LOAN NUMBER 8129-AM

Project Agreement

(Municipal Water Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

ARMENIAN WATER AND SEWERAGE COMPANY

Dated February 24, 2012
PROJECT AGREEMENT

Agreement dated February 26, 2012, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and ARMENIAN WATER AND SEWERAGE COMPANY ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between 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 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 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: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
3.03. The Project Implementing Entity's Address is:

Armenian Water and Sewerage Company
8 A Vardanants Blind Alley
Yerevan, 0010
Republic of Armenia

Telephone:          Facsimile:
(374-10) 54 56 17    (374-10) 54 56 17

AGREED at YEREVAN, REP. OF ARMENIA as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

ARMENIAN WATER AND SEWERAGE COMPANY

By

Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. (a) For purposes of implementation of Part C.1 of the Project, the Project Implementing Entity shall extend the Enhanced Management Contract acceptable to the Bank with an international management contractor with the responsibility for managing the Project Implementing Entity and conducting a range of services including but not limited to preparation and implementation of programs referred to in the Enhanced Management Contract.

   (b) The Project Implementing Entity shall exercise its right to the Enhanced Management Contract in such manner as to protect the interest of the Bank and the Borrower and ensure that: (i) all the necessary licenses and permits required for the management contractor to carry out the activities under the Enhanced Management Contract have been obtained; and (ii) any changes in the level or structure of tariffs for water and wastewater services are implemented in accordance with the relevant national policies and legal requirements.

   (c) The Project Implementing Entity in coordination with CMU shall recruit not later than December 31, 2012 consultants required for Parts A, B and C.2 of the Project implementation, and thereafter with support of the said consultants be responsible for: (i) approving of proposed sub-projects’ feasibility studies in coordination with the CMU; (ii) ensuring proper preparation of detailed engineering designs and tender documents; and (iii) undertaking construction supervision of all subprojects.

B. Anti-Corruption

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

C. Safeguards.

1. Except as the Bank shall otherwise agree, the Borrower shall, and shall cause the Project Implementing Entity to: (a) apply to all activities under the Project the criteria, policies, procedures and arrangements set out in the EMF for the Project, and the site specific EMMPs to be developed and approved by the Borrower, satisfactory to the Bank; and (b) not amend or waive, or permit to be amended or waived the EMF, and site specific EMMPs or any provision thereof, in a manner which, in the opinion of the Bank, may materially and adversely affect the implementation of the Project.
2. In carrying out Part A, B and C.2 of the Project, the Project Implementing Entity shall ensure that:

(a) the investments selected meet the criteria set out in the Enhanced Management Contract; and

(b) all measures necessary and satisfactory to the Bank for the carrying out of the site specific EMMPs are taken in a timely manner and appropriately documented in the progress reports referred to in paragraph 1 of Part A of Section II of this Schedule and if necessary, adjustments which the Bank and the Borrower deem appropriate may be made in the site specific EMMPs to protect human health and the environment.

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 (b) of the General Conditions and on the basis of the indicators acceptable to the Bank. Each such Project Report shall cover the period of calendar quarter, and shall be furnished to the Borrower not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

2. The Project Implementing Entity shall provide to the Borrower not later than June 30, 2015 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 the Project.

2. 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 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.
3. (a) Except as the Bank shall otherwise agree, the Project Implementing Entity shall not incur any debt, unless the net revenues of the Project Implementing Entity for the fiscal year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be at least 1.2 times the estimated maximum debt service requirements of the Project Implementing Entity for any succeeding fiscal year on all debt of the Project Implementing Entity, including the debt to be incurred.

(b) For the purposes of this Section:

(i) The term “debt” means any indebtedness of the Project Implementing Entity maturing by its terms more than one (1) year after the date on which it is originally incurred.

(ii) Debt 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.

(iii) The term “net revenues” means the difference between:

(A) the sum of revenues from all sources related to operations adjusted to take account of the Project Implementing Entity’s rates in effect at the time of the incurrence of debt even though they were not in effect during the twelve (12) month period to which such revenues relate and net non-operating income; and

(B) the sum of all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term “net non-operating income” means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) 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.
(vi) 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.

Section III. **Procurement**

All goods, works and services 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.