
LOAN NUMBER 2993-ARM

LOAN AGREEMENT
(Ordinary Operations)

(North-South Road Corridor Investment Program – Project 3)

between

REPUBLIC OF ARMENIA

and

ASIAN DEVELOPMENT BANK

DATED 11.03.2014

ARM 42145

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 11.03.2014 between REPUBLIC OF ARMENIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 15 September 2009 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the North-South Road Corridor Investment Program;

(B) by a periodic financing request dated 22 November 2012 submitted by the Borrower, as amended on 26 December 2012 and subsequently by letters dated 18 June 2013 and 5 December 2013 requesting certain further changes, the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

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 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.

(b) 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.

(c) 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 paragraph 4 of Schedule 1 to this Loan Agreement;

(c) "EARF" means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Recipient and ADB and incorporated by reference in the FFA;

(d) "EIA" means environmental impact assessment for a Project including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(e) "EMP" means an environmental management plan for a Project, including any update thereto, incorporated in the EIA;

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

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

(h) "FAM" means the Facility administration manual for the investment Program dated 6 October 2009, as updated on 26 December 2012, as agreed between the Borrower and ADB, and as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(i) "FFA" means the framework financing agreement dated 15 September 2009 between ADB and the Borrower with respect to the Facility;

(j) "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;

(k) "Investment Program" means the North-South Road Corridor Investment Program;

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

(m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(n) "MOTC" means the Ministry of Transport and Communication of the Borrower;

(o) "O&M" means operation and maintenance;

(p) "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 22 November 2012 and as amended on 26 December 2012 and subsequently by a letter dated 18 June 2013 requesting certain further changes;

(q) "Procurement Guidelines" means ADB's Procurement Guidelines (2013, as amended from time to time);

(r) "Procurement Plan" means the procurement plan for the Project dated 22 November 2012, as updated in April 2013, 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;

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

(t) "Project Facilities" means facilities to be reconstructed, updated, developed or operationalized under the Project;

(u) "Project Road" means the road section as described in paragraph 2(a) of Schedule 1 to this Agreement;

(v) "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;

(w) "RP" means the resettlement plan for and covering only the Project described in Schedule 1 to this Loan Agreement, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

(y) "Safeguards Monitoring Report" means each report prepared and submitted by the Recipient 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 preventive actions; and

(z) "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. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred million Dollars (\$100,000,000), 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 21 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 0.20% 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 1 May and 1 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 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.

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 31 December 2017 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, promptly as needed and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.

Section 4.03. (a) Whenever applicable, in the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. The Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 4.04. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial

statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for the imprest account and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) 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.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.06. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.07. The Borrower shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

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**Miscellaneous**

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
Republic of Armenia
1 Melik-Adamyant Street
Yerevan 0010
Republic of Armenia

Facsimile Number:

+374 10 524282.

For ADB

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

Facsimile Numbers:

+63 2 636-2444
+63 2 636-2484.

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

DAVIT SARGSYAN
Minister of Finance

ASIAN DEVELOPMENT BANK

By

DAVID DOLE
Resident Representative
Armenia Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Investment Program is to develop a subregional and national road transport network within the Borrower's territory. Upon implementation, the Investment Program will:
 - (a) facilitate efficient subregional road transport transit;
 - (b) increase trade flows and competitiveness;
 - (c) lower transport costs;
 - (d) increase mobility and accessibility to markets, jobs and social services; and
 - (e) improve governance.
2. As part of the Investment Program, the Project aims to achieve efficient, safe and sustainable north-south corridor linking the Borrower domestically and internationally.
3. As further detailed in the PFR, the Project shall comprise:
 - (a) reconstruction of the two-lane road section between towns of Talin and Landjik of approximately 18.7 kilometers and widening such section to a four-lane dual carriageway;
 - (b) preparation and implementation of a long term road subsector plan and road asset management and road maintenance administration system;
 - (c) preparation of feasibility study for Artashat-Qajaran section (304 km) of the North-South corridor; and
 - (d) Project implementation support and preparation of a subsequent tranche under the Investment Program, including preparation of the related feasibility study and detailed engineering design.
4. The Project includes the provision of consulting services for preconstruction activities, construction supervision, project management, project auditing, safeguards support, preparation and implementation of a road subsector plan and road asset management and road maintenance administration system as referred to in paragraph 3(b) above, preparation of feasibility study as referred to in paragraph 3(c) above, and preparation for a subsequent tranche as referred to in paragraph 3(d) above.
5. The Project is expected to be completed by 30 June 2017.

SCHEDULE 2

Amortization Schedule

(North-South Road Corridor Investment Program – Project 3)

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 %)
01 May 2021	2.380952
01 November 2021	2.380952
01 May 2022	2.380952
01 November 2022	2.380952
01 May 2023	2.380952
01 November 2023	2.380952
01 May 2024	2.380952
01 November 2024	2.380952
01 May 2025	2.380952
01 November 2025	2.380952
01 May 2026	2.380952
01 November 2026	2.380952
01 May 2027	2.380952
01 November 2027	2.380952
01 May 2028	2.380952
01 November 2028	2.380952
01 May 2029	2.380952
01 November 2029	2.380952
01 May 2030	2.380952
01 November 2030	2.380952
01 May 2031	2.380952
01 November 2031	2.380952
01 May 2032	2.380952
01 November 2032	2.380952
01 May 2033	2.380952
01 November 2033	2.380952
01 May 2034	2.380952

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
01 November 2034	2.380952
01 May 2035	2.380952
01 November 2035	2.380952
01 May 2036	2.380952
01 November 2036	2.380952
01 May 2037	2.380952
01 November 2037	2.380952
01 May 2038	2.380952
01 November 2038	2.380952
01 May 2039	2.380952
01 November 2039	2.380952
01 May 2040	2.380952
01 November 2040	2.380952
01 May 2041	2.380952
01 November 2041	2.380968
Total	100.000000

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 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 and Commitment Charges

3. 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

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.

Retroactive Financing

6. 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, subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawal from Loan Account

7. No withdrawals shall be made from the Loan Account for the Works until ADB has received Borrower's certification, in form and substance satisfactory to ADB, that the RP has been fully implemented and that the lands and rights-of-way required for implementation of the Project have been obtained free and clear of any liens, rights, claims or any other encumbrance whatsoever.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (North-South Road Corridor Investment Program – Project 3)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Works**	65,000,000	100% of total expenditure claimed*
2	Consulting Services	10,600,000	100% of total expenditure claimed*
3	Goods	2,400,000	100% of total expenditure claimed*
4	Project Management Support	2,000,000	100% of total expenditure claimed*
5	Interest and Commitment Charge	5,000,000	100% of amounts due
6	Unallocated	15,000,000	
	TOTAL	100,000,000	

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

** Subject to the condition for withdrawal described in paragraph 6 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 the method of procurement set forth below:
 - (a) International Competitive Bidding.
4. The 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 Contract

5. The Borrower shall not award any Works contract until the Project Executing Agency has:
 - (a) obtained the final approval of the final EIA and the final RP from the relevant agencies of the Borrower; and
 - (b) incorporated the relevant provisions from the EMP into the Works contract.

Consulting Services

6. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.
7. The Borrower shall apply the following method 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 external auditors.

Industrial or Intellectual Property Rights

8. (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.

9. 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

10. 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.

11. 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 for 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 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).

12. 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.

13. 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 and the Project Executing Agency 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, the provisions of this Loan Agreement shall prevail.

Operational Covenants

2. The Borrower shall ensure that (a) the Project Road is reconstructed in accordance with the technical specifications of the design, construction specifications and other documents stipulated in the bidding documents; and (b) construction supervision, quality control and contract management are performed in accordance with internationally acceptable standards.

3. The Borrower shall ensure that the road asset management and road maintenance administration system will be updated and implemented in accordance with international best practices acceptable to ADB.

4. The Borrower shall ensure that: (a) any additional counterpart funding necessary for successful Project completion is promptly provided; (b) adequate funds are allocated and/or generated for O&M of the Project facilities in accordance with best international engineering and O&M practices; and (c) the Project Executing Agency operates and maintains the Project facilities based on O&M plans to be developed in accordance with the industry's best international O&M practices and guidelines.

5. The Borrower shall ensure that the Project Executing Agency installs appropriate road safety signs and facilities during the Project implementation and after completion, such as warning signs, pavement markings, road signs and signals, communications facilities, hazard barriers, and traffic monitoring facilities, all in compliance with industry's best practices and relevant international conventions to which the Borrower is a party. The Borrower shall ensure that, at least 6 months prior to the opening for operation of the Project Road, (i) the Project Executing Agency will have developed and implemented a plan, acceptable to ADB, for ensuring safe operation of road infrastructure facilities; and (ii) relevant Borrower's authorities will have prepared to police the Project Road and enforce the national laws and regulations. The Borrower shall ensure that the Project Executing Agency monitors the accident rate and traffic volume after commencement of the operation of the Project Road and institutes appropriate safety enforcement measures.

6. The Borrower shall ensure that the Project Executing Agency installs vehicle weighing stations along the Project Road to control the axle overloading and adopts appropriate rules to enforce the axle load limits.

7. The Borrower shall ensure that the Project Executing Agency through relevant agencies enforces vehicle emission standards.

8. The Borrower shall ensure that ADB's consent is obtained at least 6 months prior to any modification of the functions and authority of the Project Executing Agency over operation and maintenance of the Project Road.

9. The Borrower shall ensure that relevant government agencies provide strict border controls and highway/road patrols to prevent trafficking of humans, wildlife, endangered species, and illegal substances.

Road Maintenance

10. The Borrower shall prepare a 10-year Road Subsector Plan and adopt it for implementation by January 2016. Such plan shall detail policy actions and measures to (a) implement the road asset management and road maintenance administration system being established under the Project (including the development or adoption of adequate road maintenance standards and preparation of the relevant road maintenance planning and operational manuals); (b) obtain funding to finance the maintenance of roads; and (c) provide training to strengthen the capacity of local maintenance units.

11. (a) The Borrower shall ensure that from the fiscal year of 2014 and for each fiscal year thereafter the annual state budget on maintenance of state and interstate roads for such fiscal year is increased by at least 5% from the previous fiscal year's actual budget on maintenance of state and interstate roads. The Borrower shall further ensure that the targets for road maintenance funding indicated above and included in the government development strategy are increased in consultation with ADB considering recommendations of the ADB-financed technical assistance for infrastructure sustainability support program (TA No. 46220).

(b) The Borrower shall ensure that proportion (by length) of interstate and state roads in at least satisfactory condition (as defined in the Borrower's government decree N.1419, 2010, as updated from time to time) to roads in the same category is not less than the respective level specified below for the relevant year, or such equivalent targets as set out in its development strategy (as updated from time to time):

	2013	2014	2015	2016	2017	2021	2025
Interstate roads	88%	89%	90%	91%	92%	96%	100%
State roads	40%	41%	43%	45%	47%	53%	60%

(c) The Borrower shall (i) carry out assessments of compliance with the targets in paragraphs (a) and (b) above at least annually; (ii) notify ADB of the outcome of such assessment promptly within 3 months of such assessment; (iii) ensure that any update to the targets in paragraphs (a) and (b) above through updates to its development strategy are based on reasonable justifications and made in consultation with ADB; and (iv) notify ADB of any proposed and actual updates to the above targets through updates to its development strategy.

Environment

12. The Borrower shall ensure or cause the Project Executing Agency to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project 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 EIA and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

13. The Project Executing Agency shall ensure the planning and implementation of the Project in accordance with the measures outlined in the EIA and EMP for the environment and preservation of the archeological, historical and cultural sites affected by the Project. The Borrower shall have sufficient resources and primary responsibility for implementing the EMP and further ensure that (i) all environmental management provisions are included in the relevant contracts; (ii) the contractor is responsible for implementing mitigation measures during construction and developing prior to commencing construction work site-specific EMPs (otherwise known as SEMP); and (iii) MOTC with the assistance of the project management consultants monitors and records the implementation of the SEMP, prepares semiannual environmental monitoring reports satisfactory to ADB, and submits such to ADB within 1 month of the end of each half of the calendar year from the start of Project implementation and until the Project completion.

Land Acquisition and Involuntary Resettlement

14. The Borrower shall ensure or cause the Project Executing Agency to ensure that land acquisition and resettlement activities are implemented in compliance with (a) the Borrower's legislation related to land acquisition and involuntary resettlement; (b) Involuntary Resettlement Safeguards; (c) RF; (d) all measures and requirements set forth in the RP and any corrective or preventive actions set forth in a Safeguards Monitoring Report. Land acquisition and resettlement shall be completed before the commencement of civil works and this requirement will be accordingly fixed in the Works Contract. The Borrower will provide corresponding resources to finance compensation and costs related to the RP.

15. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower shall ensure or cause the Project Executing Agency to ensure that no physical or economic displacement takes place in connection with the Project 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.

Indigenous Peoples

16. The Borrower shall ensure that the Project does not have any impact on indigenous peoples for purposes of the SPS. In the event that the Project does have any

such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Labor Standards; Health and Safety

17. The Borrower shall ensure that contractors engaged under the Project (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 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 implementation; and (vii) abstain from child labor. Relevant Works contracts financed under the Project must include specific clauses on these undertakings.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

18. The Borrower shall ensure or cause the Project Executing Agency 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 EIA, 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 EIA or 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

19. The Borrower shall do the following or shall cause the Project Executing Agency to do the following:

Schedule 5

- (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 EIA, 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) prior to award of Works contract, engage qualified and experienced external experts or qualified NGOs 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 EIA or RP promptly after becoming aware of the breach.

Prohibited List of Investments

20. The Borrower shall ensure or cause the Project Executing Agency 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.

Gender and Development

21. The Borrower shall ensure that the principles of ADB's Policy on Gender and Development (1998) are followed during implementation of the Project. The Borrower shall ensure that the reconstruction of the Project Road also includes the identification, designing, and construction of permanent market structures with sanitation facilities for women vendors along the Project Road and that women vendors' needs for such structures are fully incorporated into the design of such permanent market structures.

Governance and Anticorruption

22. The Borrower and the Project Executing Agency 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.

23. The Borrower and the Project Executing Agency 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.