
LOAN NUMBER 3823-UZB(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])
(Livestock Value Chain Development Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 13 November 2019

UZB 52110

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 13 November 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 Section 3.01 of this Loan Agreement;

(B) the Project will be carried out by participating financial institutions ("PFIs") and the Agency for Implementation of Projects in the Field of Agro-Industry and Food Security ("AIFSA"), respectively, and for this purpose the Borrower will make available to the PFIs and AIFSA the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; 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 Agreements between ADB, each PFI and AIFSA, respectively;

NOW THEREFORE the parties hereto 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 each project agreement between ADB and a PFI and the project agreement between ADB and AIFSA, 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 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 Agency for Implementation of Projects in the Field of Agro-Industry and Food Security under the Complex on Investments, Innovation Development, Coordination of Activities of Free Economic Zones and Small Industrial Zones under the Cabinet of Ministers of the Borrower, or any successor thereto;
- (b) "AIFSA Project Agreement" means the Project Agreement entered into between ADB and the Project Executing Agency;
- (c) "CBU" means the Central Bank of the Republic of Uzbekistan or any successor thereto;
- (d) "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;
- (e) "EMP" means an environmental management plan for the Project, including any updates thereto, incorporated in an IEE;
- (f) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (g) "ESMS" means an environmental and social management system, including an update thereto, established by each PFI and cleared by ADB;
- (h) "GAP" means the gender action plan prepared for the Project, including any update thereto, prepared by the Borrower and cleared by ADB;
- (i) "Goods" means equipment and materials set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (j) "IEE" means an initial environmental examination for the Project, including any updates thereto, prepared and submitted by the Borrower and cleared by ADB;
- (k) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (l) "Microcreditbank" means the Joint-Stock Commercial Bank "Microcredibank" which is established under the laws and regulations of the Borrower and has its registered address at 14, Lutfiy str., Chilonzor district, Tashkent, 100096, Republic of Uzbekistan;
- (m) "MOF" means the Ministry of Finance of the Borrower;

- (n) "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;
- (o) "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;
- (p) "PAM" means the project administration manual for the Project dated 6 August 2019 and agreed between the Borrower, PFIs and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, PFIs and ADB;
- (q) "PFI" means a participating financial institution under the Project; and "PFIs" means all of them;
- (r) "PFI Project Agreement" means a Project Agreement entered into, or to be entered into, between ADB and a PFI;
- (s) "PMO" means project management office established at the Project Executing Agency responsible for monitoring the project implementation;
- (t) "Procurement Plan" means the procurement plan for the Project dated 6 August 2019 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;
- (u) "Procurement Policy" means ADB's Procurement Policy, Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (v) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (w) "Project Agreements" means the AIFSA Project Agreement and the PFI Project Agreements;
- (x) "Project Executing Agency" for the purpose of, and within the meaning of, the Loan Regulations means AIFSA or any successor acceptable to ADB, which is responsible for the carrying out of the Project;
- (y) "Qualified Subborrower" means a subborrower, which satisfies the eligibility criteria set out in paragraph 10 of Schedule 3 to this Loan Agreement;

- (z) "Qualified Subproject" means a specific subproject, which satisfies the eligibility criteria set out in paragraph 11 of Schedule 3 to this Loan Agreement, to be carried out by a Qualified Subborrower;
- (aa) "QQB" Bank" means the Joint-Stock Commercial Bank "Qishloq Qurilish Bank" which is established under the laws and regulations of the Borrower and has its registered address at 18A Navoiy str., Shayhontohur District, Tashkent, 100011, Republic of Uzbekistan;
- (bb) "SPS" means ADB's Safeguard Policy Statement (2009);
- (cc) "Safeguards Monitoring Report" means an environmental and social performance report prepared and submitted by each PFI to ADB on its performance with regard to the ESMS, including any corrective and preventive actions;
- (dd) "Services" means Consulting Services and Nonconsulting Services;
- (ee) "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;
- (ff) "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;
- (gg) "Turonbank" means the Joint-Stock Commercial Bank "Turonbank" which is established under the laws and regulations of the Borrower and has its registered address at 4A, Abay str., Shayhontohur District, Tashkent, 100011, Republic of Uzbekistan;
- (hh) "Uzpromstroybank" means the 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, Shakhrisabz str., Yunusabad District, Tashkent, 100000, Republic of Uzbekistan;
- (ii) "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 such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract; and
- (jj) "Xalq Bank" means the Joint-Stock Commercial Bank "Xalq Bank" which is established under the laws and regulations of the Borrower and has its registered address at 46, Qatartol str., Chilonzor District, Tashkent, 100096, Republic of Uzbekistan.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount one hundred fifty million Dollars (\$150,000,000).

(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:

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

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

Section 3.03. The Borrower shall enter into a Subsidiary Loan Agreement with each PFI and the Project Executing Agency, providing inter alia for the relending of the proceeds of the Loan to each PFI, respectively, the carrying out of the Project, and the rights 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 Services and other items of expenditure required to carry out such Qualified Subprojects.

(b) Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, all Goods, Works and Services in accordance with the provisions of Schedule 3 to this Loan Agreement.

Section 3.05. Withdrawals from the Loan Account in respect of Goods, Works and Services shall be made only on account of expenditures relating to:

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

Section 3.06. The Project is expected to be completed by 31 December 2024. The Loan Closing Date for the purposes of Section 8.02 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. (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 3 to this Loan Agreement.

Section 4.02. In addition to the information and reports 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 Subborrowers, any Qualified Subproject, the Goods, Works and Services, 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 Project Executing Agency and 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. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

- (a) at least three PFIs shall have executed and delivered a PFI Project Agreement and such execution and delivery shall have been duly authorized or ratified by all necessary corporate, administrative and government action; and
- (b) a Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been executed and delivered on behalf of the Borrower, the Project Executing Agency and each PFI as referred to in paragraph (a) above, and shall have become fully effective and legally binding on the parties thereto in accordance with its terms subject only to the effectiveness of this Loan Agreement.

Section 5.02. The following are specified as additional matters, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) each PFI Project Agreement as referred to in Section 5.01(a) above have been duly authorized or ratified by, and executed and delivered on

behalf of, and is legally binding upon the Borrower and the relevant PFIs in accordance with their terms, subject only to the effectiveness of this Loan Agreement; and

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

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

ARTICLE VI

Delegation of Authority

Section 6.01. The Borrower hereby designates:

- (a) MOF as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.03 and 3.05 of this Loan Agreement; and
- (b) the Project Executing Agency as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

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:

(632) 636-2444
(632) 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


 DJAMSHID KUCHKAROV
 Deputy Prime Minister and
 Minister of Finance

ASIAN DEVELOPMENT BANK

By


 SHIXIN CHEN
 Vice President (Operations 1)

SCHEDULE 1

Amortization Schedule

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollar)*
15 December 2024	3,750,000
15 June 2025	3,750,000
15 December 2025	3,750,000
15 June 2026	3,750,000
15 December 2026	3,750,000
15 June 2027	3,750,000
15 December 2027	3,750,000
15 June 2028	3,750,000
15 December 2028	3,750,000
15 June 2029	3,750,000
15 December 2029	3,750,000
15 June 2030	3,750,000
15 December 2030	3,750,000
15 June 2031	3,750,000
15 December 2031	3,750,000
15 June 2032	3,750,000
15 December 2032	3,750,000
15 June 2033	3,750,000
15 December 2033	3,750,000
15 June 2034	3,750,000
15 December 2034	3,750,000
15 June 2035	3,750,000
15 December 2035	3,750,000
15 June 2036	3,750,000
15 December 2036	3,750,000
15 June 2037	3,750,000
15 December 2037	3,750,000
15 June 2038	3,750,000
15 December 2038	3,750,000
15 June 2039	3,750,000
15 December 2039	3,750,000
15 June 2040	3,750,000
15 December 2040	3,750,000
15 June 2041	3,750,000
15 December 2041	3,750,000
15 June 2042	3,750,000
15 December 2042	3,750,000
15 June 2043	3,750,000
15 December 2043	3,750,000
15 June 2044	3,750,000
Total	150,000,000

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

SCHEDULE 2**Allocation and Withdrawal of Loan Proceeds**General

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

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be 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.

Condition for Withdrawals from Loan Account

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

- (a) such PFI has executed a PFI Project Agreement with ADB and the execution of such PFI Project Agreement on behalf of that PFI has been duly authorized or ratified by all necessary corporate, administrative and government action;

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

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS Livestock Value Chain Development Project			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Credit lines to PFIs*	146,000,000	100% of total expenditure claimed**
2	Other expenditures: (i) capacity development; and (ii) recurrent costs (including (a) project management incremental staff; (b) project management office operation; and (c) preparation of follow-on project)	4,000,000	100% of total expenditure
	TOTAL	150,000,000	

*Subject to the condition for withdrawal described in paragraph 5 of Schedule 2 of the Loan Agreement.

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

SCHEDULE 3

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 PFI and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Procurement - General

2. The procurement of Goods, Works and Services shall be subject to and governed by the Procurement Policy and the Procurement Regulations.

3. Good, 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 the updates to the Procurement Plan.

Procurement of Goods, Works and Services by Qualified Subborrowers

4. The Borrower shall cause the PFIs to ensure that each Qualified Subborrower undertakes procurement of Good, Works and 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. The Borrower shall cause the PFIs to ensure that (a) 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.

Disbursement Procedures

6. 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

7. The Borrower shall (a) monitor 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) a total capital adequacy ratio of not less than the minimum requirement in the given financial year stipulated by the prudential regulations issued by CBU;
- (ii) a return on average assets ratio of not less than 0.5%, where the return on average assets ratio is defined as net income after tax divided by the average total assets in a financial year;
- (iii) a cost to income ratio of under 75%, where the cost to income ratio is calculated as the total operating expenses (comprising only employee costs and administrative expenses) divided by the total operating income plus non-operating income;
- (iv) a maximum ratio of the value of non-performing loans (NPLs) to the total value of loans outstanding of 5%, where an NPL is defined as any loan for which a repayment of principal or payment of interest has been overdue for a period of more than 90 days after the due date; and
- (v) a maximum limit on exposure to a single borrower or group of related borrowers of 25% of Tier 1 capital (as defined by CBU regulations).

Financial Management

8. 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.

9. 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

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

- (a) be an entity established and registered in accordance with applicable laws of the Borrower; and be in compliance with all laws and regulations of the Borrower;

- (b) not be a related party with respect to the PFI under the laws of the Borrower and the regulations of CBU;
- (c) have a maximum total asset value of \$50 million at the time of the application for a Subloan (based on financial statements); and
- (d) 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 together with the past and ongoing environmental performance.

Criteria for Qualified Subproject

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

- (a) comprise activities or outputs that are not included in the list of prohibited investment activities provided in the SPS;
- (b) not involve any environmental impacts defined under Category A of the SPS, or under Class 1 or 2 of the Borrower's environmental laws and regulations, or that are included in the Environmental Exclusion Checklist;
- (c) have no involuntary resettlement or ethnic minority/indigenous peoples impact as defined in the SPS;
- (d) do not involve mining or genetically modified organisms;
- (e) do not involve any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS;
- (f) demonstrate financial and economic viability; and
- (g) be related to the following activities (not necessarily the sole or primary activity) which are deemed by the PFI to comply with the terms of the Subsidiary Loan Agreement:
 - (i) the manufacture and/or supply of farm technology, machinery, and infrastructure (including means of transportation and other associated facilities) related to livestock production, processing, marketing, input supply and service provision;
 - (ii) the supply of animals, inputs and services related to livestock production, processing, marketing, input supply, and service provision;
 - (iii) the production of livestock products; and
 - (iv) the handling, collection, storage, processing and marketing of livestock produce.

Criteria for Subloans

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

- (a) be for investment purposes (purchase of capital assets) only;
- (b) does not exceed the maximum Subloan amount of five million Dollars (\$5,000,000) equivalent;
- (c) has a maximum tenor of 10 years with a grace period to be negotiated between the relevant PFI and Qualified Subborrower;
- (d) carries interest at a market-based rate as determined by the relevant PFI based on its prevailing credit and risk management policies and procedures;
- (e) finances a maximum of 75% of the relevant Qualified Subproject investment costs (the balance of such costs to be met by the Qualified Subborrower's own financial resource which shall not include debt financing from other sources);
- (f) is secured or collateralized with realizable and otherwise unencumbered assets with a value of at least 125% of the Subloan; and
- (g) requires a minimum debt-service coverage ratio of 1.2.

Screening, Categorization, and Environmental and Social Assessment and Planning

13. The Borrower through 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

14. The Borrower through the Project Executing Agency shall ensure that 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

15. 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

16. 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

17. 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

18. 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; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the ESMS promptly after become aware of the breach.

Labor Standards, Health and Safety

19. 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 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.

20. The Borrower through the Project Executing Agency shall ensure that the PFIs to strictly monitor compliance with the requirements set forth in paragraph 19 above and provide ADB with regular reports.

Gender and Development

21. 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

22. 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.

23. 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

24. 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.