
LOAN NUMBER 3150-ARM(SF)

LOAN AGREEMENT
(Special Operations)
(Power Transmission Rehabilitation Project)

between

REPUBLIC OF ARMENIA

and

ASIAN DEVELOPMENT BANK

DATED 5 SEPTEMBER 2014

ARM 46416

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 5 September 2014 between REPUBLIC OF ARMENIA ("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 implemented by Electro Power Systems Operator Closed Joint Stock Company ("EPSO") and High Voltage Electric Networks Closed Joint Stock Company ("HVEN"), and for this purpose the Borrower will make available to EPSO and HVEN the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB, on the one part, and EPSO and HVEN, on the other part;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("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(25) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement between ADB, on the one part, and EPSO and HVEN, on the other part.

(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 "EPSO and HVEN".

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) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(b) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 2(c) of Schedule 1 to this Loan Agreement;

(c) “EMP” means an 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) “EPSO” means Electro Power Systems Operator Closed Joint Stock Company established under Resolution No.779-A dated 2 May 2003 of the Government or any successor thereto acceptable to ADB;

(f) “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;

(g) “Government” means the government of the Borrower;

(h) “HVEN” means High Voltage Electric Network Closed Joint Stock Company established under Resolution No.450 dated 20 July 1998 of the Borrower or any successor thereto acceptable to ADB;

(i) “IEE” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(j) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(k) “PAM” means the project administration manual for the Project dated 6 June 2014 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 Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);

(m) “Procurement Plan” means the procurement plan for the Project dated 6 June 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(n) “Project facilities” means the facilities to be rehabilitated, constructed or provided under the Project;

(o) “PSRC” means the Public Services Regulatory Commission of the Borrower;

(p) “Safeguards Monitoring Report” means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP, including any corrective and preventative actions;

(q) “SPS” means ADB’s Safeguard Policy Statement (2009);

(r) “Subsidiary Loan Agreement” means an agreement between the Borrower and each of EPSO and HVEN referred to in Section 3.01 of this Loan Agreement; and

(s) “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. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to twenty four million twenty two thousand Special Drawing Rights (SDR24,022,000).

Section 2.02. (a) 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.

(b) The term “grace period” as used in subsection (a) 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 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 November and 15 May 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. (a) The Borrower shall relend the proceeds of the Loan to EPSO in the amount equivalent to thirteen million six hundred thousand Dollars (\$13,600,000) and to HVEN in the amount equivalent to twenty three million four hundred thousand Dollars (\$23,400,000), in each case under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as ADB shall otherwise agree, the terms for relending the proceeds of the Loan shall include (i) an interest at the same rate as the interest applicable to the Loan; (ii) a repayment period and a grace period identical to those of the Loan; and (iii) each of EPSO and HVEN bearing any foreign exchange risk of such proceeds of the Loan relend thereto.

(b) The Borrower shall cause the proceeds of the Loan to be applied 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. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. 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 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2020 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. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt 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 the Project Executing Agency 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, or waived without the prior concurrence of ADB.

ARTICLE V

Effectiveness

Section 5.01. A date 90 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 EPSO and HVEN as its agents 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 EPSO and HVEN 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 EPSO and HVEN 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
Republic of Armenia
1, Melik-Adamyany Street
Yerevan 0010
Republic of Armenia

Facsimile Number:

+374 60 700358.

For ADB

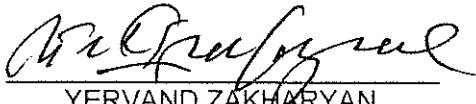
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

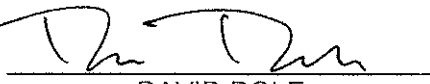
+632 636-2444
+632 636-2428.

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 ARMENIA

By 
YERVAND ZAKHARYAN
Minister of Energy and Natural
Resources

ASIAN DEVELOPMENT BANK

By 
DAVID DOLE
Resident Representative
Armenia Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is to increase operational efficiency of the Borrower's domestic transmission network.
2. The Project shall comprise:
 - (a) expanding supervisory control and data acquisition and energy management systems, including installation of hardware and software, communication equipment, optical ground wire, improvement and upgrading of load dispatch center, and training on the systems;
 - (b) rehabilitating the two 220-kilovolt substations (Agarak 2 and Shinuhayr, including replacement of aging power transformers, circuit breakers, instrument transformers, disconnectors, control and protection equipment; and
 - (c) providing support to EPSO and HVEN for project management and construction supervision, and capacity building.
3. The Project is expected to be completed by 31 December 2019.

SCHEDULE 2**Amortization Schedule****(Power Transmission Rehabilitation Project)**

DATE	Payment of Principal (expressed in Special Drawing Rights)*
15 November 2019	600,550
15 May 2020	600,550
15 November 2020	600,550
15 May 2021	600,550
15 November 2021	600,550
15 May 2022	600,550
15 November 2022	600,550
15 May 2023	600,550
15 November 2023	600,550
15 May 2024	600,550
15 November 2024	600,550
15 May 2025	600,550
15 November 2025	600,550
15 May 2026	600,550
15 November 2026	600,550
15 May 2027	600,550
15 November 2027	600,550
15 May 2028	600,550
15 November 2028	600,550
15 May 2029	600,550
15 November 2029	600,550
15 May 2030	600,550
15 November 2030	600,550
15 May 2031	600,550
15 November 2031	600,550
15 May 2032	600,550
15 November 2032	600,550
15 May 2033	600,550
15 November 2033	600,550
15 May 2034	600,550
15 November 2034	600,550
15 May 2035	600,550
15 November 2035	600,550
15 May 2036	600,550
15 November 2036	600,550
15 May 2037	600,550
15 November 2037	600,550
15 May 2038	600,550
15 November 2038	600,550
15 May 2039	600,550
TOTAL	24,022,000

* 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 disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest Charge

3. The amount allocated to Category 4 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. 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

5. 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

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account under

- (a) Category 1 and Subcategory 3A, until the Subsidiary Loan Agreement between the Borrower and EPSO has been duly authorized, executed and delivered on behalf of the parties thereto and all conditions precedent to its effectiveness have been fulfilled; and
- (b) Category 2 and Subcategory 3B, until the Subsidiary Loan Agreement between the Borrower and HVEN has been duly authorized, executed and delivered on behalf of the parties thereto and all conditions precedent to its effectiveness have been fulfilled.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Power Transmission Rehabilitation Project)				
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Turnkey (SCADA and EMS Expansion)**	7,466,000		100% of total expenditure claimed*
2	Turnkey (Substations)***	12,595,000		100% of total expenditure claimed*
3	Consulting Services	2,337,000		
3A	SCADA and EMS Expansion**		779,000	100% of total expenditure claimed*
3B	Substations***		1,558,000	100% of total expenditure claimed*
4	Interest Charge	1,429,000		100% of amounts due
5	Unallocated	195,000		
	Total	24,022,000		

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

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

***Subject to the condition for withdrawal described in paragraph 6(b) 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. 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

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of International Competitive Bidding.
4. The above method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Conditions for Award of Contracts

5. The Borrower shall not award any Works contract which involves environmental impacts until:
 - (a) the Ministry of Nature Protection of the Borrower has granted the final approval of the IEE; and
 - (b) the Borrower has incorporated relevant provisions from the EMP into the Works contract.

Consulting Services

6. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

Industrial or Intellectual Property Rights

7.
 - (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.

8. 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

9. 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.

10. 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 1 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).

11. 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 1 month after the receipt of the required document.

12. The Borrower shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including charge orders) within 1 month following amendment of the contract.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower shall ensure, and shall cause EPSO and HVEN 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.

Counterpart Financing

2. The Borrower shall ensure that (a) all counterpart financing necessary for the Project is allocated and released in time to enable timely completion of the Project activities; and (b) additional counterpart funds are promptly provided for any shortfall of funds or cost overruns.

Sector Development

3. The Borrower shall ensure, and shall cause EPSO and HVEN to ensure, that ADB is consulted on key power sector policy development and reforms including changes in power tariff methodologies.

Financial Performance

4. The Borrower shall ensure that EPSO and HVEN maintain: (a) debt service coverage ratio at not less than 1.1 from 2018 onward; and (b) self-financing ratio at not less than 20% from 2018 onward.

For the purposes of this paragraph:

- (i) the term “debt service coverage ratio” means cash flow from operations divided by annual debt service obligations including interest and principal payments, where the term “cash flow from operations” includes the adjusted cash flow from operating activities as stated in the cash flow statement of the annual audited financial report for the fiscal year; and
- (ii) the term “self-financing ratio” means cash generated from internal sources divided by average annual capital expenditure.

Tariff

5. The Borrower shall ensure that (a) by no later than 1 June 2015, EPSO and HVEN prepare and submit to PSRC for consideration and approval their investment plans for the Project for the purposes of determining the tariff; and (b) PSRC reviews the tariff on an annual basis and sets it at a level that allows full recovery of the Project cost, including loan repayment, interest charge and exchange rate variations.

Environment

6. The Borrower shall ensure, and shall cause EPSO and HVEN 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, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Social Safeguards

7. The Borrower shall ensure, and cause EPSO and HVEN to ensure, that all land and all rights-of-way required for the Project are made available in a timely manner and the Project does not have any involuntary restatement impacts or impacts on indigenous peoples, all within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall take, and cause EPSO and HVEN 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

8. The Borrower shall make available, or cause EPSO and HVEN to make available, necessary budgetary and human resources to fully implement the EMP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

9. The Borrower shall ensure, or cause EPSO and HVEN 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 and the EMP (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 IEE and the EMP;
- (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

10. The Borrower shall do the following or cause EPSO and HVEN to do the following:

- (a) submit semi-annual 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 IEE and the EMP, 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 any EMP promptly after becoming aware of the breach.

Prohibited List of Investments

11. The Borrower shall ensure, or cause EPSO and HVEN 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

12. The Borrower shall ensure, and shall cause EPSO and HVEN to ensure, international core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall cause EPSO and HVEN to include specific provisions in the bidding documents and contracts for Works financed under the Project requiring that the contractors: (a) comply with 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 by providing, inter alia, equal pay for men and women for work of equal value; (d) do not use forced labor; and (e) allow freedom of association and effectively recognize the right to collective bargaining. The Borrower shall, and shall cause EPSO and HVEN, to strictly monitor compliance with these undertakings and provide ADB with regular reports.

Gender and Development

13. The Borrower shall ensure, and cause EPSO and HVEN to ensure, that the principles of gender equity aimed at increasing Project benefits and impacts on women in the Project area consistent with ADB's Policy on Gender and Development (1998) are followed during implementation of the Project, including (a) equal pay to men and women for work of equal value; (b) enabling working conditions for women workers; and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

Good Governance

14. The Borrower shall ensure, and cause EPSO and HVEN to ensure, that in the event that (a) any change in ownership of any Project facility rehabilitated or constructed under the Project; (b) any sale, transfer, or assignment of interest or control in any Project facility rehabilitated or constructed under the Project; or (c) any lease or other contract or other modification of the EPSO's or HVEN's functions and authority over operation and maintenance of any such Project facility rehabilitated or constructed under the Project, is anticipated, ADB's consent shall be obtained at least 6 months prior to implementation of such plan, and any such change is carried out in a legal and transparent manner.

Governance and Corruption

15. The Borrower, EPSO and HVEN 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.

16. The Borrower, EPSO and HVEN 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.