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LOAN NUMBER 8483-AM

# Project Agreement

(Social Investment and Local Development Project)

between

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

and

**ARMENIAN SOCIAL INVESTMENT FUND**

Dated *April 8*, 2015

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**PROJECT AGREEMENT**

Agreement dated April 8, 2015, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and ARMENIAN SOCIAL INVESTMENT FUND ("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 IV 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. 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:                        | Telex:                       | Facsimile:     |
| INTBAFRAD<br>Washington, D.C. | 248423(MCI) or<br>64145(MCI) | 1-202-477-6391 |

3.03. Project Implementing Entity's Address is:

31 Karapet Ulnetsu Street  
Yerevan 0037  
Republic of Armenia

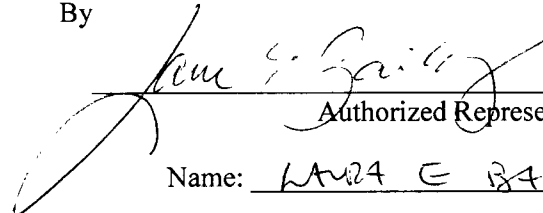
Facsimile:

(374 10) 247123

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

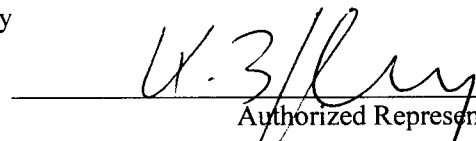
INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By

  
\_\_\_\_\_  
Authorized Representative  
Name: LAURA E BAILEY  
Title: COUNTRY MANAGER

ARMENIAN SOCIAL INVESTMENT FUND

By

  
\_\_\_\_\_  
Authorized Representative  
Name: Ashot Kirakosyan  
Title: Executive Director

## SCHEDULE

### **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 Implementation Agreement. Except as the Bank shall otherwise agree, Project Implementing Entity shall not assign, amend, abrogate, terminate, waive or fail to enforce the Implementation Agreement 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, a social specialist, whose qualifications, experience, and terms of reference shall be acceptable to the Bank;
  - (ii) ensure that any changes in the appointment, or to the terms of employment, of the Executive Director and the Department Heads of the Project Implementing Entity shall be agreed previously with the Bank.

#### **B. Operational Manual**

1. The Project Implementing Entity shall update and adopt in a manner acceptable to the Bank the implementation manual for the Project (“Operational Manual”) containing specific details on: (a) implementation procedures and arrangements for Project activities, including submission of an annual work plan and budget for Bank’s approval, requirements, criteria, and decision making processes for the selection of Microprojects; and (b) administrative, financial management, procurement; accounting; safeguards, monitoring and evaluation procedures and arrangements for the Project.
2. Immediately after the completion of the design of the Subprojects’ program referred to in Part B.1 of the Project, the Project Implementing Entity shall further update the Operational Manual in order to include, *inter-alia*, the criteria for selecting Subprojects, Eligible Beneficiaries, and the implementation and fiduciary arrangements for the carrying out of the activities under said part of the Project.
3. The Project Implementing Entity shall: (a) carry out the Project in accordance with the Operational Manual; and (b) not assign, amend, abrogate, or waive, the aforementioned manual, or any provision thereof, without the prior written agreement of the Bank.

4. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Operational 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. Microprojects/Subprojects**

1. For purposes of carrying out Parts A.1 and B.1 of the Project, as applicable, the Project Implementing Entity shall ensure that:
  - (a) priority is given for the selection of Eligible Beneficiaries under Part A.1 of the Project, in accordance with the respective targets described in the vulnerability ranking as set forth in the Operational Manual;
  - (b) for purposes of implementing Microprojects under Part A.1 of the Project, the Project Implementing Entity shall enter into a legal agreement (Microproject Agreement) with the relevant PIC acting on behalf of the pertinent Eligible Beneficiary, under terms and conditions acceptable to the Bank, and substantially similar to those provided in the respective annex of the Operational Manual, including the provisions set forth in Section I. D. 3 of this Schedule, and specifying, *inter-alia*: (i) the respective responsibilities of the parties in the execution of Microprojects activities, (ii) the Eligible Beneficiaries' contribution, (iii) procurement arrangements, and direct payment from the Project Implementing Entity to contractors, (iv) details on the provision of training and other capacity building related activities, (v) environmental and social safeguards' requirements (including the provisions set forth in Section I.E of this Schedule) and (vi) the plans for the operation and maintenance of the corresponding Microprojects;
  - (c) if a given proposal for a Subproject under Part B.1 of the Project is jointly submitted by two or more Eligible Beneficiaries the requirements set forth in this Section and further developed in the Operational Manual shall apply to all Eligible Beneficiaries in the cluster, as if they were individually considered.
  - (d) for purposes of implementing Subprojects under Part B.1 of the Project, the Project Implementing Entity shall enter into a pertinent legal agreement (Subproject Agreement) with the relevant Eligible Beneficiary(ies), under terms and conditions acceptable to the Bank, and substantially similar to those provided in the respective annex of the Operational Manual, as further elaborated in the updated Operational Manual, including the provisions set forth in Section I. D. 3 of this Schedule, specifying, *inter-alia*: (i) the detailed criteria for the selection of

the activities to be financed, under Subprojects (including the exclusion of activities that may involve the use or potential pollution of international waterways), (ii) the respective responsibilities of the parties in the execution of Subproject activities, (iii) the Eligible Beneficiaries' contribution, (iv) procurement arrangements, and direct payment from Project Implementing Entity to contractors, (v) details on the provision of training and other capacity building related activities, (vi) environmental and social safeguards' requirements, (including the provisions set forth in Section I.E of this Schedule) and (vii) the plans for the operation and maintenance of the corresponding Subprojects.

- (e)
    - (i) Microprojects and Subprojects are appraised, reviewed, approved, and monitored; and
    - (ii) the respective financing is made available by the Project Implementing Entity for implementation of Microprojects and Subprojects; all in accordance with eligibility criteria and procedures set forth in the Operational Manual and in this Section I.D.
2. Except as the Bank may otherwise agree in writing, no proposed Microprojects and Subprojects shall be eligible for financing under the Project unless the Project Implementing Entity has determined that said Microproject/Subproject satisfies the eligibility criteria set forth in the Operational Manual, including the following criteria:
- (a) the proposed Microproject/Subproject is economically, financially and technically feasible; and
  - (b) the proposed Microproject shall not involve Resettlement.
3. The Project Implementing Entity shall require each Eligible Beneficiary to:
- (i) carry out its Microproject/Subproject, as applicable, with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank;
  - (ii) implement EMPs and RAPs (in respect of Subprojects), when applicable;
  - (iii) provide, promptly as needed, the resources required as Eligible Beneficiaries' contribution for the purpose of carrying out the respective Microproject/ Subproject;
  - (iv) enable the Borrower and the Bank to inspect the respective Microproject/ Subproject, its operation and any relevant related records and documents; and
  - (v) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

4. The Project Implementing Entity shall exercise its rights and carry out its obligations under each Microproject Agreement and Subproject Agreement in such a manner as to protect the interests of the Project Implementing Entity and the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, terminate, waive, or fail to enforce the Microproject Agreement and Subproject Agreement or any of their provisions.

**E. Safeguards**

1. The Project Implementing Entity shall take the following measures:
  - (a) If any activities included in the Project, pursuant to the ESMF, require the carrying out of an EMP, no works for such activities shall be procured unless and until an EMP for such activities has been: (A) prepared, in a manner satisfactory to the Bank and in accordance with the ESMF; (B) publicly disclosed and discussed with local stakeholders as required by the ESMF; and (C) included into the bidding documents (in a manner acceptable to the Bank); and
  - (b) If any activities involving Subprojects under Part B.1 of the Project would, pursuant to the RPF, require the carrying out of a RAP, no works for such activities shall be procured unless and until:
    - (i) a RAP for such activities has been: (A) prepared in a manner satisfactory to the Bank and in accordance with the requirements of the RPF; and (B) disclosed as required by the RPF; and
    - (ii) (A) all measures required to be taken under said RAP prior to the initiation of any works for said activities have been taken, including, without limitation to the above, providing funds for Resettlement compensation and assistance when and if required under a RAP; (B) a report, in form and substance satisfactory to the Bank, on the status of compliance with the requirements of said RAP has been prepared and furnished to the Bank; and (C) the Bank has confirmed that said activities may be commenced.
  - (c) The Project Implementing Entity shall and shall cause Eligible Beneficiaries to carry out the Project activities in accordance with the pertinent EMP and RAP (in respect of Subprojects), as applicable.

**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 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. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than four months after the Closing Date.

**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, ASIF shall prepare and furnish to the Bank, as part of the Project Reports, not later than forty-five days 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 audit 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 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 (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.