Սույնով հավաստվում է, որ կցված տեքստը Հայաստանի Հանրապետության և Վերակառուցման և զարգացման միջազգային բանկի միջև «Հայաստանի ջրի և ոռոգման ծառայությունների բարելավման ծրագիր. 1-ին փուլի ծրագիր» վարկային համաձայնագրի՝ Հայաստանի Հանրապետության արտաքին գործերի նախարարության միջազգային պայմանագրերի պահոցում (դեպոզիտում) պահվող բնօրինակի նույնական պատճենն է:

Հայաստանի Հանրապետության
արտաքին գործերի նախարարության
միջազգային պայմանագրերի և
իրավունքի վարչության պետ՝

Նելլի Սարոյան

LOAN NUMBER 9831-AM

Loan Agreement

(Armenia Water and Irrigation Services Enhancement Program – Phase 1 Project)

between

REPUBLIC OF ARMENIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF ARMENIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement ("Project"), has requested the Bank to extend a loan to assist in the financing of the Project; and

(B) the Borrower has also requested from the Agence Française de Développement ("Co-financier") to provide additional assistance towards the financing of the Project, pursuant to the agreement to be entered into between the Borrower and the Co-financier ("Co-financing Agreement");

NOW THEREFORE, the Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of seventy million four hundred thousand Euros (€70,400,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing the Project.

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.

2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.06. The Payment Dates are January 15 and July 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with Section 3.03 of the General Conditions and Schedule 3 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project and the MPA Program. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is March 31, 2026.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consists of the following:

(a) the Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled;

(b) the Project Steering Committee has been established, with terms of reference and composition satisfactory to the Bank;

(c) the Project Implementation Team has been established by the Borrower, with terms of reference and composition satisfactory to the Bank; and

(d) the Project Operations Manual has been adopted by the Borrower, in form, substance, and a manner satisfactory to the Bank.

5.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Finance.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Ministry of Finance of the Republic of Armenia
1 Melik-Adamyan St.
Yerevan 0010
Republic of Armenia; and

(b) the Borrower's Electronic Address is:

Facsimile:	Email:
374-11-800132	secretariat@minfin.am

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex:	Facsimile:
248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF ARMENIA

By Hon. Vahe Hovhannisyan

Authorized Representative

Name: Hon. Vahe Hovhannisyan

Title: Minister of Finance

Date: 18-Sep-2025

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Fabrizio Zarcone

Title: Country Manager

Date: 11-Sep-2025

SCHEDULE 1

Project Description

The objective of the Project is to provide improved access to efficient and financially sustainable irrigation and safely managed rural water supply services in Selected Areas of Armenia.

The Project constitutes a phase of the MPA Program, and consists of the following parts:

Part 1. Water Sector Reform and Institutional Strengthening

1.1. *Strengthening national water resources policy and planning*.

(a) Developing: (i) a comprehensive National Water Strategy; (ii) a ten (10)-year National Irrigation Strategy; (iii) a National Water Supply and Sanitation Strategy; and (iv) a National Irrigation Master Plan to assess preliminary technical feasibility, economic viability, environmental sustainability, social inclusivity, and potential interventions to reduce climate risks in water-stressed areas.

(b) Carrying out a review of all existing legal frameworks of the Borrower for water sector management, including the Water Code, the Law on Water User Associations and Federations of Water User Association, and other related legislative acts, and providing recommendations to improve water sector management legislation.

1.2. *Improving irrigation sector management and service delivery*.

(a) Carrying out a comprehensive institutional reform program to improve the function of the Water Committee ("WC") and the Water Supply Agency ("WSA") through the provision of, *inter alia*:

(i) technical assistance for an organizational audit or institutional assessment, including gender and inclusion aspects, of the WC and WSA internal structure and/or assistance in establishing and operationalizing a new water agency of the Borrower;

(ii) follow-up technical assistance for the internal capacity development of the WC, the WSA, and field-based staff;

(iii) equipment and an asset management system comprising a Geographic Information System ("GIS")-based management information system;

(iv) technical assistance to carry out a national asset inventory, improve WSA mechanical workshop, assess dam safety, carry out institutional assessment of the WC and WA, and organize related study tours; and

(v) establishing a dedicated water department in the PSRC.

(b) (i) Establishing an Asset Maintenance Fund dedicated for the operations and maintenance of all newly modernized irrigation schemes under the Project;

(ii) developing a revised methodology for bulk irrigation tariff and irrigation service fees, which aligns with the Law on Water User Associations and Federations of Water User Associations, including through the carrying out of a baseline analysis of bulk irrigation water supply costs and affordability and willingness-to-pay studies, and design of a tariff methodology; and

(iii) developing and implementing a tariff roll out plan with the communications strategy for outreach for at least six (6) Water User Associations ("WUAs"), including a phased approach with support to farmers unable to afford full operations and maintenance cost recovery fees.

(c) Carrying out a capacity building program for at least six (6) WUAs to strengthen the legal, administrative, technical, managerial, and financial capabilities thereof through training and provision of goods, including, *inter alia*:

(i) (A) strengthening the institutional or governance capacity of WUAs and their administrative councils; (B) enhancing participatory governance; (C) improving elections of the members of WUAs' administrative councils and participatory decision-making; and (D) increasing water user awareness on efficient water use;

(ii) strengthening capacities through training, upgrading equipment, improving working conditions, and implementing targeted outreach programs for women and young graduates in universities and technical schools to inform them of internship and job opportunities in the water sector and promoting and nominating young users and women candidates for elections to attract women and young professionals into leadership and technical positions, especially in remote areas;

(iii) improving water resources management by upgrading a GIS water accounting platform, implementing annual water planning, installing metering, and shifting to volumetric irrigation fees;

(iv) provision of water management and measurement devices, Information Technology (IT) equipment, vehicles, office furniture, technical tools, and machinery; and

(v) providing support for water saving and management technologies to mitigate heat stress, reduce climate risks, and enhance water efficiency for climate adaptation through the provision of: (A) modern on-farm climate resilient irrigation systems; (B) decision support systems via mobile applications; and (C) digital advisory and early warning services to improve access to climate and weather data, including training to support informed decision-making and climate resilience; dialogue with farmers; and activities to promote the participation of young people and women in WUA decision-making, review barriers to participation, recommend actions, and conduct awareness campaigns and skill development programs to increase women and young people's participation in management, operations, and maintenance.

(d) Establishing and operationalizing a national irrigation water accounting and adaptation center to enhance water and irrigation management through, *inter alia*:

(i) development of a detailed roadmap, technical courses, training, and study visits;

(ii) carrying out of capacity development for groundwater observation networks;

(iii) carrying out of research and development for the calibration of remote sensing estimates of water and land;

(iv) development of software for mobile applications and web platforms;

(v) upgrading of GIS-based irrigation management system;

(vi) development of remote sensing based water and land monitoring system;

(vii) provision of ground data collection hardware such as soil moisture, water quality sensors, groundwater level sensors,

remote cameras, automated weather stations, center building and related facilities;

(viii) establishment of digital infrastructure, including storage, communication infrastructure, and remote monitoring and control systems; and

(ix) restoration of groundwater observation wells in the Ararat Artesian Basin.

Part 2. Rural Water Supply and Sanitation Enhancement

2.1. *Institutional strengthening, capacity building, and regulatory reform.*

(a) Building institutional capacity at the national, *marz*, and local levels for delivering and expanding coverage of water supply and sanitation ("WSS") services in anticipation of climate change-related droughts, floods, and extreme heat through, *inter alia*:

(i) the collection of baseline information on the status of the rural water supply and sanitation ("RWSS") services in all *marzes*;

(ii) the preparation of a service improvement and implementation roadmap for unserved areas, including the improvement of the institutional arrangements and enabling environment;

(iii) the development of a framework for a sector-wide monitoring of WSS indicators;

(iv) the implementation of monitoring and control tools in the WC to enhance sector oversight;

(v) the provision of technical assistance to improve water services and raise community satisfaction;

(vi) the carrying out of a socio-cultural and gender assessment to examine how these dimensions are addressed in national policies, strategies, and programs;

(vii) the development of a capacity building strategy to strengthen RWSS planning, implementation, and management;

(viii) the design and delivery of a learning and information, education and communications program that include training activities for: (A) WSS system planning, design, construction, and management;

(B) system operations and maintenance arrangements for sustainable RWSS service delivery; (C) procurement procedures and practices; (D) financial accounting and reporting; and (E) RWSS system monitoring and evaluation;

(ix) the development of a national catalogue of rural sanitation technologies and WSS service delivery models, including assessing private sector options for future application;

(x) the development of an RWSS assessment and investment plan for unserved areas of all *marzes*, in line with prioritization criteria agreed with the Borrower; and

(xi) the development of a RWSS roadmap for the unserved areas, including institutional improvements and private sector options.

(b) Developing and implementing a comprehensive WSS tariff reform program through the carrying out of a baseline analysis of WSS costs and affordability and willingness-to-pay studies; the provision of recommendations for government subsidies for water users unable to afford full operations and maintenance cost recovery fees; and the development and implementation of a tariff roll out plan with a corresponding communications strategy for outreach to communities affected by increased tariffs and a behavior change campaign and a marketing campaign.

(c) Improving the Borrower's performance under private concession contractual arrangements through the provision of technical assistance to review the goals, achievements, and binding constraints of the public-private partnership contract, as well as the technical, institutional, commercial, financial, and legal aspects of said contract.

2.2. *Feasibility studies and infrastructure investments*

Carrying out: (a) feasibility studies and detailed engineering designs for WSS investments that will withstand climate change exacerbated droughts, flood, and extreme heat; and (b) infrastructure and service improvements ("Infrastructure and Service Improvements") for the highest priority unserved settlements, including the construction of water networks such as household connections and connections to schools and healthcare facilities, metering, and water treatment systems.

Part 3. Modernizing Irrigation Infrastructure and System Management

3.1. *Modernizing climate resilient irrigation infrastructure and system management*

Carrying out: (a) detailed feasibility studies and/or preliminary designs, including economic and financial analysis and environmental and social impact assessment for rehabilitation or modernization of for the following irrigation systems: Lower Hrazdan, Arzni-Shamiram, Kotayk, Lori, Debetavan, and the following pump stations: Mkhchyan and Ranchpar; (b) the construction for the rehabilitation or modernization of Selected Irrigation Systems ("Rehabilitation or Modernization of Selected Irrigation Systems"); and (c) technical and institutional assessments of Vorotan-Arpa-Sevan conveyance tunnel.

3.2. *Introduction of supervisory control and data acquisition ("SCADA")*

(a) Carrying out a program of activities related to the collection, processing, and management of field data from across canal and pipeline systems to enhance climate resilience, including: (i) accurate real-time measurement of critical flow rates and water levels affected by climate change; (ii) data transmission; (iii) data organization and archiving; (iv) provision of easy access to real time and historical data; (v) standardization of equipment and software; (vi) training of a SCADA team of technicians for installation, troubleshooting, and repair; (vii) establishment of a well-equipped SCADA center with spare parts, testing equipment, and diagnostics tools; and (viii) establishment of data security and back up.

(b) Providing limited remote manual operation and monitoring of headwork gates.

Part 4. Project Management

Providing support for the Project Implementation Team ("PIT") in the implementation of the Project, including for procurement, financial management, environmental, social, auditing and independent verification of PBCs; design, implementation, and reporting of baseline and Project completion surveys; preparation of terms of references for assessment studies (pre-feasibility and feasibility studies) and detailed engineering designs; construction supervision; and capacity building, including citizen engagement training skills for PIT staff.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall vest the overall Project implementation responsibilities to the WC under the Ministry of Territorial Administration and Infrastructure ("MTAI"), including designating an authority under the WC to enter into contracts on behalf of the Borrower.

2. The Borrower shall establish and thereafter maintain throughout the implementation of the Project, a Project Steering Committee, which shall: (a) be chaired by the Borrower's Deputy Prime Minister; (b) include representative of the Ministry of Finance, MTAI, WC, Ministry of Economy, Ministry of Environment, and other relevant line ministries, government agencies, and local and regional bodies, as needed; and (c) be responsible for high-level strategic decision-making, facilitating inter-agency cooperation and coordination, and overseeing and monitoring the overall progress of the Project.

3. The Borrower shall establish and thereafter maintain throughout the implementation of the Project, a Project Implementation Team ("PIT") under the WC, which shall: (a) be responsible for Project implementation and reporting, and preparing the Annual Work Plan; (b) be headed by a program manager; and (c) include coordinators for Parts of the Project; irrigation engineers, water supply and sanitation engineers, environmental and social specialists, including at least an environmental specialist, a social specialist, an occupational health and safety specialist, a gender and community outreach specialist; financial management specialists; procurement specialists; and a GIS and remote sensing specialist, and other specialists as reflected in the Project Operations Manual.

B. Project Operations Manual.

1. The Borrower, through the WC, shall adopt and maintain, a Project Operations Manual ("POM"), in form, substance, and a manner satisfactory to the Bank, and thereafter implement the Project in accordance with the provisions set forth in the said manual throughout the period of Project Implementation; the POM shall include:

   (a) detailed institutional, administrative, financial, procurement, disbursement, technical, operational, and reporting arrangements and procedures for the implementation of the Project;

(b) the monitoring indicators for the Project;

(c) detailed composition, representation, and frequency of meetings of the PSC;

(d) detailed composition, roles, responsibilities, and overall functions of the PIT;

(e) procedures to engage all relevant stakeholders;

(f) detailed eligibility criteria, terms and conditions, selection and approval processes, and implementation procedures for Infrastructure and Service Improvements;

(g) detailed eligibility criteria, terms and conditions, selection and approval processes, and implementation procedures for the Rehabilitation or Modernization of Selected Irrigation Systems;

(h) terms of reference and required qualifications for the Independent Verification Agent;

(i) the verification protocol containing the technical standards and procedures for the monitoring, reporting, and verification of the data and other evidence supporting the achievement of the PBCs;

(j) a capacity building plan for the environmental and social aspects of the Project; and

(k) the Financial Management Manual.

2. Except as the Bank shall otherwise agree in writing, the Borrower shall not amend, abrogate or waive, or permit to be amended, abrogated or suspended, any provision of the POM.

3. In the event of any conflict between the arrangements and procedures set out in said manual and the provisions of this Agreement, the later shall prevail.

C. Annual Work Plan

1. The Borrower shall prepare and furnish to the Bank not later than October 30 of each calendar year, for the Bank's consideration, a draft work plan of activities proposed for inclusion in the Project for the following calendar year, containing all Project activities and expenditures proposed to be included in the Project in the following calendar year, including a specification of the sources of financing for all expenditures and the environmental and social risk and impact management

measures taken or planned to be taken in accordance with the provisions of Section 1.F of this Schedule.

4. The Borrower shall afford the Bank a reasonable opportunity to review each such proposed plan and budget and thereafter shall ensure that the Project is implemented with due diligence and efficiency in accordance with such work plan as shall have been approved by the Bank ("Annual Work Plan").

D. Infrastructure and Service Improvements.

1. *Infrastructure and Service Improvements*. In carrying out Part 2.2(b) of the Project, the Borrower shall ensure that Infrastructure and Service Improvements to be financed out of the Loan proceeds meet the criteria specified in the POM, which shall include the following:

   (a) the proposed investment shall be located in one of the following *marzes*: Ararat, Aragatsotn, Kotayk, Shirak or Tavush;

   (b) the proposed investment shall be based on the prioritization of activities under the investment plan;

   (c) the proposed investment shall consist of construction of water networks that constitute minor additions or alterations to existing schemes;

   (d) the proposed investment shall incorporate climate resilient engineering principles; and

   (e) the proposed investment shall exclude activities that are: (A) unable to meet the requirements set forth in the Environmental and Social Commitment Plan of the Project; (B) result in the establishment of new schemes that use or risk pollution of water of international waterways referred to in OP 7.50; (C) have high-risk environmental or social impacts; and/or (D) will have a negative impact on any critical natural habitats or cultural heritage areas.

2. *Rehabilitation or Modernization of Selected Irrigation Systems*. In carrying out Part 3.1(b) of the Project, the Borrower shall ensure that the Rehabilitation or Modernization of Selected Irrigation Systems to be financed out of the Loan proceeds meet the criteria specified in the POM, which shall include the following:

   (a) the proposed investment shall be based on the proposed investment's detailed feasibility studies, including economic and financial analysis, and environmental and social impact assessment for rehabilitation and/or modernization, the proposed investment shall be determined to be technically feasible, financially and economically viable, and meeting the

allocated budget of the Rehabilitation of Modernization of Selected Irrigation Systems;

(b) the proposed investment shall include designs that are prepared with the participation of, and approved by, the WUAs;

(c) the design of the proposed investment shall have incorporated climate adaptation and hazard resilience principles;

(d) the proposed investment shall consist of activities related to headworks, critical sections of main canals inverted syphons, aqueducts, secondary and tertiary network (pipeline or lined); water control or distribution outlets; mudflows; flood protection; flow and/or volumetric measurement structures; structures for easy removal or flushing of trash, bridges, maintenance roads, related pump stations with the aim of identifying technological advancements that can modernize selected systems (e.g. conversion from pumping to gravity or transition from gravity to pressurized pipe networks; construction of off-line canal side regulating reservoirs), and/or other ancillary structures; and

(e) the proposed investment shall exclude activities that are: (A) unable to meet the requirements set forth in the Environmental and Social Commitment Plan of the Project; (B) result in the establishment of new schemes that use or risk pollution of water of international waterways referred to in OP 7.50; (C) have high-risk environmental or social impacts; and/or (D) will have a negative impact on any critical natural habitats or cultural heritage areas.

E. Independent Verification Agent

1. For purposes of carrying out Part 1.2(c) of the Project, the Borrower shall:

(a) no later than June 30, 2030, engage, and thereafter maintain at all times during the implementation of the Project, an Independent Verification Agent with qualifications and experience, and under terms of reference acceptable to the Bank to verify the data and other evidence supporting the achievement of one or more PBCs as set forth in the table in the Annex to Schedule 2 to this Agreement and recommend corresponding payments to be made for each PBC to the Borrower, as applicable, in accordance with the verification protocol set forth in the POM; and

(b) cause the Independent Verification Agent to: (i) carry out a verification of the level of achievement of PBCs in accordance with the verification protocol; and (ii) prepare and furnish to the Borrower, the reports on the status of achievement of the relevant PBCs.

2. In the event that there is a need for verification services prior to the appointment of the Independent Verification Agent in accordance with paragraph 1(a) of this Section, put in place adequate interim arrangement satisfactory to the Bank and approved in writing by the Bank for verification of the achievement of PBCs.

F. Environmental and Social Standards

1. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

2. Without limitation upon paragraph 1 above, the Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:

   (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;

   (b) sufficient funds are available to cover the costs of implementing the ESCP;

   (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and

   (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. The Borrower shall ensure that:

   (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Borrower shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

6. The Borrower shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors, and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

B. Mid-term Review

The Borrower shall: (a) by the date agreed in writing between the Bank and the Borrower, prepare and furnish to the Bank, a mid-term report, in such detail as the Bank shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to this Agreement, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objectives during the period following such date; and (b) review with the Bank such mid-term report, by not later than ninety (90) days after its submission, and thereafter take all required measures to ensure the continued efficient implementation of the Project and the achievement of its objective, based on the conclusions and recommendations of the mid-term report and the Bank's view on the matter.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions, the Borrower may withdraw the proceeds of the Loan to finance Eligible Expenditures for the Project in accordance with the Disbursement and Financial Information Letter; all in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (exclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training, and Operating Costs under Parts 1.1(a)(i), 1.1(a)(iii), 1.2(a), 1.2(c)(i)(B), 1.2(c)(i)(C), 1.2(c)(i)(D), 1.2(c)(ii), 1.2(c)(iii), 1.2(c)(v), 1.2(d)(i), 1.2(d)(ii), 1.2(d)(iii), 1.2(d)(iv), 1.2(d)(v), 1.2(d)(vi), 1.2(d)(vii), 1.2(d)(ix), 2, 3, and 4 of the Project	68,800,000	53.3%
(2) Eligible Expenditures for PBCs under Part 1.2(b) of the Project	1,600,000	Up to 53.3% of the Loan allocated to PBCs as set forth in the Annex to Schedule 2 to this Agreement
(3) Goods, consulting services, and Training under Parts 1.1(a)(ii), 1.1(a)(iv), 1.2(c)(i)(A), 1.2(c)(iv), and 1.2(d)(viii) of the Project	0	0
TOTAL AMOUNT	**70,400,000**	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

   (a) for payments made prior to the Signature Date; or

(b) under Category (2), with respect to each PBC set forth in the Annex to this Schedule, for which the Borrower has submitted a withdrawal request, unless and until the Borrower has also furnished to the Bank:

(i) an Independent Verification Report acceptable to the Bank confirming the Borrower's achievement of the respective PBCs set forth in the Annex to this Schedule, and further elaborated in the verification protocol in the POM; and

(ii) evidence, certified by an independent auditor, in form and substance acceptable to the Bank, of Eligible Expenditures for PBCs, in an amount equal to at least the amount withdrawn under this category, incurred in connection with the achievement of the respective PBCs and within the corresponding PBC Values.

2. With respect to Eligible Expenditures for PBCs under Category (2), the Borrower may request withdrawals of Bank financing when the relevant expenditures have been incurred, but prior to the PBCs having been met, provided that the Borrower shall: (i) meet such PBCs by not later than the Closing Date; and (ii) submit to the Bank evidence satisfactory to the Bank of such PBCs having been met not later than the Disbursement Deadline Date.

3. If by or before the Disbursement Deadline Date the Borrower has failed to provide the Bank evidence satisfactory to the Bank that the PBCs related to Category (2) have been met, the Borrower shall, upon notice from the Bank, promptly refund to the Bank the Withdrawn Loan Balance related to such Category (2). Except as the Bank may otherwise determine, the Bank shall cancel any amounts refunded pursuant to this Section.

4. The Closing Date is June 30, 2031.

ANNEX

Performance Based Conditions

Performance Based Conditions ("PBCs")	**PBC Value**
PBC 1: Asset Maintenance Fund has been established by the WSA.	Formula: paid in full upon achievement. PBC Value: €1,900,000
PBC 2: Bulk irrigation tariff methodology has been revised and adopted by PSRC.	Formula: paid in full upon achievement. PBC Value: €110,000
PBC 3: An irrigation tariff roll out plan, with its communication strategy, has been developed and implemented.	Formula: paid in full upon achievement. PBC Value: €1,000,000
Total PBC Value	€3,010,000

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The Borrower shall repay the principal amount of the Loan in accordance with the following table, which sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

Level Principal Repayments

Principal Payment Date	Installment Share
On each January 15 and July 15 Beginning July 15, 2035 through January 15, 2045	5%

APPENDIX

Section I. Definitions

1. "Annual Work Plan" means the plan referred to in Section I.C of Schedule 2 to this Agreement; as said plan may be modified from time to time with the prior written no-objection of the Bank.

2. "Anti-Corruption Guidelines" means, for purposes of paragraph 6 of the Appendix to the General Conditions, 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 and as of July 1, 2016.

3. "Asset Maintenance Fund" means the Borrower's dedicated fund for the proper operations and maintenance of any newly modernized irrigation scheme, in a manner and form satisfactory to the Bank, developed under Part 1.2(c)(i) of the Project.

4. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

5. "Co-financier" means the Agence Française de Développement.

6. "Co-financing" means, for purposes of paragraph 17 of the Appendix to the General Conditions, the financing to be provided by the Co-financier to assist in financing the Project.

7. "Co-financing Agreement" means the agreement to be entered into by and between the Borrower and the Co-financier providing for the Co-financing.

8. "Eligible Expenditures for PBC" means a set of Eligible Expenditures, consisting of consulting services, non-consulting services, Training, and Operating Costs, incurred by the Borrower in accordance with the Borrower's budgetary processes that support the carrying out of Project activities to meet the PBCs.

9. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated May 8, 2025, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.

10. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; and (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Bank.

11. "Financial Management Manual" means the manual to be adopted by the Borrower, as part of the POM, in form, substance, and a manner satisfactory to the Bank, which shall include the financial management arrangements and controls for the Project, as the same may be amended from time to time with the prior written approval of the Bank.

12. "Formula" means the measure of calculating disbursements against the achievement of the PBCs, as provided for in the Annex to Schedule 2 to this Agreement.

13. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018 (Last revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.

14. "Geographic Information System" or "GIS" means a computer system that analyzes and displays geographic referenced information.

15. "Independent Verification Agent" means the consultant or consulting firm to be competitively selected, engaged and maintained by the Borrower in accordance with Section I.E of Schedule 2 to this Agreement.

16. "Independent Verification Report" means each of the annual reports referred to in Section I.E.1(b) of Schedule 2 to this Agreement.

17. "Infrastructure and Service Improvements" means the activities to be carried out under Part 2.2(b) of the Project in accordance with Section I.D.1 of Schedule 2 to this Agreement and the POM.

18. "Law on Water User Association and Federations of Water User Association" means the Borrower's law on water user associations and federations of water user association dated July 1, 2002.

19. "MPA Program" means the multiphase programmatic approach program designed to provide access to improved irrigation services and safely managed rural water supply and sanitation services in Selected Areas of Armenia.

20. "Ministry of Economy" means the Borrower's ministry responsible for the economy, or any successor thereto.

21. "Ministry of Environment" means the Borrower's ministry responsible for the environment, or any successor thereto.

22. "Ministry of Finance" means the Borrower's ministry responsible for finance, or any successor thereto.

23. "Ministry of Territorial Administration and Infrastructure" or "MTAI" means the Borrower's ministry responsible for territorial administration and infrastructure, including the water system management, or any successor thereto, acceptable to the Bank for the purpose of Project implementation.

24. "National Irrigation Master Plan" means the Borrower's irrigation master plan, in form and substance acceptable to the Bank, developed under Part 1.1(a)(iv) of the Project.

25. "National Irrigation Strategy" means the Borrower's irrigation strategy, in form and substance acceptable to the Bank, developed under Part 1.1(a)(ii) of the Project.

26. "National Water Strategy" means the Borrower's water strategy, in form and substance acceptable to the Bank, developed under Part 1.1(a)(i) of the Project.

27. "National Water Supply and Sanitation Strategy" means the Borrower's national water supply and sanitation strategy, in form and substance acceptable to the Bank, developed under Part 1.1(a)(iii) of the Project.

28. "OP 7.50" means the Bank's policy on projects on international waterways available at https://thedocs.worldbank.org/en/doc/152e7cea903188446911a1186487f511-0290012023/original/OP-7-50-Projects-on-International-Waterways.pdf.

29. "Operating Costs" means reasonable costs, as shall have been approved by the Bank, for the incremental expenses incurred on account of Project implementation, which are the expenditures that would not have been incurred in the absence of the

Project, consisting of communication costs, office supplies and maintenance, equipment maintenance, utilities, document duplication or printing, consumables, translation and interpretation, travel cost and *per diem* for Project staff for travel linked to the implementation of the Project (other than such costs covered under Training), office rent, and any other expenditures incurred by the Borrower on account of Project implementation, provided that all said expenses are acceptable to the Bank and exclude salaries and other charges of the Borrower's employees (including those assigned to the PIT, if relevant), and the officials of the Member Country's civil service.

30. "Performance Based Conditions" or "PBC" means a set of conditions that are set to be achieved under the Project through the implementation of Part 1.1 of the Project, as referred to in the Annex to Schedule 2 to this Agreement; and "PBC" means each of such PBCs.

31. "PBC Value" means the total amount of the Loan allocated to each PBC as set forth in the table in the Annex to Schedule 2 to this Agreement, as such amount may be reallocated in whole or in part among the PBCs or among the Categories by notice by the Bank to the Borrower from time to time.

32. "Procurement Regulations" means, for purposes of paragraph 85 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated February 2025.

33. "Project Implementation Team" or "PIT" means the dedicated team for the Project to be established by the Borrower under the WC, in accordance with Section I.A.3 of Schedule 2 to this Agreement.

34. "Project Operations Manual" or "POM" means the manual to be adopted by the Borrower in form, substance, and a manner satisfactory to the Bank and in accordance with Section I.B of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written approval of the Bank.

35. "Project Steering Committee" or "PSC" means the steering committee to be established by the Borrower in accordance with Section I.A.2 of Schedule 2 to this Agreement.

36. "Public Services Regulatory Commission" or "PSRC" means the Borrower's regulatory commission responsible for public services, or any successor thereto.

37. "Rehabilitation or Modernization of Selected Irrigation Systems" means the activities to be carried out under Part 3.1(b) of the Project in accordance with Section I.D.2 of Schedule 2 to this Agreement and the POM.

38. "RWSS" means rural water supply and sanitation.

39. "SCADA" means supervisory control and data acquisition.

40. "Selected Areas of Armenia" means the areas located in Aragatsotn, Ararat, Armavir, Kotayk, Lori, Shirak, Tavush *marzes*, and Yerevan.

41. "Selected Irrigation Systems" means the irrigation systems to be selected for rehabilitation or modernization under Part 3.1 of the Project in accordance with the criteria set out in Section I.D.2 of Schedule 2 to this Agreement and the POM.

42. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.

43. "Training" means reasonable costs, as shall have been approved by the Bank, for training and workshops, conducted under the Project, including tuition, travel, and any *per diem* costs for training participants, costs associated with securing the services of trainers and speakers, rental of training and workshops facilities, preparation and reproduction of training materials, and other costs directly related to training course or workshop preparation and implementation (but excluding goods and consulting services).

44. "Water Code" means the Borrower's water code dated June 4, 2002.

45. "Water Committee" or "WC" means the Borrower's committee under the MTAI, responsible for water systems, or any successor thereto, acceptable to the Bank for the purpose of Project implementation.

46. "Water Supply Agency" or "WSA" means the Borrower's closed joint stock company under the MTAI, which is designated as the bulk water supplier for delivery of irrigation water to WUAs around the country, or any successor thereto, acceptable to the Bank for the purpose of Project implementation.

47. "Water User Associations" or "WUAs" means non-profit entities registered and operational in accordance with the Borrower's legislation, which are responsible for distributing irrigation water in the Borrower's territory, or any successor thereto, acceptable to the Bank for the purpose of Project implementation.

48. "WSS" means water supply and sanitation.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.01 (*Front-end Fee; Commitment Charge; Exposure Surcharge*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a Front-end Fee on the Loan amount at the rate specified in the Loan Agreement. Except as otherwise provided in Section 2.07 (b), the Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.

(b) The Borrower shall pay the Bank a Commitment Charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement. The Commitment Charge shall accrue from the date of the Loan Agreement or the date which falls on the fourth anniversary of the date of approval of the Loan by the Bank, whichever is later, to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. Except as otherwise provided in Section 2.07 (c), the Borrower shall pay the Commitment Charge semi-annually in arrears on each Payment Date."

2. Section 3.04 (*Prepayment*) is modified to read as follows:

"Section 3.04. *Prepayment*

(a) After giving not less than forty-five (45) days' notice to the Bank, the Borrower may repay the Bank the following amounts in advance of maturity, as of a date acceptable to the Bank (provided that the Borrower has paid all Loan Payments due as at such date): (i) the entire Withdrawn Loan Balance as at such date; or (ii) the entire principal amount of any one or more maturities of the Loan. Any partial prepayment of the Withdrawn Loan Balance shall be applied in the manner specified by the Borrower, or in the absence of any specification by the Borrower, in the following manner: (A) if the Loan Agreement provides for the separate amortization of specified Disbursed Amounts of the principal of the Loan the prepayment shall be applied in the inverse order of such Disbursed Amounts, with the Disbursed Amount which has been withdrawn last being repaid first and with the latest maturity of said Disbursed Amount being repaid first; and (B) in all other cases, the prepayment shall be applied in the inverse order of the Loan maturities, with the latest maturity being repaid first.

(b) If, in respect of any amount of the Loan to be prepaid, a Conversion has been effected and the Conversion Period has not terminated at the time of prepayment, the provisions of Section 4.06 shall apply."

3. In paragraphs originally numbered 75 and 81 of the Appendix, the terms "Loan Payment" and "Payment Date", respectively are modified to read as follows:

"75. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any surcharge, any transaction fee for a Conversion or early termination of a Conversion, any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."

"81. "Payment Date" means each date specified in the Loan Agreement occurring on or after the date of the Loan Agreement on which interest, Commitment Charge and other Loan charges and fees (other than the Front-end Fee) are payable, as applicable."

4. Definitions in paragraphs 4 (Allocated Excess Exposure Amount); 53 (Exposure Surcharge); 99 (Standard Exposure Limit) and 105 (Total Exposure) of the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.