

**OFFICIAL
DOCUMENTS**

LOAN NUMBER 8495-AM

Project Agreement

(Electricity Transmission Network Improvement Project)

between

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

and

**YEREVAN THERMAL POWER CENTRE CLOSED JOINT STOCK COMPANY OF
THE REPUBLIC OF ARMENIA**

Dated April 8, 2015

PROJECT AGREEMENT

Agreement dated April 8, 2015, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the YEREVAN THERMAL POWER CENTRE CLOSED JOINT STOCK COMPANY OF THE REPUBLIC OF ARMENIA ("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 objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts 1(b), 1(e) and 3(a) of the Project in accordance with the provisions of Article V of the General Conditions and the YTPC Subsidiary Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for its Respective Parts of 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 its Respective Part of 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 General 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 Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

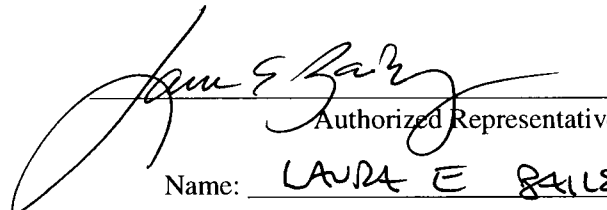
3 Arin-Berd Street, dw. 3
Yerevan 0053,
Republic of Armenia

Facsimile:
(37410) 47-27-71

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

YEREVAN THERMAL POWER CENTRE
CLOSED JOINT STOCK COMPANY OF
THE REPUBLIC OF ARMENIA

By


Authorized Representative
Name: Hovakim Hovhannisyanc
Title: General Director

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project]

Section I. Implementation Arrangements

A. Operational Manual

1. The Project Implementing Entity shall adopt and carry out its Respective Parts of the Project in accordance with the provisions of a manual (the YTPC Operational Manual), which sets forth, *inter alia*: (i) a detailed description of the activities and institutional arrangements; and (ii) the administrative, budgeting, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures.
2. Unless the Bank shall otherwise agree, the Project Implementing Entity shall not abrogate, amend, suspend, waive or otherwise fail to enforce the YTPC Operational Manual.
3. In case of a conflict between the terms of the YTPC Operational Manual and those in this Agreement, the terms of this Agreement shall prevail.

B. Anti-Corruption

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

D. Safeguards.

1. The Project Implementing Entity shall:
 - (a) carry out Part 1(b) of the Project in accordance with the YTPC Substation EMP;
 - (b) (i) store any hazardous waste under the Project in accordance with the EMPs; (ii) consult with the Bank prior to the disposal of such hazardous waste; and (iii) dispose said hazardous waste in a manner acceptable to the Bank;
 - (c) prior to the carrying out of any activity under Part 1(b) of the Project, hire an environmental safeguard specialist with qualifications and on terms and conditions satisfactory to the Bank; and
 - (d) ensure that: (i) the terms of reference for any consultancy required under Part 3(a) of the Project shall be satisfactory to the Bank following its review thereof; and (ii) to that end, such terms of reference shall duly incorporate the requirements of the Bank' Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance, including the public disclosure and consultation of the resulting environmental and social impact assessments in accordance with the Bank's Safeguard Policies.

2. Unless the Bank shall otherwise agree, the Project Implementing Entity shall not abrogate, amend, suspend, waive or otherwise fail to enforce the YTPC EMP or any provision thereof.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Parts of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by each such report.
2. The Project Implementing Entity shall provide to the Borrower not later than five (5) 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 to its Respective Parts of the Project.
2. The Project Implementing Entity shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for its Respective Part of the Project covering the 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 and terms of reference 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 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.
4. Without limitation to Section II.B.3 of this Agreement, the Project Implementing Entity shall: (a) prepare financial statements for its Respective Parts of the Project 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 to its Respective Parts of the Project (each such set of financial statements should cover the period of one (1) fiscal

year of the Borrower); (b) no later than two (2) months after the end of each such period, furnish to HVEN each of said financial statements for its Respective Parts of the Project; all in order to enable HVEN to comply with its obligations set forth in Section II.B.5 of the Schedule to the HVEN Project Agreement.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Parts of 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.

Section IV. Other Undertakings

A. Current Ratio

- (a) Starting on the Borrower's fiscal year 2017, and except as the Bank shall otherwise agree, the Project Implementing Entity shall maintain a ratio of current assets to current liabilities of not less than one.
- (b) Before January 30 in each of the Borrower's fiscal years starting in fiscal year 2017, the Project Implementing Entity shall, on the basis of forecasts prepared by the Project Implementing Entity and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (A) in respect of such year and the next following fiscal year and shall furnish to the Bank the results of such review upon its completion.
- (c) If any such review shows that the Project Implementing Entity would not meet the requirements set forth in paragraph (A) for the Borrower's fiscal years covered by such review, the Project Implementing Entity shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its tariffs) in order to meet such requirements.
- (d) For the purposes of this Section:
 - (i) The term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve (12) months, including account receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.
 - (ii) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve (12) months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.
 - (iii) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

- (iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

B. Borrowing and Lending

1. Unless the Bank shall otherwise agree, the Project Implementing Entity shall not incur any indebtedness, or provide loans or grants, for purposes not related to the Project Implementing Entity's core business of providing generation services.
2. For the purposes of this Section:
 - (a) The term "indebtedness" means any obligation (whether incurred as principal or surety) for the payment or repayment of money, whether present or future, actual or contingent.
 - (b) Indebtedness shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
 - (c) The term "grants" means the provision of financing to another entity without a repayment obligation for said entity.
 - (d) The term "loans" means the provision of financing to another entity with a repayment obligation for said entity.
 - (e) The term "generation services" means the production of electric and/or thermal energy at generation facilities owned or controlled by YTPC and sold or to be sold to the Borrowers electricity and/or heat distribution networks, and/or exported or to be exported.