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**CREDIT NUMBER 4891-AM**

# **Financing Agreement**

**(Community Agricultural Resource Management and Competitiveness Project)**

**between**

**REPUBLIC OF ARMENIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated April 1, 2011**

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**CREDIT NUMBER 4891-AM**

**FINANCING AGREEMENT**

AGREEMENT dated April 1, 2011, entered into between 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 this 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 ten million three hundred thousand Special Drawing Rights (SDR 10,300,000) (variously, “Credit” and “Financing”) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 May 15 and November 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through PIU in accordance with the provisions of the Operational Manual and 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 — EFFECTIVENESS; TERMINATION**

4.01. The Additional Condition of Effectiveness consists of the following:

- (a) The Project Operational Manual, acceptable to the Association, has been approved by the Recipient.
- (b) The EMP, acceptable to the Association, has been approved by the Recipient.

4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Recipient's Representative is its Minister of Finance.

5.02. The Recipient's Address is:

Ministry of Finance of the Republic of Armenia  
1 Melik-Adamyant Street  
Yerevan 0010  
Republic of Armenia

Facsimile:

+374-10-524282

5.03. 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)

1-202-477-6391

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

**REPUBLIC OF ARMENIA**

**By /s/ Vache Gabrielyan**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT  
ASSOCIATION**

**By /s/ Jean-Michel Happi**

**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve productivity and sustainability of pasture/livestock livelihood systems in selected communities of the Recipient.

The Project consists of the following parts:

#### **Part A: Community Pasture/Livestock Management System**

1. Provision of technical assistance, training and operating costs to develop the Community Pasture/Livestock Management Plans, including support for mobilization of the Pasture User Associations (PUAs) at village level and carrying out pasture assessments, and a study on cost recovery mechanisms to repay, by Beneficiaries, the whole or part of costs of agricultural equipment in installments.
2. Provision of the Community Grants to implement the Community Pasture/Livestock Management Plans in accordance with eligibility criteria, selection principles, procedures and implementation arrangements, including reporting, monitoring and evaluation, as set forth in the Operational Manual.

#### **Part B: Strengthening Support Services**

1. Provision of goods, technical assistance, training and operating costs to strengthen the MASCs and the RASC to deliver advisory services and extension programs aimed primarily for livestock related activities of farmers, farmers associations, cooperatives and small scale processors.
2. Provision of technical assistance, goods, civil works, training and operating costs to support community animal health services.

#### **Part C: Competitive Grants Program**

Provision of Competitive Grants to agri-businesses and farmer groups to introduce innovative technologies and develop business opportunities in accordance with eligibility criteria, selection principles and procedures and implementation arrangements, including reporting, monitoring and evaluation, set forth in the Operational Manual and technical assistance, goods, training and operating costs to the PIU for processing and administering the Competitive Grants.

Part D: Project Management and Monitoring and Evaluation

Provision of technical assistance, training and goods, including incremental operating costs and audit, to PIU to support in the implementation of Project activities, monitoring and evaluation and reporting.

**SCHEDULE 2**  
**Project Execution**

**Section I. Implementation Arrangements**

**A. Institutional Arrangements**

1. The Recipient shall maintain the PIU until completion of the Project with staff, resources and terms of reference satisfactory to the Association, and assign to it responsibility for overall management of Project implementation and coordination, including:
  - (a) preparation of disbursement applications under the Credit;
  - (b) management of the Designated Account;
  - (c) maintenance of records and accounts related to the Project and arranging for the audit thereof;
  - (d) preparation of bidding documents and participation in administration of bidding procedures and of contracts under the Project;
  - (e) preparation of Project Reports and submission thereof to the Recipient and the Bank in accordance with Section II.A of this Schedule, the first such report to be furnished to the Association not later than seven (7) months after the effectiveness of this Agreement; and
  - (f) management and supervision of all Project activities.
2. The Recipient shall, not later than two months after the effectiveness of the Project, establish the Competitive Grants Commission, acceptable to the Association, with responsibility for selection and approval of the Grants to be provided under Part C of the Project pursuant to the Operational Manual.

**B. Anti-Corruption**

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

**C. Sub-projects.**

1. The Recipient shall ensure that the PIU provides to the Beneficiaries a Community Grant or a Competitive Grant under a sub-financing agreement to be entered into between each Beneficiary and the PIU on the terms and



conditions set forth in the Operational Manual (the Sub-financing Agreement), which, inter alia, includes the right to:

- (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Community Grant or Competitive Grant, or to declare to be immediately due and payable all or any part of the amount of the Community Grant or Competitive Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-financing Agreement;
- (ii) require each Beneficiary to:
  - (A) carry out its Sub-project: (aa) with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, health and social standards and practices, satisfactory to the Association; and (bb) in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;
  - (B) procure the works, goods and services estimated to cost no more than \$10,000 per contract to be financed out of the Community Grant or Competitive Grant in accordance with the provisions of Section III of Schedule 2 to this Agreement;
  - (C) enable the Association to inspect the Sub-project, its operation and any relevant records and documents;
  - (D) prepare and furnish to the Association all such information as the Recipient shall reasonably request relating to the foregoing; and
  - (E) select sub-project proposals in accordance with eligibility criteria, principles, rules and procedures set forth in the Operational Manual.

**D. Safeguards.**

The Recipient shall take, or cause to be taken, all measures necessary for the carrying out of the EMP in a timely manner.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. 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 the indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
2. For purposes of Section 4.08 (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 Association not later than six month after the Closing Date.

### **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. The Recipient shall prepare and furnish to the Association not later than forty five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have the 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 fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six 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 Section.
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 Section.

- 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:

<b><u>Procurement Method</u></b>	
(a)	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: <ul style="list-style-type: none"><li>(i) 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;</li><li>(ii) pre-qualification shall be conducted for large and complex works projects;</li><li>(iii) pre- and post-qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders;</li><li>(iv) joint venture partners shall be jointly and severally liable for their obligations;</li><li>(v) no bids shall be rejected at bid opening;</li><li>(vi) bids can be cancelled and new bids invited, only if the conditions of clause 2.61 and 2.64 of the Procurement Guidelines are met;</li></ul>

(vii)	all bid evaluation criteria shall be quantifiable in monetary terms or expressed as a pass/fail criteria;
(viii)	advance Association’s approval is required for any substantial modifications in the contract scope/conditions during implementation.
(ix)	the Recipient shall use standard bidding documents, satisfactory to the Association.
(b) Shopping	
(c) Direct Contracting	
(d) Community Participation	

**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.

<b>Procurement Method</b>
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants’ Qualifications
(e) Single-source Selection
(f) Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants

**D. Review by the Association 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 Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), 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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Works, goods, consultants' services, Training and Operating Costs, including audit, for the Project	3,000,000	100%
(2) Community Grants under Part A.2 of the Project	6,300,000	100%
(3) Competitive Grants under Part C of the Project	1,000,000	100%
<b>TOTAL AMOUNT</b>	10,300,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR300,000 equivalent may be made for payments made prior to this date but on or after January 1, 2011, for Eligible Expenditures under Categories (1), (2) and (3).
2. The Closing Date is September 30, 2016.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each May 15 and November 15,  commencing May 15, 2021 to and including November 15, 2030	5%

\* 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. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Community Grants” means funds to be provided under Part A.2 of the Project out of the proceeds of the Credit pursuant to the eligibility criteria, principles and procedures and implementation arrangements set forth in the Operational Manual.
4. “Community Pasture/Livestock Management Plan” means the development strategy of eligible community to regenerate the productive capacity for achieving sustainable resource management, to reduce pressure on overgrazed degraded areas and to increase quantity and quality of overall fodder production, including proposals for priority investments under Part A.2 of the Project pursuant to the terms and conditions set forth in the Operational Manual.
5. “Competitive Grants” means grants to be provided under Part C of the Project out of the proceeds of the Credit and approved by the Competitive Grant Commission.
6. “Competitive Grants Commission” means the commission to be established by the Recipient, through the Ministry of Agriculture, in accordance with the Operational Manual for selection and approval of sub-project proposals for financing under Part C of the Project.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
8. “Beneficiary” means a recipient of the Community Grant or the Competitive Grant, as the case may be, referred to in Parts A.2 and C of the Project, meeting the eligibility criteria set forth in the Operational Manual.
9. “EMP” means the environmental management plan to be approved by the Recipient, satisfactory to the Association, describing the environmental, mitigation, monitoring and institutional measures to be applied in the implementation of the Project, including rules and procedures for pest management under Part C of the Project.



10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
11. “MASCs” means the Marz Agricultural Support Centers, joint stock companies, established through the Decree by the Minister of Agriculture of the Recipient (No. 283, dated August 1, 1997), responsible for coordination and implementation of advisory activities under Part B.1 of the Project, under terms and conditions set forth in the Operational Manual.
12. “Marz” means a territorial administrative unit, created through the Constitution of the Recipient.
13. “Operating Costs” means incremental expenses incurred with respect to the implementation of the Project, including costs of office and vehicle maintenance, utilities, minor office equipment, minor office repairs, office rent, salaries and eligible social charges of staff in the PIU, translation services, communication, advertising and Project publicity and printing, transportation, local business trip expenditures, the PIU staff training, banking charges and any other reasonable and necessary activities directly related to Project implementation, management and monitoring as may be agreed upon by the Association.
14. “Operational Manual” means a manual satisfactory to the Association, to be adopted by the Recipient, through the Ministry of Agriculture, in accordance with Section 4.01 (a) of this Agreement, setting forth the implementation plan, operational and administrative procedures for the implementation of the Project, including eligibility criteria, selection principles and procedures, implementation arrangements, reporting, monitoring and evaluation of Community Grants or Competitive Grants, as the case may be, as such manual may be amended from time to time with prior agreement of the Association.
15. “PIU” means the Project Implementation Unit, established under the Ministry of Agriculture of the Recipient through the Ministerial Decree (Decree Number 351) dated November 20, 2000, for the purposes of the Project implementation.
16. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 10, 2011 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.
18. “Training” means expenses incurred by the PIU in connection with carrying out training under the Project, including travel costs and per diem for local trainees

and trainers, study tours and workshops, rental of facilities and equipment and training materials and related supplies.

19. “RASC” means the Republican Agricultural Support Center, closed joint stock company, established through the Governmental Decree of the Recipient (No. 1240-A, dated August 15, 2002), responsible for nationwide coordination of advisory services, training and publications under Part B.1 of the Project, under terms and conditions set forth in the Operational Manual.
20. “Sub-Project” means a specific project selected pursuant to the Operational Manual and to be carried out by the Beneficiary utilizing the proceeds of the Community Grant or the Competitive Grant, as the case may be.