cause MIFT to ensure that the ALC Management Company, among others, has:

- (a) independent decision-making powers;
- (b) the ability to own its assets;
- (c) the power to incur liabilities, for and on its own behalf, and accept and enter into future obligations and commitments;
- (d) the capacity to implement an appropriate accounting system to enable it to submit its accounts to the national tax authorities in accordance with the applicable laws of the Borrower;
- (e) the power to borrow and raise funds;
- (f) the ability to function in a manner that shall generate sufficient revenue to keep the ALCs in good working conditions and to enable them to meet the commercial, social, and environmental criteria applicable to such ALCs;
- (g) no involvement in trading activities at the ALCs; and
- (h) capacity to comply with prevailing legal and regulatory requirements.

18. For the purposes of monitoring the performance of the ALC Management Company, the Borrower shall cause MIFT to carry out an annual assessment of the ALC Management Company, starting from the second year after commencement of commercial operations of the ALCs, by employing, among others, a combination of following financial and physical indicators: (a) Financial - return on assets (of at least equal to annual inflation rate of

the reporting year plus 2%); and debt to equity (not exceeding 1.5 times); and (b) Physical - occupancy rate of the wholesale market area (of not less than 65%); occupancy rate of the small-farmers' market area for each ALC (of no less than 70%); total processing throughput in each ALC for export and domestic sales (of no less than 700,000 tons); and utilization rate of cold storage capacity in each ALC (of no less than 900,000 tons).

19. The Borrower shall ensure that ADB's written consent is obtained at least three months prior to the implementation of any of the following: (a) change in the ownership of the ALC Management Company, any asset, facility or structure constructed under the Project; (b) sale, transfer or assignment of interest or control in the ALC Management Company, any asset, facility or structure constructed under the Project; (c) creation of a lien or charge on any asset of the ALC Management Company as security to borrow or raise funds; or (d) lease or other contract or modification of the functions and authority of the ALC Management Company over the operation and maintenance of any asset, facility or structure constructed under the Project. The Borrower shall ensure that ADB is promptly notified of any proposal to implement any such changes and that the notification includes sufficient details regarding the change to be implemented. The Borrower shall ensure that any such change shall be carried out in a legal and transparent manner.

#### Governance and Corruption

20. The Borrower, AIFSA and the implementing agencies (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.

21. The Borrower, AIFSA and the implementing agencies 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 AIFSA, the implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.