



LOAN NUMBER 8572-AM

Project Agreement

(Local Economy and Infrastructure Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ARMENIA TERRITORIAL DEVELOPMENT FUND

Dated February 23, 2016

PROJECT AGREEMENT

Agreement dated February 23, 2016, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and the ARMENIA TERRITORIAL DEVELOPMENT FUND - ATDF (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between the REPUBLIC OF ARMENIA (“Borrower”) and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s representative is its Executive Director.
- 3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

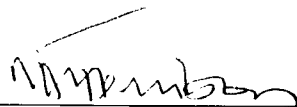
31 Karapet Ulnetsu Street
Yerevan 0037
Republic of Armenia

Facsimile:
(374 10) 247123

AGREED at Yerevan, Armenia, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By



Authorized Representative

Name: Mercy Tembon

Title: Country Director

ARMENIA TERRITORIAL DEVELOPMENT FUND

By



Authorized Representative

Name: Ashot Kizakosyan

Title: Director

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of implementing the Project, the Project Implementing Entity shall carry out the Project in accordance with the Agency Contract. Except as the Bank shall otherwise agree, Project Implementing Entity shall not assign, amend, abrogate, terminate, waive or fail to enforce the Agency Contract or any of its provisions.
2. The Project Implementing Entity shall:
 - (i) maintain its structure, personnel and resources in a manner satisfactory to the Bank. To this end, the Project Implementing Entity shall hire and thereafter maintain at all times during Project implementation or as agreed with the Bank, *inter alia*, procurement, financial management, environmental and social specialists, whose qualifications, experience, and terms of reference shall be acceptable to the Bank; and
 - (ii) ensure that any changes in the appointment, or to the terms of employment, of the Executive Director of the Project Implementing Entity shall be agreed previously with the Bank.

B. Operation Manual

1. The Project Implementing Entity shall:
 - (a) carry out the Project in accordance with an Operation Manual satisfactory to the Bank;
 - (b) furnish to the Bank for its prior approval, any proposed amendment to the provisions of the Operation Manual and, thereafter, put into effect such amendment as shall have been agreed with the Bank.
2. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Operation Manual and those of this Project Agreement, the provisions of the Project Agreement shall prevail.

C. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

Environmental Management

1. The Project Implementing Entity shall carry out the following and cause the following to be carried out:
 - (a) implement the Project in accordance with the ESMF in a manner satisfactory to the Bank and necessary to ensure that the Project is implemented in accordance with sound environmental and social practices and standards: (i) if applicable, and prior to the initiation of any Investment Subproject, prepare and disclose, and carry out stakeholder consultations on, the corresponding ESMP and (ii) immediately thereafter include said ESMP in the relevant tender documents and carry out said ESMP in accordance with its terms and in a manner acceptable to the Bank;
 - (b) (i) provide to the Bank for its prior review any revision proposed to be introduced into the ESMF, ESCRS, ESIAs, ESRs, or ESMPs, as the case may be, in order to achieve the respective objectives, and (ii) immediately thereafter introduce such revision into the pertinent document as shall have been agreed with the Bank; and
 - (c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the ESMF, as well as of each ESCRS, ESR and ESMP and the achievement of their respective objectives.

Resettlement

2. The Project Implementing Entity shall carry out the following and cause the following to be carried out:
 - (a) (i) Wherever implementation of the Project, any Investment Subproject, or any part thereof, would give rise to Affected Persons, provide to the Bank for its review, RAPs prepared in accordance with the principles and procedures set forth in the RPF and, thereafter, implement in a manner satisfactory to the Bank, such RAPs as shall have been accepted by the Bank as being satisfactory; and (ii) works on any specific Project site that

give rise to Affected Persons shall not commence until: (1) the respective RAP is disclosed and fully implemented; and (2) a report on the status of compliance with the RAP is prepared and furnished to the Bank, all in a manner satisfactory to the Bank.

- (b) Provide to the Bank for its prior review, any revision proposed to be introduced into the RPF or RAP, as the case may be, to achieve the respective document's objectives, and thereafter introduce such revision into such document as shall have been agreed with the Bank.
- (c) Maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the RPF and RAPs, and the achievement of their respective objectives.

Grievance Redress Mechanism

- 3. The Project Implementing Entity shall establish and implement, throughout the Project implementation, an easily accessible grievance redress mechanism, acceptable to the Bank, to address feedback and grievances relating to the Project as set forth in the Operation Manual.

International Waterways

- 4. The Project Implementing Entity shall ensure, when any activity under an Investment Subproject will involve any international waterway (as defined in the Bank's OP 7.50), that:
 - (a) such activity shall be limited to ongoing schemes, projects involving additions or alterations that require rehabilitation, construction, or other changes that: (i) will not adversely change the quality or quantity of water flows to the other riparian; and (ii) will not be adversely affected by the other riparian's possible water use; and
 - (b) such activity shall be limited to only minor additions or alterations to the ongoing scheme and it does not cover works and activities that would exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear new or different scheme.

E. Part 1 of the Project: Selection Criteria and Procedures for, and Terms and Conditions of, Investment Subproject Financing

General

1. For the purpose of carrying out any Investment Subproject, the Project Implementing Entity shall:
 - (a) Prepare and appraise the proposed Investment Subprojects, and thereafter submit them to the Working Group for review and recommendation for the Project Steering Committee's approval, all as set forth in the Operation Manual.
 - (b) Make an Investment Subproject Financing to the pertinent Participating Beneficiary pursuant to an agreement to be entered into between the Project Implementing Entity and said Participating Beneficiary on the terms and conditions, acceptable to the Bank, and as set forth in the Operation Manual, including, the pertinent provisions set forth in Section I.E.3 of this Schedule.
 - (c) (i) Exercise its rights and carry out its obligations under the respective Investment Subproject Financing Agreement in relation to each such Investment Subproject Financing in such manner as to protect its interests and the interests of the Borrower and the Bank; and (ii) except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, waive, terminate or fail to enforce any Investment Subproject Financing Agreement or any of its provision thereof.
 - (e) Supervise, monitor and report on the carrying out by Participating Beneficiaries of approved Investment Subprojects in accordance with the Operation Manual.
 - (f) Ensure compliance with requirements of the ESMF and the RPF by each Participating Beneficiary with respect to its Investment Subproject.

Investment Subprojects

2. The Project Implementing Entity shall apply the criteria and procedures set out in the Operation Manual in its selection of investment subprojects to be carried out under Part 1 of the Project including, the following:
 - (a) The proposed investment subproject activities shall take place only in the following regions: Ararat, Vayots Dzor and Syunik, Kotayk and Lori.

- (b) The Investment Subprojects proposed under Part 1 (a) of the Project shall be for urban regeneration activities in the old towns of Goris and Meghri, and heritage villages of Areni, Tatev and Tandzatap;
- (c) the Investment Subprojects proposed under Part 1 (b) of the Project shall be for cultural heritage preservation and improved site management activities in selected locations of the touristic circuit: Temple and Gorge in Garni, Geghard Monastery, Dvin Museum, Khor Virap Monastery, Areni marketplace and cave, Mozrov cave, Zorats Qarer (Karahunge/Stonehenge), Khndzoresk and the two UNESCO World Heritage Sites of Haghpat and Sanahin;
- (d) the Investment Subprojects proposed under Part 1 (c) of the Project shall be for the creation of public infrastructure to attract private investments in tourism or agribusiness;
- (e) The proposed Investment Subproject shall not include, or support, activities that are excluded in the Operation Manual.
- (f) For a proposed Investment Subproject that includes any activity which will involve any international waterway (as defined in the Bank's Operational Policy 7.50), such Investment Subproject is eligible for selection under Part 1 of the Project only if:
 - (i) such activity shall be limited to ongoing schemes, projects involving additions or alterations that require rehabilitation, construction, or other changes that: (A) will not adversely change the quality or quantity of water flows to the other riparian; and (B) will not be adversely affected by the other riparian's possible water use; and
 - (ii) such activity shall be limited to only minor additions or alterations to the ongoing scheme and it does not cover works and activities that would exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear new or different scheme.

- (g) For each Investment Subproject proposed by a Participating Beneficiary to support a private sector investment to be eligible under Part 1(c) of the Project:
 - (i) (A) the private investor concerned must have legal title to the land on which said investor proposes to carry out its private investment activities; and (B) the activities proposed to be carried out on the land owned by the investor must not give rise to Affected Persons; and
 - (ii) The Project Implementing Entity shall evaluate and submit the private investment activity proposals that comply with the eligibility criteria set forth in the Operation Manual to the Working Group for review and recommendation for the Project Steering Committee's approval, all as set forth in the Operation Manual.
 - (iii) the private investor concerned shall enter into a written contract with the Project Implementing Entity and the Participating Beneficiary, on terms and conditions acceptable to the Bank including, commitment by said private investor to carry out its investments as appraised by and agreed with the Participating Beneficiary and in accordance with a time-bound schedule to optimize the public infrastructure investment to be carried out by the Participating Beneficiary.

Investment Subproject Financing Agreement

- 3. In respect of each Investment Subproject Financing Agreement, the Project Implementing Entity shall obtain rights adequate to protect the interests of the Bank, the Borrower and the Project Implementing Entity, including the right of the Project Implementing Entity to:
 - (a) require the respective Participating Beneficiary:
 - (i) (A) to implement the respective Investment Subproject(s) with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Operation Manual, ESMF, RPF and the Anti-Corruption Guidelines applicable to the Borrowers of the loan proceeds other than the Borrower and to

maintain adequate records; and (B) provide, promptly as needed, the resources required for the purpose if applicable

- (b) require that: (i) the goods, works, non-consulting services, consultants' services or training to be financed out of the proceeds of the Investment Subproject Financing shall be procured in conformity with the provisions of Section III or Schedule 2 to the Loan Agreement; and (ii) the goods, works, non-consulting services, consultants' services, training, and operating costs, shall be used exclusively for the carrying out of the Investment Subproject;
- (c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods, works, non-consulting services, consultants' services, works and construction included in the Investment Subprojects the operation thereof, and any relevant records and documents;
- (d) obtain all such information as the Bank or the Project Implementing Entity shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Participating Beneficiary; and
- (e) suspend or terminate the right of the respective Participating Beneficiary to use the proceeds of the Investments Project Financing upon failure by such Participating Beneficiary to perform any of its obligations under its respective Investment Subproject Financing Agreement.

Private Investor Agreement

- 4. With respect to Investment Subprojects under Part 1(c) of the Project, the Project Implementing entity shall (i) enter into a written contract with the respective Participating Beneficiary and the private investor concerned, on terms and conditions acceptable to the Bank (including, commitment by said private investor to carry out its investments as appraised by and agreed with the Participating Beneficiary and in accordance with a time-bound schedule to optimize the public infrastructure investment to be carried out by the Participating Beneficiary), and (B) exercise its rights, and carry out its obligations, under said written contract to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, waive, fail to enforce or terminate said written contract or any of its provisions.

F. Implementation Arrangements for Part 3 of the Project

After the measures set forth in Sections I.E.1 (a) and I.E.1 (b) of Schedule 2 to the Loan Agreement have been met by the Borrower in a manner satisfactory to the Bank, the Project Implementing Entity shall comply with the provisions set forth

in paragraphs (c), (d), and (e) of said Section I.E.1 of Schedule 2 to the Loan Agreement, in a manner satisfactory to the Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than forty-five days (45) after the end of the period covered by such report.
2. The Project Implementing Entity shall provide to the Borrower not later than six (6) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related the Project.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Bank, , not later than forty-five days (45) after the end of each calendar semester, interim unaudited financial reports for the Project covering the pertinent semester, in form and substance satisfactory to the Bank.
3. The Project Implementing Entity shall have its financial statements referred to above, audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III. Procurement

All goods, works, non-consulting services, consultants' services, training and operating costs required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.