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CONFORMED COPY

CREDIT NUMBER 4178 AM

Financing Agreement

(Avian Influenza Preparedness Project)

between

REPUBLIC OF ARMENIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 7, 2006

CREDIT NUMBER 4178 AM

FINANCING AGREEMENT

AGREEMENT dated June 7, 2006, between the REPUBLIC OF ARMENIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II - FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to four million four hundred thousand Special Drawing Rights (SDR 4,400,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are June 15 and December 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project which is part of the Association's Global Program for Avian Influenza Control and Human Pandemic Preparedness and Response designed to help countries in prevention, containment, control and eradication of avian influenza. To this end, the Recipient shall carry out Part I of the Project through the MoA, Parts II and IV of the Project through the MoH, and Part III of the Project through the Secretariat of the IMCAI, in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Decree No. 480-N has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the implementation of the Project.
 - (b)
 - (i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the Co-financing Grant shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Co-financing Grant Agreement.
 - (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that:
 - (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under the Co-financing Grant Agreement; and
 - (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under the Co-financing Grant Agreement.
- 4.02. The Additional Events of Acceleration consist of the following:
- (a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.

- (b) The event specified in paragraph (b) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) the Recipient has appointed the head of the Secretariat of IMCAI in accordance with the provisions of Section III of Schedule 2 to this Agreement;
 - (b) the Recipient has appointed the Project Component Coordinators with terms of reference and experience satisfactory to the Association; and
 - (c) the Project Operational Manual, satisfactory to the Association, has been adopted by the Recipient.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient’s Representative is the Minister of Finance and Economy.
- 6.02. The Recipient’s Address is:

Ministry of Finance and Economy
1 Melik-Adamyán Street
Republic Square
Yerevan 375010
Republic of Armenia

Telex:	Facsimile:
243331 LADA SU	(374-10) 545-815

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

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

REPUBLIC OF ARMENIA

By /s/ Vardan Khachatryan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Roger Robinson

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in minimizing the threat posed to humans by the HPAI infection and other zoonoses in domestic poultry, and preparing for the control and response to an influenza pandemic and other infectious disease emergencies in humans.

The Project consists of the following parts:

Part I: Animal Health

1. Support for: (a) the development of a national policy framework and a national strategic plan, and the improvement the regulatory framework to address key policy issues on the HPAI disease control, prevention and eradication; and (b) updating essential information on migratory birds.
2. Provision of support to the Veterinary State Inspection and its affiliated laboratories to: (a) strengthen animal disease surveillance and diagnostic capacity; and (b) enhance veterinary services.
3. Support to activities related to the implementation of the National Strategy for Avian Influenza which details the containment plan for avian influenza outbreaks, including: (a) culling of infected and at-risk poultry and establishment and operation of a Compensation Fund for the provision of cash compensation to poultry owners for poultry culled by Governmental order; (b) disposal of carcasses and potentially infective materials in a bio-secure and environmentally acceptable manner; (c) provision of bio-safety and other appropriate protective clothing to veterinary personnel and to laboratory workers; and (d) piloting restructuring modalities for the poultry sector, through the financing of Poultry Restructuring Sub-projects.

Part II: Human Health

1. Enhancing public health program planning and coordination, through the strengthening of institutional and logistical capacity of the MoH to participate in the IMCAI and to coordinate with the MoA and other sector representatives the implementation of the National Strategy for Avian Influenza.
2. Strengthening of national public health surveillance systems through: (a) improvement of laboratory networks; (b) improvement of health information and telecommunication systems; and (c) training of personnel at the MoH and other selected agencies and development of standard reporting forms and guidelines.
3. Strengthening health system response capacity through: (a) acquisition of vaccines against seasonal and avian influenza; (b) acquisition of anti-virals; and (c) acquisition of additional prophylactic and preventive equipment.

Part III: Public Awareness and Implementation Support

1. Support to the Secretariat of the IMCAI, the MoH, the MoA and other relevant organizations to enhance public awareness about the HPAI, through developing and

implementing a comprehensive communication strategy to educate the general population about the risks and potential impact of the pandemic.

2. Support to the MoH, and the MoA and other relevant organizations to: (a) improve coordination and collaboration among stakeholders, through the establishment of the Secretariat of the IMCAI; (b) strengthen Project implementation and monitoring capacities of the Secretariat of the IMCAI, the MoH and the MoA and supporting activities related thereof; and (c) support Project monitoring evaluation and impact assessment.

Part IV: Emergency Imports

Financing of emergency imports as specified in Section IV.C of Schedule 2 to this Agreement, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. The Recipient shall maintain the IMCAI, throughout the implementation of the Project, to approve annual work programs for the implementation of the Project and to provide inter-agency coordination, oversight and policy guidance for overall implementation of the Project.
2. The ARSP PIU, the HSMP PIU and the Secretariat of the IMCAI shall have overall responsibility for day to day implementation and management of Part I of the Project, Parts II and IV of the Project and Part III of the Project, respectively. To that end, the Recipient, through the MoA, the IMCAI and the MoH, shall maintain the ARSP PIU, the HSMP PIU and the Secretariat of the IMCAI throughout the implementation of the Project under terms of reference satisfactory to the Association and with sufficient and suitable human, financial and technical resources. The Recipient shall ensure that procurement and financial management activities for Part III of the Project shall be the responsibility of the ARSP PIU.
3. The Recipient, through the MoA and the MoH, shall maintain the Project Component Coordinators throughout the implementation of the Project under terms of reference and with experience satisfactory to the Association. The Project Component Coordinators shall be responsible for, in particular: (i) managing implementation of their relevant Ministry's activities under the Project and liaising with the ARSP PIU, the HSMP PIU and the Secretariat of the IMCAI; (ii) coordinating with relevant Ministries to provide guidance and monitor Project implementation at the central level; and (iii) preparing annual work programs, budgets and reports.
4. The Recipient shall ensure that the Project shall be implemented in accordance with the provisions of the Project Operational Manual and the Compensation Procedures Manual. The Recipient shall maintain the Project Operational Manual and the Compensation Procedures Manual in form and content satisfactory to the Association, shall duly perform all its obligations under the Project Operational Manual and the Compensation Procedures Manual and shall not assign, amend, abrogate or waive the Project Operational Manual and the Compensation Procedures Manual without the prior approval of the Association.
5. The Recipient shall take all measures necessary to carry out the EMP in a timely manner, ensuring that adequate information on the implementation of the said measures is suitably included in the Project Reports referred to in paragraph A of Section II of this Schedule 2.
6. The Recipient, through the MoA, shall implement the Poultry Restructuring Sub-projects in accordance with the Project Operational Manual setting forth criteria and procedures for selection of recipients and sub-projects, as well as the main terms and conditions of the agreements to be concluded with the recipients. The Recipient, through the MoA, shall ensure that the recipient of any fund under the Poultry Restructuring Sub-

projects program, shall carry out the respective sub-project in accordance with the approved agreement, timetable and budget.

7. Midterm Review

(a) On or about November 15, 2007, the Recipient shall carry out jointly, with the Association, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review). The Midterm Review shall cover, amongst other things:

- (i) progress made in meeting the Project's objective; and
- (ii) overall Project performance against Project performance indicators.

(b) The Recipient shall, prepare, and at least (4) weeks prior to the Midterm Review, furnish to the Association, a separate report describing the status of the implementation of each component of the Project and a summary report of the Project implementation generally.

(c) The Recipient shall, not later than two (2) weeks after the Midterm Review, prepare and submit to the Association an action program, acceptable to the Association, for further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar semester, interim un-audited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>	
(a)	Limited International Bidding
(b)	<p>National Competitive Bidding of the Recipient may be used for procurement of goods and works for the Project, provided that the following provisions are complied with:</p> <ul style="list-style-type: none">(i) no preference of any kind shall be given based on nationality of the bidder and/or origin of goods. Any regulations issued by a sectoral ministry, provincial regulations and local regulations, which restrict national competitive bidding procedures to a class of contractors or a class of suppliers and/or origin of goods shall not be applicable to procurement procedures under the Credit;(ii) entities in which the Republic of Armenia owns a majority shareholding shall not be invited to participate in tenders for the Government unless they are and can be shown to be legally and financially autonomous and operate under commercial law;(iii) post-qualification shall be conducted;(iv) post-qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders;(v) joint venture partners shall be jointly and severally liable for their obligations;(vi) estimated contract prices shall not be advertised; and(vii) in handling the bids:<ul style="list-style-type: none">(A) bid prices shall be announced at bid opening. If a two (2) envelope system is used, both envelopes shall be opened at bid opening and bid prices announced;(B) no bids can be rejected at bid opening;(C) bids shall not be rejected solely because they exceed the estimated price;(D) bids can be cancelled and new bids invited, only if the conditions of clause 2.61 of the Guidelines are met; and(E) any bid evaluation criteria shall be quantifiable in monetary terms or expressed as a pass/fail criteria.

(c)	Shopping
(d)	Procurement from U.N. Agencies
(e)	Direct Contracting
(f)	Community Participation in Procurement

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>	
(a)	Selection Based on Consultants' Qualification
(b)	Individual Consultants
(c)	Single Source Selection

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, works, consultant's services and Training under Part I of the Project, excluding Part I.3 (a), and Part I.3 (d) of the Project	1,590,000	74%
(2) Goods, Works, Consultant's services and Training under Part II of the Project	1,120,000	74%
(3) Goods, Works, Consultant's services and Training under Part III of the Project	230,000	74%
(4) Compensation Fund under Part I.3 (a) of the Project	510,000	96%
(5) Poultry Restructuring Sub-projects under Part I.3. (d) of the Project	350,000	74%
(6) Eligible Imported Goods and Commodities under Part IV of the Project as specified in Section IV.C of this Schedule 2	160,000	74%
(7) Operational Costs	260,000	74%
(8) Unallocated	180,000	
TOTAL AMOUNT	<u>4,400,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for:

- (a) payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$200,000 equivalent may be made for payments made prior to this date but on or

after April 15, 2006, for Eligible Expenditures under Categories (2), (3) and (7);

- (b) expenditures under Category (4) in the table in Part A.2 of Section IV of Schedule 2 to this Agreement, unless: (i) the Compensation Fund has been established in a manner satisfactory to the Association; (ii) the Compensation Procedures Manual, satisfactory to the Association, has been adopted by the Recipient; and (iii) the Compensation Fund payments are being made in accordance with criteria and procedures set forth in the Compensation Procedures Manual;
- (c) expenditures under Category (5) in the table in Part A.2 of Section IV of Schedule 2 to this Agreement, unless the Poultry Restructuring Sub-projects are being selected and implemented in accordance with criteria and procedures set forth in the Project Operational Manual;
- (d) expenditures under Categories (1), (4) and (5) in the table in Part A.2 of Section IV of Schedule 2 to this Agreement, unless the EMP, satisfactory to the Association, has been adopted by the Recipient; and
- (e) expenditures under Category (6) in the table in Part A.2 of Section IV of Schedule 2 to this Agreement: (i) unless a national emergency on avian influenza has been declared by the Recipient and a well-defined emergency recovery program, satisfactory to the Association, has been adopted by the Recipient; (ii) for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance or which the Association has financed or agreed to finance under another Grant or Credit; (iii) in excess of an aggregate amount equivalent to 75% of the amount of the Financing for any category of eligible imports specified in Section IV.C of Schedule 2 to this Agreement without prior approval by the Association; and (iv) for used or luxury goods.

2. The Closing Date is July 31, 2009.

C. List of Eligible Imported Goods and Commodities to be Financed in national emergencies under the Credit

1. Pharmaceuticals and vaccines
2. Medical and veterinary supplies and equipment
3. Protective clothing and gear

SCHEDULE 3
Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 15 and December 15: commencing June 15, 2016 to and including December 15, 2025	1%
commencing June 15, 2026 to and including December 15, 2045	2%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Definitions

1. “ARSP PIU” means the Agricultural Reform Support Project implementing unit within the MoA of the Recipient, established and operating under the Association financed Rural Enterprise and Small-scale Commercial Agriculture Development Project (Credit Agreement No. 4095 AM, dated July 20, 2005), pursuant to the MoA Decree No. 268, dated December 7, 2004.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Co-financing Grant” means an amount of \$803,900 to be contracted between the Recipient and the Association, acting as an administrator for the Government of Japan, to assist in financing the Project.
4. “Co-financing Grant Agreement” means the agreement to be entered into between the Recipient and the Association, as an administrator of the funds provided by the Government of Japan for the Co-financing Grant.
5. “Compensation Fund” means the separate account to be established by the Recipient out of the proceeds of the Credit to be utilized to pay cash compensation to poultry owners for poultry culled and referred to in Part I.3 of Schedule 1 to this Agreement.
6. “Compensation Procedures Manual” means the manual to be prepared and adopted by the Recipient setting forth principles and procedures for operating of the Compensation Fund and referred to in paragraph 4 of Section I of Schedule 2 to this Agreement.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
8. “Decree No. 480-N” means the Recipient’s Decree No. 480-N, dated January 19, 2006, as may be subsequently amended.
9. “EMP” means the Environmental Management Plan describing procedures for the safe management and disposal of animal carcasses under Part I of the Project, and to be adopted by the Recipient pursuant to Part B of Section IV of Schedule 2 to this Agreement.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
11. “HPAI” means Highly Pathogenic Avian Influenza.
12. “HSMP PIU” means the project implementing unit within the MoH of the Recipient, established and operating under the Association financed Health System Modernization Project (Credit Agreement No. 3920 AM, dated July 30, 2004) pursuant to the MoH Decree No. 764, dated October 22, 1996, (as

amended by Government Decree No. 765, dated December 22, 1999), or any legal successor thereto.

13. “IMCAI” means Inter-Ministerial Committee for Avian Influenza established and operating pursuant to the Decree No. 480-N, or any legal successor thereto.
14. “MoA” means the Ministry of Agriculture of the Recipient or any successor or successors thereto.
15. “MoH” means the Ministry of Health of the Recipient or any successor or successors thereto.
16. “National Strategy for Avian Influenza” means the plan setting out the activities on avian influenza to be pursued by the MoA and other members of the IMCAI in preparation for response to outbreaks of avian influenza in both animals and humans, adopted by the Recipient pursuant to the Decree No. 480-N.
17. “Operating Costs” means the incremental expenses incurred by the MoA, the MoH and the Secretariat of the IMCAI on account of the Project implementation including the costs of communication, printing and publications, office supplies and maintenance, vehicle operation and maintenance, bank charges, local travel costs and field trip expenses, office rentals, and utilities, all based on an annual budget to be prepared by the ARSP PIU and the HSMP PIU which shall have been approved by the Association.
18. “Poultry Restructuring Sub-projects” means the investment projects, selected and implemented in accordance with the provisions of the Project Operational Manual, aimed at mitigating the negative impact on poultry producers, through provision of alternative income generating or marketing opportunities.
19. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 14, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
21. “Project Component Coordinators” means the two (2) Project component coordinators to be appointed by an Order of the MoA, and an Order of the MoH, respectively.
22. “Project Operational Manual” means the manual describing: (i) procedures for implementation of the Project, consistent with the provisions of this Agreement and with the national laws and regulations of the Recipient and including, *inter alia*: (i) procedures governing administrative, procurement, accounting, financial management, including adequate measures for procurement and forensic audits, and monitoring and evaluation arrangements; (ii) sample formats for annual reports; and (iii) all arrangements relating to the selection and implementation of the Poultry Restructuring Sub-projects.

23. "Secretariat of the IMCAI" means the group of consultants to be hired by the ARSP PIU to assist the IMCAI in implementing its activities.
24. "Training" means expenditures incurred on account of Project related study tours, training courses, seminars, workshops and other training activities, including travel and per diem costs of trainees and trainers.
25. "Veterinary State Inspection" means the state agency established pursuant to the Recipient's Decree No. 1516-N, dated September 5, 2002, for the purposes of implementation of the Recipient's policy in the field of veterinary.