
LOAN NUMBER 2752-ARM(SF)

LOAN AGREEMENT
(Special Operations)

(Sustainable Urban Development Investment Program, Project 1)

between

REPUBLIC OF ARMENIA

and

ASIAN DEVELOPMENT BANK

DATED 19 MAY 2011

ARM 42417

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 19 May 2011 between REPUBLIC OF ARMENIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) by a periodic financing request dated 15 April 2011 submitted by the Borrower, the Borrower has applied to ADB for a loan from its Special Funds resources for the purposes of the Project described in Schedule 1 to this Loan Agreement ("Project");

(C) the Project will be carried out and implemented by the city of Yerevan ("Yerevan"); and

(D) 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 and Yerevan;

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.

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 (2010, 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 2(b) and 2(c) of Schedule 1 to this Loan Agreement, but excluding any services provided in relation to Goods and Works;

(c) "EARF" means the Environmental Assessment and Review Framework for the Facility, as agreed between the Borrower and ADB, as amended from time to time;

(d) "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;

(e) "Environmental Management Plan" or "EMP" means each environmental management plan for a Subproject, including any update thereto, incorporated in the 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) "FAM" means the Facility administration manual for the Facility, as agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB for application to the Project;

(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 each 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) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(k) "LARF" means the Land Acquisition and Resettlement Framework for the Facility, as agreed between the Borrower and ADB, as amended from time to time;

(l) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2007, as amended from time to time);

(m) "PFR" means a periodic financing request submitted or to be submitted by the Borrower, for the purposes of each tranche under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 15 April 2011;

(n) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);

(o) "Procurement Plan" means the procurement plan for the Project dated 3 March 2011 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;

(p) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Borrower's Ministry of Economy or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(q) "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;

(r) "Resettlement Plan" or "RP" means each 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;

(s) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(t) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with, the EMP, the RP and the indigenous peoples plan (as applicable), including any corrective and preventative actions;

(u) "Subproject" means a specific development subproject that is provided in paragraph 2(a) of Schedule 1 to this Loan Agreement; and

(v) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to thirty million nine hundred eighty-nine thousand Special Drawing Rights (SDR30,989,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum 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 paragraph (a) of this Section 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 January and 15 July 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 of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan available to 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 items of expenditure in accordance with the applicable provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account in respect of the 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 services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2016 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 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 enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. (a) The Borrower shall cause Yerevan to (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss Yerevan's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by Yerevan pursuant to subparagraph (a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of Yerevan unless Yerevan shall otherwise agree.

Section 4.04. 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 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 Yerevan as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.03 of this Loan Agreement and under Sections 5.01, 5.02 and 5.03 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 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
1 Melik Adamyant Street
Yerevan, Armenia

Facsimile Number:

(37-410) 524-282.

For ADB

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

Facsimile Numbers:

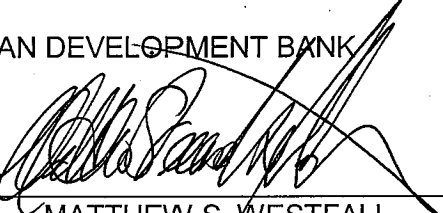
(632) 636-2444
(632) 636-2301.

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 
TIGRAN DAVTYAN
Minister of Economy

ASIAN DEVELOPMENT BANK

By 
MATTHEW S. WESTFALL
Advisor
Central and West Asia Regional
Department

SCHEDULE 1

Description of the Project

1. The Project will improve urban communities' access to economic opportunities and to public and social services, increase economic growth potential, and enhance private sector involvement. The Project will improve urban transport infrastructure and services in Yerevan.
2. The Project shall comprise the following main components:
 - (a) Urban Transport Infrastructure Improvement, including the following Subprojects:
 - (i) Argavand highway–Shirak street road (West); and
 - (ii) Artashat highway–Shirak street road and Tamanciner street section (South-West).
 - (b) Component B: Institutional strengthening
 - (i) Strengthened Institutional and monitoring management capacity of Yerevan and urban transport service providers;
 - (ii) Multimodal coordination and management committee set up;
 - (iii) Development of multimodal transport system (including tariff, ticketing, information, signage, urban transport website, accessibility, traffic model), with an implementation action plan; and
 - (iv) Set-up monitoring unit to evaluate impacts of the program, including financial evaluation of the action plan.
 - (c) Part C: Project Management and capacity building
 - (i) Consulting services for program management, engineering and supervision recruited for each project to be implemented, preparation of Tranche 2 projects, and advisory services for audit, safeguard monitoring and program evaluation;
 - (ii) Strengthening of Yerevan departments and units to oversee properly the Investment Program implementation with training program (transport planning and modeling, project, procurement, financial and safeguards management) organized for Yerevan and other urban transport providers and public awareness campaigns; and
 - (iii) Equipment, software, traffic model, reference documents and awareness.
3. The Project is expected to be completed by 31 December 2015.

SCHEDULE 2**Amortization Schedule****(Sustainable Urban Development Investment Program, Project 1)**

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in SDR)*</u>
15 July 2019	645,604
15 January 2020	645,604
15 July 2020	645,604
15 January 2021	645,604
15 July 2021	645,604
15 January 2022	645,604
15 July 2022	645,604
15 January 2023	645,604
15 July 2023	645,604
15 January 2024	645,604
15 July 2024	645,604
15 January 2025	645,604
15 July 2025	645,604
15 January 2026	645,604
15 July 2026	645,604
15 January 2027	645,604
15 July 2027	645,604
15 January 2028	645,604
15 July 2028	645,604
15 January 2029	645,604
15 July 2029	645,604
15 January 2030	645,604
15 July 2030	645,604
15 January 2031	645,604
15 July 2031	645,604
15 January 2032	645,604
15 July 2032	645,604
15 January 2033	645,604
15 July 2033	645,604
15 January 2034	645,604
15 July 2034	645,604
15 January 2035	645,604
15 July 2035	645,604
15 January 2036	645,604
15 July 2036	645,604
15 January 2037	645,604
15 July 2037	645,604
15 January 2038	645,604
15 July 2038	645,604

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in SDR)*</u>
15 January 2039	645,604
15 July 2039	645,604
15 January 2040	645,604
15 July 2040	645,604
15 January 2041	645,604
15 July 2041	645,604
15 January 2042	645,604
15 July 2042	645,604
15 January 2043	645,612
TOTAL	<u>30,989,000</u>

* The arrangements for payment of each maturity are subject to the relevant provisions 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 amounts of the Loan to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest Charge

3. The amount allocated to Category 5 is for financing the interest charge on the Loan during the implementation period of the Project.

Resettlement Expenses

4. The amount allocated to Category 4 is for financing resettlement expenses associated with the Project, and shall exclude any expenses for the land acquisition with respect to the Project as well as any related taxes and duties imposed within the territory of the Borrower.

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.

Imprest Account and Statement of Expenditures

7. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account under the Borrower's State Treasury. The imprest account shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest account shall be the Dollar. The ceiling for the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first 6 months of Project implementation, or (ii) the equivalent of 10% of the Loan amount.

(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed shall not exceed the equivalent of \$100,000.

Retroactive Financing

8. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with the Consulting Services, Works and Goods, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Sustainable Urban Development Investment Program, Project 1)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR '000)	Percentage and Basis for Withdrawal from the Loan Account
1	Works	20,037	100 percent of total expenditure*
2	Goods	274	100 percent of total expenditure*
3	Consulting Services and Incremental Administration	4,122	100 percent of total expenditure*
4	Resettlement	3,058	100 percent of total expenditure**
5	Interest	650	100 percent of amounts due
6	Unallocated	2,848	
	TOTAL	30,989	

* 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 and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Procurement of 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;
 - (b) National Competitive Bidding; and
 - (c) 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 methods of procurement or threshold values may only be modified 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 the Project Executing Agency has:
 - (a) obtained the final approval of the IEE from the Ministry of Environmental Protection; and
 - (b) incorporated the relevant provisions from the EMP into the Works contract.
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 Subproject's detailed design, 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 the Consulting Services.

8. Yerevan may apply 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) Consultant Qualification Selection for incremental project administration and monitoring; and
- (b) Least-Cost Selection for auditing.

9. The Borrower shall ensure that Yerevan recruits the individual consultants for capacity development consultancy 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. Before granting an extension of the stipulated time for completion of a contract for Goods or Works, or before agreeing to any modification or waiver of the terms and conditions of such contract, including issuing any change order or orders under such contract, the Borrower shall seek ADB's no objection to the proposed extension, modification, or change order. If ADB determines that the proposal would be inconsistent with the provisions of this Loan Agreement and/or the Procurement Plan, it shall promptly inform the Borrower and state the reasons for its determination. A copy of all amendments to the contract shall be furnished to ADB for its record.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

1. The Borrower shall designate Yerevan as the Project Implementing Agency with responsibility for overall Project implementation and for liaison with ADB and other government agencies. The Borrower and Yerevan shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and this Loan Agreement and/or the Project Agreement, the provisions of this Loan Agreement and/or the Project Agreement shall prevail.

Environment

2. The Borrower shall 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 respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

3. The Borrower shall 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 respective RP, 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 the RP, the Borrower shall ensure that no physical or economic displacement takes place in connection with the Subprojects until:

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

Human and Financial Resources to Implement Safeguards Requirements

5. The Borrower shall make available necessary budgetary and human resources to fully implement the EMP, the RP and the indigenous peoples plan.

Health and Labor Standards

6. The Borrower shall cause Yerevan to ensure that contractors engaged under the Project/Subproject (i) comply with all applicable labor laws; (ii) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the Project; (iii) provide equal pay to men and women for work of equal type; (iv) provide and adequately equip first-aid, health and sanitation, and personal hygiene facilities for male and female workers at the Project/Subproject site; (v) maximize female training and employment; (vi) conduct an information and education campaign on sexually transmitted diseases and HIV/AIDS for construction workers as part of the health and safety program at campsites and adjacent communities during Project/Subproject implementation; and (vii) abstain from child labor. Relevant contracts financed under the Project must include specific clauses on these undertakings.

Gender and Development

7. The Borrower shall cause Yerevan to ensure that within 6 months of the Effective Date, the community and gender action plan is agreed with ADB, that it is implemented in a timely manner over the Project period, and that adequate resources are allocated for this purpose.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

8. The Borrower shall 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 (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, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, and the 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

9. The Borrower shall 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, the EMP, and the 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 6 months, engage qualified and experienced external experts or qualified non-governmental organization 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; and
- (d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RP promptly after becoming aware of the breach.

Prohibited List of Investments

10. The Borrower shall 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.

Counterpart Support

11. The Borrower shall ensure that the counterpart funding is promptly provided for purposes of successful Project implementation.

12. The Borrower shall cause Yerevan to be adequately staffed and equipped in a manner acceptable to ADB.

Governance and Corruption

13. The Borrower shall cause Yerevan to have the Project-related accounts annually audited in accordance with international standards by an independent auditor acceptable to ADB.

14. The Borrower shall comply with ADB's *Anticorruption Policy* (1998, as amended to date) for the purposes of the Project. The Borrower, consistent with its commitment to good governance, accountability and transparency, agrees (a) that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project and (b) to cooperate fully with any such investigation and to extend all necessary assistance. The Borrower shall ensure that all contracts financed by ADB under the Project include provisions specifying the right of ADB to audit and examine the records and accounts of Yerevan and all contractors, suppliers, consultants, and other service providers as they relate to the Project or Subproject.

Operational covenants

15. The Borrower shall 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.

16. The Borrower shall contractually bind Yerevan to ensure that its actual road and urban transport maintenance budget increases at least at 5% per annum during 2011–2015.

17. The Borrower shall ensure that the relevant municipalities or authorities install appropriate safety signs and facilities during implementation.

18. The Borrower and Yerevan shall 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 operation and maintenance of any such asset, facility or structure financed under the Project. The Borrower shall ensure that any such changes will be carried out in a legal and transparent manner.