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LOAN NUMBER 3293-ARM

LOAN AGREEMENT  
(Ordinary Operations)

(Sustainable Urban Development Investment Program - Project 2)

between

REPUBLIC OF ARMENIA

and

ASIAN DEVELOPMENT BANK

DATED 13 October 2015

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ARM 42417

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 13 October 2015 between the REPUBLIC OF ARMENIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 24 March 2011 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the Sustainable Urban Development Investment Program;

(B) by a periodic financing request dated 14 April 2015, the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out and implemented by Yerevan and, for this purpose, the Borrower will make available to Yerevan the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

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

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("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(50) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and Yerevan.

(b) The term "Project Executing Agency" appearing in Sections 7.04(b), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by the term "Yerevan".

- (c) Section 3.03 is deleted and the following is substituted therefor:

**Commitment Charge; Credit; Maturity Premium.** (a)

The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

- (d) Section 3.06 is deleted and the following is substituted therefor:

**Rebate.** (a) Following any announcement by

ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

- (e) Section 3.07 is deleted and the following is substituted therefor:

**Surcharge.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

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 paragraphs 3(d) to 3(j) of Schedule 1 to this Loan Agreement;

(c) “Environmental Assessment and Review Framework” or “EARF” means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(d) “Environmental Management Plan” or “EMP” means the environmental management plan for a Subproject, including any update thereto, incorporated in the IEE of such Subproject;

(e) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(f) “Facility” means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;

(g) “FFA” means the framework financing agreement dated 24 March 2011 between ADB and the Borrower with respect to the Facility;

(h) “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;

(i) “Initial Environmental Examination” or “IEE” means the initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(j) “Investment Program” means the Sustainable Urban Development Investment Program;

(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) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2015, as amended from time to time);

(m) “PAM” means the project administration manual for the Project dated 9 July 2015 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;

(n) “PFR” means the periodic financing request submitted or to be submitted by the Borrower for the purposes of each loan under the Facility, and, for the purpose of this Loan Agreement, means the periodic financing request dated 14 April 2015;

(o) “Procurement Guidelines” means ADB’s Procurement Guidelines (2015, as amended from time to time);

(p) “Procurement Plan” means the procurement plan for the Project dated 9 July 2015 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;

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

(r) “Required Road and Urban Transport Maintenance Budget Increase” means that amount which is equal to the sum total of the increases in the road and urban

transport maintenance budget for Yerevan every year during the period 2016 to 2019 if such budget had been increased every year by 3% per annum, after compensation for inflation;

(s) “Resettlement Framework” or “RF” means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(t) “Resettlement Plan” or “RP” means the resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;

(u) “Road Maintenance Plan” means the long-term operation and maintenance plan for the road network in Yerevan;

(v) “Safeguard Policy Statement” or “SPS” means ADB's Safeguard Policy Statement (2009);

(w) “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 RPs, including any corrective and preventative actions;

(x) “Subproject” means any one of the subprojects under the Urban Transport Infrastructure Component in Schedule 1 to this Loan Agreement;

(y) “Subproject Roads” means the roads, road links, highways and interchanges to be constructed under the Subprojects;

(z) “Transport and Traffic Model” means a sustainable urban transport and traffic model for Yerevan as more particularly described in the PAM;

(aa) “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;

(bb) “YDPIU” means the Project implementation unit established by Yerevan in accordance with the PAM; and

(cc) “Yerevan” means Yerevan Municipality, or any successor thereto acceptable to ADB, which is responsible for the implementation of the Project.

## **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 twelve million nine hundred seventy thousand Dollars (\$112,970,000), as such amount may be converted from time to time

through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 7 years, and a grace period as defined in subsection (c) hereinafter.

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

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

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.20% as provided by Section 3.03 of the Loan Regulations.

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

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

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

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

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

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall make the proceeds of the Loan available to Yerevan upon terms and conditions satisfactory to ADB and shall cause Yerevan to apply such proceeds 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. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

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. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 March 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. (a) The Borrower shall cause the Project to be carried out 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 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.

Section 4.02. The Borrower shall make available, or cause to be made available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. 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 4.05. The Borrower shall take all actions which shall be necessary on its part to enable Yerevan 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 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VI**

### **Delegation of Authority**

Section 6.01. The Borrower hereby designates Yerevan 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 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by Yerevan 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 Yerevan 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 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

#### For the Borrower

Ministry of Finance  
1 Melik Adamyan Street  
Yerevan, Armenia

Facsimile Number:

(374 11) 800132

#### For ADB

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

Facsimile Numbers:

(632) 636-2444  
(632) 636-2484.

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   
GAGIK KHACHATRYAN  
Minister of Finance

ASIAN DEVELOPMENT BANK

By   
DAVID DOLE  
Country Director  
Armenia Resident Mission

## SCHEDULE 1

### Description of the Project

1. The objective of the Investment Program is to improve urban transport infrastructure in the cities of the Borrower leading to more efficient, reliable, safer, and affordable urban transport services.

2. As a part of the Investment Program, the Project aims to provide efficient, reliable and affordable urban infrastructure and services in Yerevan.

3. The Project shall consist of:

#### Urban Transport Infrastructure Component

- (a) Construction of the Argavand Shirak Road Link;
- (b) Construction of the Babajanyan-Ashtarak Highway;
- (c) Construction of the Davitashen-Ashtarak Highway including two interchanges;

#### Institutional Capacity Component

- (d) Operationalization of the Transport and Traffic Model;
- (e) Training of Yerevan transport department staff and transport authority staff on the Transport and Traffic Model (with at least 25% of the staff trained being women);
- (f) Training of Yerevan transport department staff and transport authority staff on transport asset management;

#### Program Implementation Component

- (g) Supervision of the implementation of the Project;
- (h) Recruitment and training of additional YDPIU staff (with at least 25% of the staff recruited and trained being women);
- (i) Development of baseline data, with sex disaggregated data, for the implementation of the Project; and
- (j) Preparation of the project or subprojects to be financed by tranche 3 of the Investment Program,

all as more fully described in the PFR.

4. The Project is expected to be completed by 30 September 2019.

**SCHEDULE 2****Amortization Schedule****(Sustainable Urban Development Investment Program - Project 2)**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 November 2030	7.142857
15 May 2031	7.142857
15 November 2031	7.142857
15 May 2032	7.142857
15 November 2032	7.142857
15 May 2033	7.142857
15 November 2033	7.142857
15 May 2034	7.142857
15 November 2034	7.142857
15 May 2035	7.142857
15 November 2035	7.142857
15 May 2036	7.142857
15 November 2036	7.142857
15 May 2037	7.142859
<b>Total</b>	<b>100.000000%</b>

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

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

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

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

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

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

### SCHEDULE 3

#### Allocation and Withdrawal of Loan Proceeds

##### General

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

##### Resettlement Expenses

3. The amount allocated to Category 4 is for financing resettlement expenses associated with the Project, and shall not finance any expenses for land acquisition with respect to the Project as well as any related taxes and duties imposed within the territory of the Borrower.

##### Interest and Commitment Charges

4. The amount allocated to Category 5 is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.

##### Reallocation

5. 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

6. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.



**TABLE**

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Sustainable Urban Development Investment Program - Project 2)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (\$) Category</b>	<b>Basis for Withdrawal from the Loan Account</b>
1	Civil Works	65,570,000	100% of total expenditure claimed*
2	Goods	40,000	100% of total expenditure claimed*
3	Consulting Services and Incremental Administration	12,620,000	100% of total expenditure claimed*
4	Resettlement	13,880,000	100% of total expenditure claimed**
5	Interest and Commitment Charges	4,000,000	100% of amounts due
6	Unallocated	16,860,000	
	<b>Total</b>	<b>112,970,000</b>	

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

\*\* Exclusive of land acquisition costs, taxes and duties imposed within the territory of the Borrower.

## 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 the methods of procurement set forth below:
  - (a) International Competitive Bidding; and
  - (b) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods 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 the Contract

5. The Borrower shall not award any Works contract for a Subproject which involves environmental impacts until Yerevan has:
  - (a) incorporated the relevant provisions from the EMP of such Subproject into the Works contract; and
  - (b) only for the Argavand Shirak Subproject described in paragraph 3(a) of Schedule 1 to this Loan Agreement, obtained the final approval of the IEE of such Subproject from the Ministry of Nature Protection of the Borrower.
6. The Borrower shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the Borrower has prepared and submitted to ADB the final RP for such Subproject based on the detailed design of such Subproject, and obtained ADB's clearance of such RP.

#### Consulting Services

7. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall ensure that Yerevan applies quality- and cost-based selection for selecting and engaging Consulting Services.

8. The Borrower shall ensure that Yerevan applies the following methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

- (a) Least-Cost Selection for advisory services for audits; and
- (b) Consultants' Qualifications Selection for independent monitoring agency services.

9. The Borrower shall ensure that Yerevan recruits the individual consultants for technical auditing services; short term consulting services; public awareness and capacity building services; and YDPIU incremental administration services in accordance with procedures acceptable to ADB for recruiting individual consultants.

#### Industrial or Intellectual Property Rights

10. (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.

11. 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

12. 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.

13. 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).

14. 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.

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

## SCHEDULE 5

### Execution of Project; Financial Matters

#### Implementation Arrangements

1. The Borrower shall ensure and cause Yerevan 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.

#### Environment

2. The Borrower shall ensure and cause Yerevan to ensure that the preparation, design, construction, implementation, operation and decommissioning of each Subproject comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the IEE and the EMP of such Subproject, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Land Acquisition and Involuntary Resettlement

3. The Borrower shall ensure and cause Yerevan to ensure that all land and all rights-of-way required for each Subproject are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the RP of such Subproject, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

4. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or any RP, the Borrower shall ensure and cause Yerevan to ensure that no physical or economic displacement takes place in connection with any Subproject until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP for such Subproject; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP for such Subproject.

#### Indigenous Peoples

5. The Borrower shall ensure and cause Yerevan to ensure that each Subproject does not have any indigenous peoples impact within the meaning of ADB's Safeguard Policy Statement (2009). In the event that any Subproject does have any such impact, the Borrower shall take and cause Yerevan to take all steps required to ensure that such Subproject complies with the applicable laws and regulations of the Borrower and with ADB's Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

6. The Borrower shall make available or cause Yerevan to make available necessary budgetary and human resources to fully implement the EMPs and the RPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Borrower shall ensure and cause Yerevan to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE, the EMP and the RP of the relevant Subproject (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out 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 or resettlement risks or impacts that arise during construction, implementation or operation of the said Subproject that were not considered in its IEE, EMP or RP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully 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 do or cause Yerevan 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 any Subproject that were not considered in its IEE, EMP or RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;

- (c) no later than 3 months from the date of effectiveness of this Loan Agreement, engage qualified and experienced external experts or qualified non-governmental organizations under a selection process and terms of reference acceptable to ADB, to verify information produced through the Project monitoring process, and facilitate the carrying out of any verification activities by such external experts;
- (d) report any actual or potential breach of compliance with the measures and requirements set forth in any EMP or RP promptly after becoming aware of the breach.

#### Prohibited List of Investments

9. The Borrower shall ensure and cause Yerevan 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 ensure and cause Yerevan to ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall 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 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 ensure and cause Yerevan 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. The Borrower shall ensure and cause Yerevan to ensure that the gender action plan set out in the PAM is implemented in a timely manner throughout the duration of the Project and that adequate resources are allocated for this purpose.

Counterpart Support

13. The Borrower shall ensure that all counterpart funding required for the successful implementation of the Project is promptly provided.

14. The Borrower shall cause Yerevan to adequately staff and equip the YDPIU in a manner acceptable to ADB.

Governance and Anticorruption

15. The Borrower and Yerevan 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 and Yerevan 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.

Operational Covenants

17. The Borrower shall ensure and cause Yerevan to ensure that (i) the Subprojects are implemented in accordance with design specifications and construction norms; and (ii) construction supervision, quality control and contract management are performed in accordance with international standards.

18. (a) The Borrower shall ensure and cause Yerevan to ensure that the Subproject Roads are maintained according to the standards prescribed by the applicable laws and regulations of the Borrower and Yerevan, and, to this end, that adequate data on the condition and use of the Subproject Roads are collected, maintained and managed; that inspections of the Subproject Roads are regularly carried out; and that preventive maintenance and repair of the Subproject Roads are undertaken as required.

(b) The Borrower shall ensure and cause Yerevan to ensure that sufficient funding and resources are made available for the maintenance of the Subproject Roads as required by this Loan Agreement. The Borrower shall ensure and cause Yerevan to ensure (i) that, every year during the period 2016 to 2019, the actual road and urban transport maintenance budget for Yerevan increases so that, by the end of 2019, the sum total of all such increases is not less than the Required Road and Urban Transport Maintenance Budget Increase; (ii) that, out of the road and urban transport maintenance budget, an adequate amount is allocated for the maintenance of the Subproject Roads in particular; and (iii) that the allocation is based on a reasonable estimate, acceptable to ADB, of the costs of maintaining the Subproject Roads in accordance with the requirements of this Loan Agreement.



(c) Promptly after the Transport and Traffic Model is operationalized, but in any case by the end of 2018, the Borrower shall prepare, approve and adopt, or cause Yerevan to prepare, approve and adopt, the initial Road Maintenance Plan which, at the outset, shall cover principally the main road network of Yerevan. The Road Maintenance Plan shall be based on and shall be an outcome of the Transport and Traffic Model, and shall include, among others, forecasts of the cost of maintaining the various roads which make up the road network in Yerevan, including the Subproject Roads, over the course of their useful life and the budget required to meet such cost. The Borrower shall further develop, or cause Yerevan to further develop, the Road Maintenance Plan from time to time based on the information generated by the Transport and Traffic Model. The Borrower shall cause Yerevan to promptly discuss and agree with ADB such modifications to the budget increase requirement set out in paragraph 18(b) of this Schedule as may be necessary or appropriate taking into account the Transport and Traffic Model and the Road Maintenance Plan.

(d) The parties acknowledge that the arrangements set out in this Loan Agreement for the annual increase of the road and urban transport maintenance budget for Yerevan, particularly the method for the calculation of such increase, are specific to the Project and do not indicate that any party will adopt the same arrangements for any other project, all of which other projects shall develop their own operation and maintenance arrangements considering their own particular circumstances.

19. The Borrower shall ensure and cause Yerevan to ensure that the relevant municipal authorities install during the implementation of the Project such safety signs and facilities as may be appropriate and sufficient in accordance with international traffic norms and as are approved by the relevant Yerevan traffic authorities.

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