
LOAN NUMBER 4575-ARM

LOAN AGREEMENT
(Ordinary Operations)

(Resilient and Inclusive Road Sector Improvement Project)

between

REPUBLIC OF ARMENIA

and

ASIAN DEVELOPMENT BANK

DATED 18 MARCH 2025

ARM 56317

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 18 March 2025 between REPUBLIC OF ARMENIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Project will be carried out by MTAI (as defined hereinafter) as executing agency and RDF (as defined hereinafter) as implementing agency, and for this purpose the Borrower will make available to RDF the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB;

(C) the Borrower has also applied to the European Investment Bank ("EIB") for a loan, and it is expected that, by a loan agreement to be entered into between the Borrower and EIB ("EIB Loan Agreement"), EIB will provide a loan to the Borrower in the amount of ninety-nine million Euros (€99,000,000) ("EIB Loan") for the purposes of cofinancing a part of the Project expenditures; 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;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 2022 ("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) "BAP" means a biodiversity action plan including the measures to mitigate the negative impacts of the Project on biodiversity, including any update thereto, incorporated in the ESIA;
- (b) "Bargushat tunnel" means the Bargushat tunnel section of the Sisian-Kajaran road, and such tunnel section is not part of the Project;

- (c) “Consulting Services” means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (d) “Environmental Safeguards Monitoring Report” means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the ESMP and the BAP (as applicable), including any corrective and preventative actions;
- (e) “ESIA” means the environmental and social impact assessment for the Sisian-Kajaran road that includes the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (f) “ESMP” means the environmental and social management plan for the Project, including any update thereto, incorporated in the ESIA;
- (g) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (h) “GAAP” means the gender assessment and action plan prepared for the Project, including any update thereto, and agreed to between the Borrower and ADB;
- (i) “Goods” means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (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) “LARP” means the land acquisition and resettlement plan for the Sisian-Kajaran road that includes the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (l) “LARP (ADB Section)” means the land acquisition and resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (m) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2022, as amended from time to time);
- (n) “MTAI” means the Ministry of Territorial Administration and Infrastructure of the Borrower;
- (o) “Nonconsulting Services” means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (p) “O&M” means operation and maintenance;

- (q) "PAM" means the project administration manual for the Project dated 21 October 2024 and agreed between the Borrower through the Project Executing Agency and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (r) "Procurement Plan" means the procurement plan for the Project dated 21 October 2024 and agreed between the Borrower through the Project Executing Agency and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (s) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (t) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (u) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MTAI, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (v) "Project facilities" means the road, bridges, tunnels and other facilities to be constructed, implemented, operated and maintained under the Project;
- (w) "Project Implementing Agency" means RDF, or any successor thereto acceptable to ADB, which will carry out the Project as implementing agency;
- (x) "Project road" means the road section described in paragraph 2(a)(i) of Schedule 1 to this Loan Agreement;
- (y) "RDF" means the "Road Department" Fund established by Decree No. 1298-A of the government of the Republic of Armenia dated 6 August 2021, or any successor thereto acceptable to ADB;
- (z) "Services" means Consulting Services and Nonconsulting Services;
- (aa) "Social Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the LARP (ADB Section), including any corrective and preventative actions;
- (bb) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (cc) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services, and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred thirty-six million Euros (€236,000,000), 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 12.5 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) Euribor;
- (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 0.30% 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 June and 15 December 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(e) 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 the Project Implementing Agency upon terms and conditions satisfactory to ADB and shall cause the Project Implementing Agency to apply such proceeds 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.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2034 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. (a) The Borrower shall cause the Project Implementing Agency to (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards 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 auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which

includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, 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 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) In addition to annual audited financial statements referred to in subsection (a) hereinabove, the Borrower shall cause the Project Implementing Agency to (i) provide its annual financial statements prepared in accordance with financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iii) as part of each such audit, have the auditors prepare the auditors' opinion(s) on the financial statements; and (iv) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and auditors' opinion(s), 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.

(d) The Borrower shall cause the Project Implementing Agency to enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Project Implementing Agency and its financial affairs where they relate to the Project with the auditors appointed pursuant to subsections (a)(iii) and c(ii) hereinabove, and shall cause the Project Implementing Agency to 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 Project Implementing Agency, unless the Project Implementing Agency shall otherwise agree.

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

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(m) of the Loan Regulations: the EIB Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the EIB Loan Agreement shall have been duly executed and delivered, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. 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 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 0010
Armenia

Facsimile Number:

(374 11) 800-132

For ADB

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

Facsimile Number:

(632) 8636-2444.

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



VAHE HOVHANNISYAN
Minister of Finance

ASIAN DEVELOPMENT BANK

By



DONALD LAMBERT
Country Director
Armenia Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve regional mobility and increase accessibility.
2. The Project shall comprise:
 - (a) **Output 1:** improving climate and disaster-resilient road connectivity through: (i) construction of a 27.1-kilometer (km) two-lane new road, with climbing lanes, bridges, and tunnels; (ii) introduction of climate resilient construction methods, green road principles and best practices in operation and maintenance; and (iii) development of a parking and rest area concept with e-charging stations and bus stop which incorporates gender-responsive and inclusive design features and implementation of a parking and rest area; and
 - (b) **Output 2:** improving the capacity of RDF by (i) enhancing the knowledge of RDF in large project design and implementation; (ii) enhancing the knowledge of RDF in the establishment of bridge management system and road maintenance; (iii) improving human resource management practice to support hiring, retention and promotion of female staff in technical positions; and (iv) establishing an internship program for female technical students or recent graduates to support women's representation in road infrastructure design, delivery and operations.
3. The Project is expected to be completed by 31 December 2033.

SCHEDULE 2**Amortization Schedule**

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 December 2036	4.000000%
15 June 2037	4.000000%
15 December 2037	4.000000%
15 June 2038	4.000000%
15 December 2038	4.000000%
15 June 2039	4.000000%
15 December 2039	4.000000%
15 June 2040	4.000000%
15 December 2040	4.000000%
15 June 2041	4.000000%
15 December 2041	4.000000%
15 June 2042	4.000000%
15 December 2042	4.000000%
15 June 2043	4.000000%
15 December 2043	4.000000%
15 June 2044	4.000000%
15 December 2044	4.000000%
15 June 2045	4.000000%
15 December 2045	4.000000%
15 June 2046	4.000000%
15 December 2046	4.000000%
15 June 2047	4.000000%
15 December 2047	4.000000%
15 June 2048	4.000000%
15 December 2048	4.000000%
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; and
- (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 2 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 (a) 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 (b) 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 allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. 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

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

Condition for Withdrawals from Loan Account

5. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until evidence in form and substance satisfactory to ADB has been provided to ADB confirming financing for the construction of the Bargushat tunnel.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing €	Basis for Withdrawal from the Loan Account
		Category	
1	Project costs (ADB-financed only)*	5,323,000	83.3% of total expenditure claimed
2	Project costs (with EIB cofinancing)*	199,622,000	58.3% of total expenditure claimed
3	Unallocated	31,055,000	
	TOTAL	236,000,000	

* Subject to the condition for withdrawal described in paragraph 5 of Schedule 3.

SCHEDULE 4

Execution of Project

Implementation Arrangements

1. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency 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 through the Project Executing Agency and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Procurement

2. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that:

- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
- (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan;
- (c) procurement packages cofinanced by EIB may also be procured under the Project from non-member countries of ADB; and
- (d) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

Conditions for Award of Contract

3. The Borrower shall not, and shall ensure that the Project Executing Agency and Project Implementing Agency shall not, award any Works contract which involves environmental impacts until:

- (a) the appropriate environment authority of the Borrower has granted the final approval of the ESIA; and the Borrower has obtained ADB's clearance of the applicable parts of the ESIA based on the final design; and

- (b) the Borrower has incorporated the relevant provisions from the ESMP and the BAP into the Works contract;

4. The Borrower shall not, and shall ensure that the Project Executing Agency and Project Implementing Agency shall not, award any Works contract which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final LARP (ADB Section) based on the Project's detailed design, and obtained ADB's clearance of such LARP (ADB Section).

Conditions for Commencement of Works

5. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that except for the adjustment to the detailed engineering design (if any), no Works shall commence:

- (a) on any Project site until the Project Executing Agency and Project Implementing Agency have obtained approval from the appropriate authority of the Borrower for any required requisite environment, health and safety licenses, approvals, or authorization; and
- (b) on any section of the Project (as further defined in the PAM) which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the LARP (ADB Section) compliance report(s) and obtained ADB's clearance of such LARP (ADB Section) compliance report(s), and notified ADB in writing through the LARP (ADB Section) compliance report that due consultation has been carried out, all required physical and/or economic displacement has been completed, compensation and other entitlements have been provided to affected people in accordance with the LARP (ADB Section).

Environment

6. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the ESMP, the BAP, the applicable parts of the ESIA, and any corrective or preventative actions set forth in an Environmental Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

7. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that all land and all rights-of-way required for the Project 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; and (c) all measures and requirements set forth in the LARP (ADB Section), and any corrective or preventative actions set forth in the Social Safeguards Monitoring Report.

8. Without limiting the application of the Involuntary Resettlement Safeguards or the LARP (ADB Section), the Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing 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 LARP (ADB Section); and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the LARP (ADB Section).

Indigenous Peoples

9. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that the Project does not have any indigenous peoples impacts within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall, and shall cause the Project Executing Agency and Project Implementing Agency to, take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

10. The Borrower shall make available, and shall cause the Project Executing Agency and Project Implementing Agency to make available, necessary budgetary and human resources to fully implement the ESMP, the BAP, the applicable parts of the ESIA, and the LARP (ADB Section).

Safeguards – Related Provisions in Bidding Documents and Works Contracts

11. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the ESMP, the BAP, the applicable parts of the ESIA, and the LARP (ADB Section) (to the extent they concern impacts on affected people during construction), and any corrective or preventative action plans, including those set forth in any of the Environmental Safeguards Monitoring Reports or Social Safeguards Monitoring Reports;
- (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 ESMP, the BAP, the applicable parts of the ESIA, and the LARP (ADB Section);
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and

- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

12. The Borrower shall do the following or cause the Project Executing Agency and Project Implementing Agency to do the following:

- (a) submit to ADB (i) quarterly Environmental Safeguards Monitoring Reports during construction phase, and thereafter semiannual Environmental Safeguards Monitoring Reports until ADB issues a project completion report for the Project, and (ii) semiannual Social Safeguards Monitoring Reports until ADB issues a project completion report for the Project; 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 ESMP, the BAP, the applicable parts of the ESIA, and the LARP (ADB Section), promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) engage qualified and experienced external resettlement monitoring expert under a selection process and terms of reference acceptable to ADB to (i) prepare compliance reports confirming implementation of the LARP (ADB Section) (following the adopted sectional approach as applicable); (ii) verify Social Safeguards Monitoring Reports, and recommend corrective actions, as needed; and (iii) prepare compliance report(s) confirming full implementation of the updated LARP (ADB Section) as needed; and fulfill any other tasks provided in the PAM;
- (d) engage qualified and experienced external environmental monitoring experts 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
- (e) report any actual or potential breach of compliance with the measures and requirements set forth in the ESMP, the BAP and the LARP (ADB Section) promptly after becoming aware of the breach.

Prohibited List of Investments

13. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing 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.

Grievance Redress Mechanism

14. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that a safeguards grievance redress mechanism acceptable to ADB is established and functional in accordance with the provisions of the ESMP, the BAP, the applicable parts of the ESIA, and the LARP (ADB Section) to consider safeguards complaints.

Labor Standards, Health and Safety

15. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall, and shall cause the Project Executing Agency and Project Implementing Agency to, 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.

16. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 15 above and provide ADB with regular reports.

Gender and Development

17. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that (a) the GAAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAAP; (c) adequate resources are allocated for implementation of the GAAP; and (d) progress on implementation of the GAAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Counterpart Support

18. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that all counterpart financing necessary for the smooth and effective implementation of the Project are provided in a timely manner, including any additional counterpart financing necessary for any shortfall in funds or cost overruns. In addition to the foregoing, the Borrower shall ensure that the Project Executing Agency and Project Implementing Agency have sufficient funds to satisfy their liabilities arising from any Works, Goods and/or Services contract.

Operation and Maintenance

19. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that (a) for each fiscal year starting from 2031, 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 (b) the Project Executing Agency and Project Implementing Agency operate and maintain the Project facilities based on O&M plans to be developed in accordance with the industry's best international O&M practices and guidelines.

Operational Covenants

20. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that (a) the Project facilities are constructed and installed 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.

21. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that appropriate road safety signs and facilities are installed during the implementation and after the completion of the Project, including warning signs, pavement markings, road signs and signals, communications facilities, hazard barriers, and traffic monitoring facilities, all in compliance with best international practices and relevant international conventions to which the Borrower is a party.

22. The Borrower shall ensure that, at least 6 months prior to the opening for operation of the Project road, (a) the Project Executing Agency and Project Implementing Agency shall have developed and implemented a plan, acceptable to ADB, for ensuring safe operation of road infrastructure facilities; and (b) the relevant authorities and agencies of the Borrower shall have prepared to police the Project road and enforce the relevant laws and regulations.

23. The Borrower shall ensure that, after the opening of the Project road for operation, the Project Executing Agency and Project Implementing Agency monitor the accident rate and traffic volume on the Project road and institute appropriate safety enforcement measures.

24. The Borrower shall ensure that the Project Executing Agency and Project Implementing Agency enforce through relevant agencies vehicle emission standards, prescribed by the relevant laws and regulations of the Borrower along the Project road.

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

Change in Ownership

26. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that ADB's written consent is obtained at least 6 months prior to the implementation of any of the following: (a) change in ownership of any asset, facility or structure financed under the Project; (b) sale, transfer, or assignment of interest or control in any asset, facility or structure financed under the Project; or (c) lease or other contract or

modification of the functions and authority of the Project Implementing Agency over the operation and maintenance of any asset, facility or structure financed under the Project. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that ADB is promptly notified of any proposal to implement any such change and the notification includes sufficient details regarding the change. The Borrower shall ensure, and shall cause the Project Executing Agency and Project Implementing Agency to ensure, that any such change will be carried out in a legal and transparent manner.

Governance and Anticorruption

27. The Borrower, the Project Executing Agency, and the Project Implementing 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.

28. The Borrower, the Project Executing Agency and the Project Implementing 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.