



17 October 2016

Mr. Vardan Aramyan
Minister
Ministry of Finance
Republic of Armenia

Mr. Suren Karayan
Minister
Ministry of Economic Development and Investments
Republic of Armenia

Dear Sirs:

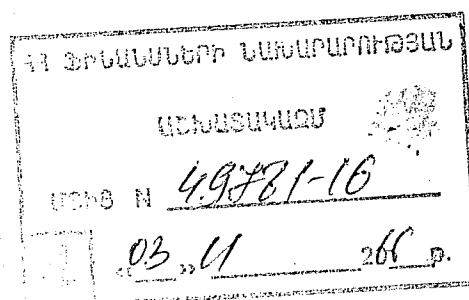
Subject: **Amendments to Loan Agreements (Special Operations)**

1. On 15 August 2014, the Board of Directors of the Asian Development Bank approved the formal graduation of the Republic of Armenia ("Armenia") from access to concessional Asian Development Fund (ADF) resources, with effect from 1 January 2017. As a result of such graduation, on 2 February 2016, the Board of Directors authorized ADB to exercise its option under Section 3.05 of ADB's Special Operations Loan Regulations dated 1 January 2006 ("Loan Regulations") to modify the terms of repayment of each outstanding ADF loan to, or guaranteed by, Armenia by increasing by 100 percent the amount of each maturity due thereafter until the principal amount of such ADF loan shall have been fully repaid. However, Section 3.05 of the Loan Regulations further provides that, at the request of Armenia, ADB may, in lieu of so increasing any such maturity amount, charge interest, at an annual rate to be agreed between Armenia and ADB, on the principal amount of such ADF loan withdrawn and outstanding from time to time in such a manner and to such extent as to yield the same grant element as would be obtained under the above-stated increase of maturity amount.

2. Following Government of Armenia's letter dated 22 April 2016 indicating its preference for interest adjustments, ADB has agreed to modify the interest rate applicable to each outstanding ADF loan to, or guaranteed by, Armenia, in lieu of increasing the maturity amount of such ADF loan. To implement such change in interest rate to such ADF loans, ADB proposes to amend each of the Loan Agreements (Special Operations) (collectively, the "Loan Agreements") pursuant to which such ADF loans were provided as set out in the attachment hereto.

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3. Save and except to the extent set out in the attachment hereto and in any previously agreed amendments to the Loan Agreements, the Loan Agreements remain unchanged.
4. Pursuant to ADB's Public Communications Policy ("PCP") on disclosure and exchange of information, the amendments to the Loan Agreements will be posted on ADB's website within 2 weeks from the date that the amendments become effective.
5. The amendments set out in the attachment to this letter agreement will become effective on the date on which Armenia has submitted to ADB a written notice that all necessary internal procedures required for the amendments to come into force and effect have been completed and ADB has received a countersigned original of this letter agreement from Armenia; provided, that, in no event will such amendments take effect prior to 1 January 2017. This letter agreement will form an integral part to all 11 of the Loan Agreements.
6. In the event that the conditions to effectiveness referred to in paragraph 5 have not been satisfied by 31 December 2016, ADB will increase the principal amount of repayment on each ADF loan in accordance with ADB's letter to Armenia dated 7 March 2016 until such time as such conditions have been satisfied. If such conditions to effectiveness have been satisfied before 31 December 2016, but after ADB has issued to Armenia the billing statement in respect of the ADF loans in November 2016, the interest rates on the ADF loans will be adjusted in subsequent billing statements.

Yours sincerely,



Sean O'Sullivan
Director General
Central and West Asia Department

- A. Accepted and agreed.
- B. Confirmed that the amendments to the Loan Agreements do not contain information falling within the PCP exceptions.

For and on behalf of
REPUBLIC OF ARMENIA

Name: Vardan Aramyan, Minister of Finance

Designation: 

Date: 11 November 2016.

cc: Shane Rosenthal, Country Director, ARRM

Amendments to Loan Agreements (Special Operations)

Each of the following Loan Agreements (Special Operations) is amended as follows:

1. Loan No. 2351-ARM(SF): Rural Road Sector Project

Section 2.02 of the Loan Agreement (Special Operations) dated 15 November 2007 between Armenia and ADB shall be deleted in its entirety and replaced with the following: "The Borrower shall pay to ADB an interest charge at the rate of 2.93% per annum on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time."

2. Loan No. 2363-ARM(SF): Water Supply and Sanitation Sector Project

Section 2.02 of the Loan Agreement (Special Operations) dated 18 December 2007 between Armenia and ADB shall be deleted in its entirety and replaced with the following: "The Borrower shall pay to ADB an interest charge at the rate of 2.93% per annum on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time."

3. Loan No. 2467-ARM(SF): Rural Road Sector Project – Supplementary

Section 2.02 of the Loan Agreement (Special Operations) dated 18 November 2008 between Armenia and ADB shall be deleted in its entirety and replaced with the following: "The Borrower shall pay to ADB an interest charge at the rate of 2.93% per annum on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time."

4. Loan No. 2529-ARM(SF) and Loan No. 2530-ARM(SF): Crisis Recovery Support Program

Section 2.02 of the Loan Agreement (Special Operations) dated 15 July 2009 between Armenia and ADB shall be deleted in its entirety and replaced with the following:

Section 2.02 (a) In respect of the Loan A withdrawn from the Loan Account and outstanding from time to time, the Borrower shall pay to ADB an interest charge at the rate of 2.85% per annum.

(b) In respect of the Loan B withdrawn from the Loan Account and outstanding from time to time, the Borrower shall pay to ADB an interest charge at the rate of 2.96% per annum.

5. Loan No. 2922-ARM(SF): Women's Entrepreneurship Support Sector Development Program

Section 2.02 of the Loan Agreement (Special Operations) dated 25 January 2013 between Armenia and ADB shall be deleted in its entirety and replaced with the following: "The Borrower shall pay to ADB an interest charge at the rate of 2.18% per annum on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time."

6. Loan No. 3155-ARM(SF): Infrastructure Sustainability Support Program

Section 2.02 of the Loan Agreement (Special Operations) dated 3 October 2014 between Armenia and ADB shall be deleted in its entirety and replaced with the following: "The Borrower shall pay to ADB an interest charge at the rate of 2.90% per annum on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time."

7. Loan No. 2561-ARM(SF): North-South Road Corridor Investment Program – Project 1

Section 2.02(a) of the Loan Agreement (Special Operations) dated 12 October 2009 between Armenia and ADB shall be deleted in its entirety and replaced with the following: "The Borrower shall pay to ADB an interest charge at the rate of 2.69% 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. The Borrower acknowledges and agrees that the foregoing interest charge on the Loan shall be subject to revision, consistent with Section 3.05 of the Loan Regulations, in the event any amount of the Loan is cancelled."

8. Loan No. 2752-ARM(SF): Sustainable Urban Development Investment Program – Project 1

Section 2.02(a) of the Loan Agreement (Special Operations) dated 19 May 2011 between Armenia and ADB shall be deleted in its entirety and replaced with the following: "The Borrower shall pay to ADB an interest charge at the rate of 2.51% 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. The Borrower acknowledges and agrees that the foregoing interest charge on the Loan shall be subject to revision, consistent with Section 3.05 of the Loan Regulations, in the event any amount of the Loan is cancelled."

9. Loan No. 2860-ARM(SF): Water Supply and Sanitation Sector Project – Additional Financing

Section 2.02(a) of the Loan Agreement (Special Operations) dated 3 May 2012 between Armenia and ADB shall be deleted in its entirety and replaced with the following: "The Borrower shall pay to ADB an interest charge at the rate of 2.31% 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. The Borrower acknowledges and agrees that the foregoing interest charge on the Loan shall be subject to revision, consistent with Section 3.05 of the Loan Regulations, in the event any amount of the Loan is cancelled."

10. Loan No. 3150-ARM(SF): Power Transmission Rehabilitation Project

Section 2.02(a) of the Loan Agreement (Special Operations) dated 5 September 2014 between Armenia and ADB shall be deleted in its entirety and replaced with the following: "The Borrower shall pay to ADB an interest charge at the rate of 3.14% 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. The Borrower acknowledges and agrees that the foregoing interest charge on the Loan shall be subject to revision, consistent with Section 3.05 of the Loan Regulations, in the event any amount of the Loan is cancelled."

11. Loan No. 3284-ARM(SF): Seismic Safety Improvement Program – Results-Based Lending

Section 2.02(a) of the Loan Agreement (Special Operations) dated 19 October 2015 between Armenia and ADB shall be deleted in its entirety and replaced with the following: "The Borrower shall pay to ADB an interest charge at the rate of 2.91% 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. The Borrower acknowledges and agrees that the foregoing interest charge on the Loan shall be subject to revision, consistent with Section 3.05 of the Loan Regulations, in the event any amount of the Loan is cancelled."