
LOAN NUMBER 2923-ARM(SF)

LOAN AGREEMENT
(Special Operations)

(Women's Entrepreneurship Support Sector Development Project)

between

ASIAN DEVELOPMENT BANK

and

CENTRAL BANK OF THE REPUBLIC OF ARMENIA

DATED 28 Jan 2013

ARM 45230

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 25 January 2013 between ASIAN DEVELOPMENT BANK ("ADB") and CENTRAL BANK OF THE REPUBLIC OF ARMENIA ("Borrower").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Section 3.01 of this Loan Agreement;

(B) the loan is to be guaranteed by the Republic of Armenia ("Guarantor") under the terms of a Guarantee Agreement between the Guarantor and ADB ("Guarantee Agreement");

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

(D) the Guarantor has also applied to ADB for a loan from its Special Funds resources in connection with the Women's Entrepreneurship Support Sector Development Program ("Program") and by a loan agreement ("Program Loan Agreement"), ADB has agreed to provide a loan to the Guarantor from its Special Funds resources in an amount in various currencies equivalent to thirteen million thirty-five thousand Special Drawing Rights (SDR13,035,000 equivalent); and

(E) 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 Agreements be signed between ADB and the respective PFIs;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(25) is deleted and the following is substituted therefor:

"Project Agreement" means each Project Agreement between ADB and a PFI.

- (b) The term “Project Executing Agency” appearing in Section 6.01(a), 8.01(d), 8.01(f) and 8.01(k) of the Loan Regulations shall be substituted by the term “PFI”.
- (c) Section 9.01(c) is deleted.
- (d) Section 9.02(c) is deleted.

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) “AMD” means Dram, the currency of the Guarantor;
- (b) “Consulting Services” means any consulting services to be financed out of the proceeds of the Loan;
- (c) “Environmental Management Plan” or “EMP” means an environmental management plan for a Qualified Subproject, including any update thereto, incorporated in the IEE;
- (d) “ESMS” means an environmental and social management system for the Project, including any update thereto, prepared and submitted by each PFI and cleared by ADB;
- (e) “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;
- (f) “Initial Environmental Examination” or “IEE” means each initial environmental examination for a Qualified Subproject, including any update thereto, prepared and submitted by a PFI pursuant to the requirements set forth in the ESMS;
- (g) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);
- (h) “PAM” means the project administration manual for the Program dated 18 September 2012 and agreed between the Borrower, the PFIs and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, the PFIs and ADB;
- (i) “Participating Financial Institutions” or “PFIs” means banks or universal credit organizations selected by the Borrower to participate in the Project and acceptable to ADB;
- (j) “Procurement Guidelines” means ADB’s Procurement Guidelines (2010, as amended from time to time);

(k) “Qualified Enterprise” means an enterprise, which satisfies the eligibility criteria set out in paragraph 3 of Schedule 3 to this Loan Agreement;

(l) “Qualified Subproject” means a specific subproject, which satisfies the eligibility criteria set out in paragraph 4 of Schedule 3 to this Loan Agreement, to be carried out by a Qualified Enterprise;

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

(n) “Safeguards Monitoring Report” means each report prepared and submitted by a PFI to the Borrower on the PFI's performance with regard to the ESMS, including any corrective and preventative actions;

(o) “Subsidiary Loan Agreement” means an agreement between the Borrower and each PFI referred to in Section 3.02 of this Loan Agreement;

(p) “Subloan” means a loan made, or proposed to be made, by a PFI out of the proceeds of the Loan to a Qualified Enterprise for a Qualified Subproject; and

(q) “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 thirteen million thirty-five thousand Special Drawing Rights (SDR 13,035,000 equivalent).

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 subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December 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 1 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Description of Project; Use of Proceeds of the Loan

Section 3.01. The Project for which the Loan is made is the financing by PFIs of Qualified Enterprises for Qualified Subprojects in accordance with this Loan Agreement and the Project Agreements.

Section 3.02. (a) The Borrower shall enter into a Subsidiary Loan Agreement with each PFI, which provides inter alia for the relending of a portion of the proceeds of the Loan (in local currency equivalent) to each PFI for the carrying out of the Project, and the rights of the Borrower and ADB with respect thereto. The remainder of the Loan proceeds (in local currency equivalent) shall be relented by the Borrower to PFI(s) that meet the eligibility criteria for the Project, and the Borrower shall enter into similar Subsidiary Loan Agreement(s) with such PFI(s). Correspondingly, ADB shall enter into similar Project Agreement(s) with such PFI(s).

(b) Each Subsidiary Loan Agreement shall be in form and on terms and conditions acceptable to ADB, and shall be without prejudice to, and without limitation on, the obligations of the Borrower under this Loan Agreement. Except as ADB may otherwise agree, the terms for relending the proceeds of the Loan under each Subsidiary Loan Agreement shall include: (i) denomination in AMD; (ii) a repayment period of 5 years; and (iii) a fixed interest rate based on the mid-point between the prevailing refinancing rate of the Borrower and the yield for 5 year bonds issued by the Guarantor.

(c) If there is any change to the composition of the PFIs as described in subsection (a) hereinabove, and/or if there is a need to reallocate the proceeds of the Loan for more effective Project implementation, the Borrower shall reallocate the Loan proceeds amongst the PFIs in a manner acceptable to ADB.

Section 3.03. (a) Except as ADB may otherwise agree, the proceeds of the Loan shall be used only for making Subloans to Qualified Enterprises for Qualified Subprojects and shall be applied exclusively to the cost of Goods, Works and Consulting Services and other items of expenditure required to carry out such Qualified Subprojects.

(b) Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, all Goods, Works and Consulting Services in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 8.02 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 PFIs to carry out the Project 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, the Borrower shall perform, or cause to be performed, all the obligations set forth in Schedule 3 to this Loan Agreement.

Section 4.02. (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 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 4.03. In addition to the reports and information set forth in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (a) the Qualified Enterprises, the Qualified Subprojects and the Subloans; and (b) the administration, operations and financial condition of the PFIs.

Section 4.04. The Borrower shall enable ADB's representatives to inspect any Qualified Enterprise, any Qualified Subproject, the Goods and Works, and any relevant records and documents maintained by the PFIs.

Section 4.05. The Borrower shall promptly take all action, including the provision of funds and other resources, which shall be necessary on its part to enable the PFIs to perform its obligations under the Project Agreements, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.06. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

- (a) the Borrower shall have, in the opinion of ADB, failed to perform any of its financial obligations under the Program Loan Agreement; or
- (b) the Guarantor shall have, in the opinion of ADB, failed to perform any of its obligations under the Guarantee Agreement.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

- (a) the Program Loan Agreement shall have been duly authorized or ratified by, executed and delivered on behalf of, the Guarantor, and all conditions precedent to its effectiveness (other than a condition requiring effectiveness of this Loan Agreement) shall have been fulfilled;

- (b) the Guarantee Agreement shall have been duly authorized or ratified by, executed and delivered on behalf of, the Guarantor, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled;
- (c) the Subsidiary Loan Agreements between the Borrower and at least 2 PFIs, in form and substance acceptable to ADB, shall have been duly executed and delivered on behalf of the Borrower and each of these PFIs and become fully effective and legally upon the parties in accordance with its terms (subject only to the effectiveness of this Loan Agreement); and
- (d) the Project Agreements to which the PFIs referred to in subsection (c) hereinabove are party shall have been duly authorized or ratified by, executed and delivered on behalf of, these PFIs and all conditions precedent to their effectiveness (other than a condition requiring effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) the Program Loan Agreement shall have been duly authorized or ratified by, and executed and delivered on behalf of, the Guarantor, and is legally binding on the Guarantor in accordance with its terms;
- (b) the Guarantee Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Guarantor, and is legally binding on the Guarantor in accordance with its terms;
- (c) the Subsidiary Loan Agreements between the Borrower and each of the PFIs referred to in Section 6.01(c) hereinabove have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and each of these PFIs, and are legally binding upon the Borrower and these PFIs in accordance with its terms; and
- (d) the Project Agreements between ADB and each of the PFIs referred to in Section 6.01(c) hereinabove have been duly authorized and ratified by, and executed and delivered on behalf of, these PFIs, and are legally binding upon these PFIS in accordance with their terms.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Chairman 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

Central Bank of the Republic of Armenia
6 Vazgen Sargsyan Street
Yerevan, Armenia

Facsimile Number:

(37410) 523-852.

For ADB

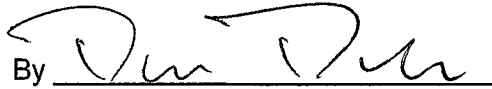
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2424.

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.

ASIAN DEVELOPMENT BANK

By 

DAVID DOLE
Resident Representative
Armenia Resident Mission

CENTRAL BANK OF THE REPUBLIC
OF ARMENIA

By 

ARTHUR JAVADJYAN
Governor

SCHEDULE 1**Amortization Schedule****(Women's Entrepreneurship Support Sector Development Project)**

| <u>Date Payment Due</u> | <u>Payment of Principal</u> (expressed in Special Drawing Rights)* |
|-------------------------|--|
| 15 December 2020 | 271,563.00 |
| 15 June 2021 | 271,563.00 |
| 15 December 2021 | 271,563.00 |
| 15 June 2022 | 271,563.00 |
| 15 December 2022 | 271,563.00 |
| 15 June 2023 | 271,563.00 |
| 15 December 2023 | 271,563.00 |
| 15 June 2024 | 271,563.00 |
| 15 December 2024 | 271,563.00 |
| 15 June 2025 | 271,563.00 |
| 15 December 2025 | 271,563.00 |
| 15 June 2026 | 271,563.00 |
| 15 December 2026 | 271,563.00 |
| 15 June 2027 | 271,563.00 |
| 15 December 2027 | 271,563.00 |
| 15 June 2028 | 271,563.00 |
| 15 December 2028 | 271,563.00 |
| 15 June 2029 | 271,563.00 |
| 15 December 2029 | 271,563.00 |
| 15 June 2030 | 271,563.00 |
| 15 December 2030 | 271,563.00 |
| 15 June 2031 | 271,563.00 |
| 15 December 2031 | 271,563.00 |
| 15 June 2032 | 271,563.00 |
| 15 December 2032 | 271,563.00 |
| 15 June 2033 | 271,563.00 |
| 15 December 2033 | 271,563.00 |
| 15 June 2034 | 271,563.00 |
| 15 December 2034 | 271,563.00 |
| 15 June 2035 | 271,563.00 |
| 15 December 2035 | 271,563.00 |
| 15 June 2036 | 271,563.00 |
| 15 December 2036 | 271,563.00 |
| 15 June 2037 | 271,563.00 |
| 15 December 2037 | 271,563.00 |
| 15 June 2038 | 271,563.00 |
| 15 December 2038 | 271,563.00 |
| 15 June 2039 | 271,563.00 |
| 15 December 2039 | 271,563.00 |
| 15 June 2040 | 271,563.00 |

| <u>Date Payment Due</u> | <u>Payment of Principal</u> (expressed in Special Drawing Rights)* |
|-------------------------|--|
| 15 December 2040 | 271,563.00 |
| 15 June 2041 | 271,563.00 |
| 15 December 2041 | 271,563.00 |
| 15 June 2042 | 271,563.00 |
| 15 December 2042 | 271,563.00 |
| 15 June 2043 | 271,563.00 |
| 15 December 2043 | 271,563.00 |
| 15 June 2044 | 271,539.00 |
| Total | 13,035,000.00 |

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 2

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.

Procurement

3. The Borrower shall cause the PFIs to ensure that each Qualified Enterprise undertakes procurement of Goods, Works, and Consulting Services with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB.

Industrial or Intellectual Property Rights

4. (a) The Borrower shall cause the PFIs to ensure that all Goods and Works procured by the Qualified Enterprise (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 cause PFIs to ensure that all contracts entered into by the Qualified Enterprise 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) hereinabove.

5. The Borrower shall cause PFIs to ensure that all ADB-financed contracts entered into by the Qualified Enterprise 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.

6. Notwithstanding the provisions of Section 5.01(b)(ii) of the Loan Regulations, Goods, Works and Consulting Services may be procured under the Project from non-member countries of ADB and financed from the proceeds of the Loan.

SCHEDULE 3

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower and the PFIs shall 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, the PFIs and ADB. In the event of any discrepancy between the PAM and this Loan Agreement or any Project Agreement, the provisions of this Loan Agreement or the Project Agreement shall prevail.

Condition for Withdrawal

2. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account for any PFI until such time as the PFI has:

- (a) established an ESMS to the satisfaction of ADB; and
- (b) appointed designated staff that are trained in implementing the ESMS for screening prospective subprojects.

Qualified Enterprise

3. The Borrower shall cause the PFIs to ensure that each Qualified Enterprise is a micro-, small- or medium-sized enterprise as defined by applicable laws and regulations of the Guarantor, and registered in the Guarantor.

Qualified Subprojects

4. The Borrower shall cause PFIs to ensure that Qualified Subprojects are activities that:

- (a) comply with the environmental and social safeguard criteria set out in paragraphs 8 to 10 of this Schedule; and
- (b) are not included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Subloans

5. The Borrower shall cause the PFIs to ensure that:

- (a) each Subloan has a repayment term not exceeding 7 years, a market-based interest rate and covers 80 percent of the subproject costs;
- (b) for Subloans from PFIs that are banks: (i) each such Subloan does not exceed \$250,000 equivalent and has a free limit of \$150,000 equivalent; (ii) each such Subloan loan that exceeds the free limit of \$150,000 equivalent is subject to prior approval by ADB; and (iii) the

- first 5 such Subloans (regardless of the amount) are subject to prior approval by ADB; and
- (c) for Subloans from PFIs that are universal credit organizations:
 - (i) each such Subloan does not exceed \$50,000 equivalent; and
 - (ii) the first 5 such Subloans (regardless of the amount) are subject to prior approval by ADB.
6. The Borrower shall cause the PFIs to ensure that:
- (a) a minimum of 50 percent of the aggregate number of all Subloans from each PFI is for:
 - (i) Qualified Enterprises with a minimum of 50 percent women ownership; or
 - (ii) Qualified Enterprises with a minimum of 60 percent women in their senior management; or
 - (iii) Qualified Enterprises with a minimum of 50 percent registered women employees;
 - (b) the aggregate value of all Subloans to a Qualified Enterprise does not exceed \$250,000 equivalent; and
 - (c) applications for Subloans may be made by any eligible Qualified Enterprise, including those owned, controlled or managed by ethnic minorities.

Qualified Subprojects (Screening, Categorization, and Environmental and Social Assessment and Planning)

7. The Borrower shall cause the PFIs to ensure that before any proposed subproject is approved to be a Qualified Subproject for financing:
- (a) the PFIs have appointed designated staff for project implementation particularly for financial management and reporting, and monitoring and evaluation;
 - (b) the ESMS is used to screen and categorize the significance of potential environmental, indigenous peoples or involuntary resettlement impacts associated with such subproject; and
 - (c) an IEE and an EMP are prepared for proposed subprojects as required pursuant to the ESMS.
8. The Borrower shall cause the PFIs to ensure that each proposed subproject does not involve any: (a) involuntary resettlement impacts within the meaning of the SPS; (b) environmental or indigenous peoples impacts which can be categorized as Category A, in each case within the meaning of the SPS; or (c) any activity referred to in paragraph 4(b) of this Schedule.

9. Without limiting paragraph 8(a) of this Schedule, the Borrower shall cause the PFIs to ensure that in respect of any proposed subproject that involves the acquisition or transfer of any interest in land, such acquisition or transfer is between willing parties and not under eminent domain.

Environment

10. The Borrower shall cause the PFIs to ensure that the preparation, design, construction, implementation, operation and decommissioning of each Qualified Subproject comply with (a) all applicable laws and regulations of the Guarantor relating to environment, health, and safety; (b) the ESMS; and (c) 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.

Human and Financial Resources to Implement Safeguards Requirements

11. The Borrower shall cause the PFIs to ensure that (a) necessary budgetary and human resources are made available to fully implement the ESMS; and (b) each Qualified Enterprise makes available necessary budget and human resources to fully implement EMPs as required.

Safeguards Monitoring and Reporting

12. The Borrower shall cause the PFIs to do the following:
- (a) submit quarterly Safeguards Monitoring Reports to the Borrower for compilation and timely submission by the Borrower to ADB;
 - (b) if any unanticipated environmental and/or social risks and impacts arise during Qualified Subproject implementation promptly inform the Borrower and ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
 - (c) report to the Borrower and ADB any actual or potential breach of compliance with the measures and requirements set forth in the ESMS and any EMP or IPP promptly after becoming aware of the breach.

Gender and Development

13. The Borrower shall ensure that: (a) the gender action plan is implemented in accordance with its terms; (b) adequate resources are allocated for the implementation of the plan; and (c) key gender outcome and output targets are monitored regularly and achieved.

Labor Standards

14. The Borrower shall cause the PFIs to ensure that the core labor standards and applicable laws and regulations of the Guarantor, including workplace occupational safety norms, are complied with during Project implementation.

Financial Covenants

15. The Borrower shall cause the PFIs to ensure that they meet the prudential requirements of the Borrower throughout the Project implementation period. Specifically:

- (a) each PFI that is a bank shall maintain:
 - (i) a ratio of total capital to risk-weighted assets of not less than 12%;
 - (ii) a ratio of high liquid assets to total assets of not less than 15%;
 - (iii) a ratio of the total non-performing loans to total loans of not greater than 6%; and
 - (iv) a ratio of maximum exposure to all related parties to total capital of not greater than 20%.
- (b) each PFI that is a universal credit organization shall maintain (and provide semi-annual reports to the Borrower):
 - (i) a ratio of total capital to risk-weighted assets of not less than 6%;
 - (ii) a ratio of the total non-performing loans to total loans of not greater than 6%; and
 - (iii) a ratio of maximum exposure to all related parties to total capital of not greater than 20%.

Governance and Anticorruption

16. The Borrower and PFIs 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.

17. The Borrower shall cause the PFIs to ensure that all contracts in relation to the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the Project.

Combating Money Laundering and Financing of Terrorism

18. The Borrower shall cause the PFIs to:

- (a) comply with applicable laws and regulations of the Guarantor on combating money laundering and financing of terrorism and ensure that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;

- (b) formulate and implement internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
- (c) promptly inform the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs a PFI of its concern that there has been such an alleged violation, the PFI shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.