



SEISMIC SAFETY IMPROVEMENT PROGRAM  
RESULTS-BASED LENDING  
ADDITIONAL FINANCING

ADB LOAN NUMBER 4351-ARM

IMPLEMENTED BY  
ARMENIAN TERRITORIAL DEVELOPMENT FUND

SPECIAL PURPOSE FINANCIAL STATEMENTS  
AND

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2024

YEREVAN  
June 2025

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## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The management of the Armenian Territorial Development Fund ("ATDF") is responsible for the preparation and fair presentation of the special purpose financial statements for the year ended 31 December 2024 of "Seismic Safety Improvement Program" ("Program") financed by Loan Agreement ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF)) dated 27 November 2023 ("Loan Agreement"), in compliance with the International Public Sector Accounting Standard "Financial Reporting under the Cash Basis of Accounting" (IPSAS-Cash Basis) issued by the International Public Sector Accounting Standards Board (IPSASB) and the ADB Program Financial Reporting and Auditing Guidelines ("ADB Guidelines").

In preparing the special purpose financial statements, ATDF's management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional required disclosures for the year ended 31 Dec 2024.

*ATDF's Management is also responsible for:*

- Designing, implementing and maintaining an effective and sound system of internal control, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions, including those relating to DLIs achievements reports, and which enable to ensure that the special purpose financial statements of the Project comply with *IPSAS - Cash Basis* and the *ADB Guidelines*;
- Taking such steps that are reasonably available to safeguard the assets of the Project and to affirm that funds received have been used in accordance with the Loan Agreement, and ADB related guidelines, with due attention to economy and efficiency, transparency and accountability, and only for the purposes for which the financing was provided;
- Maintaining Deposit Account in accordance with the provision of the Loan Agreement, and ADB related guidelines;
- Not procuring works, goods and services from the countries that are not members of the ADB, and not making expenditures for any prohibited investment activities provided in Appendix 5 of ADB's Safeguard Policy Statement; and
- Preventing and detecting fraud and other errors.

The special purpose financial statements for the year ended 31 Dec 2024 were signed on 30 June 2025 by the ATDF's Management.

Sargis Baghinyan  
Executive Director



Karine Shahbazyan  
Head of Financial Management and Accounting Department

## INDEPENDENT AUDITOR'S REPORT

To the Management of the Armenian Territorial Development Fund

### **Opinion**

We have audited the special purpose financial statements of "Seismic Safety Improvement Program" ("Program") financed by Loan Agreement ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF)) dated 27 November 2023 ("Loan Agreement"), and implemented by the Armenian Territorial Development Fund ("ATDF"), which comprise the statement of cash receipts and payments, the statement of uses of funds by program activity for the year ended 31 December 2024, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash flows for the year ended 31 December 2024 in accordance with International Public Sector Accounting Standards: *Financial Reporting Under the Cash Basis of Accounting*, (IPSAS-Cash Basis) and ADB Program Financial Reporting and Auditing Guidelines ("ADB Guidelines").

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Program and of the ATDF in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical requirements in accordance with IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter - Cash Basis of Accounting**

We draw attention to Note 2 to the financial statements, which describes that financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for another purposes. Our opinion is not modified in respect of this matter.

### **Responsibilities of the Management for the Financial Statements**

Management of the ATDF is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB) and ADB Guidelines, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility for the Audit of the Special Purpose Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### ***Report on Other Legal Requirements***

To comply with the terms of the Loan Agreement, the ATDF management shall insure that:

1. funds have been used in accordance with the conditions of the Loan Agreement concluded between the Asian Development Bank (ADB) and the Republic of Armenia, and ADB Guidelines, with due attention to economy and efficiency, transparency and accountability, and only for the purposes for which the financing was provided;
2. supporting documents, records and accounts have been kept in respect of all Program ventures, including those relating to DLIs achievements reports. Respective reports issued during the period were in agreement with the underlying books of accounts;
3. the Deposit Account used has been maintained in accordance with the provision of the Loan Agreement, and ADB related guidelines;
4. not procuring works, goods and services from the countries that are not members of the ADB, and not making expenditures for any prohibited investment activities provided in Appendix 5 of ADB's Safeguard Policy Statement.

In our opinion, the Project management has complied with the above requirements for the year ended 31 December 2024, including for item 4 above since the commencement of the Project till reporting date.

"BDO Armenia" CJSC  
30 June 2025



Vahagn Sahakyan, FCCA  
Managing partner



# STATEMENT OF CASH RECEIPTS AND PAYMENTS

Seismic Safety Improvement Program-Results-Based Lending  
ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF))  
For the year ended 31 December 2024  
In EUR

Description	Note	Actual		Planned		Variance		Planned Initially
		Year ended 31 Dec 2024	Cumulative as at 31 Dec 2024	Year ended 31 Dec 2024	Cumulative as at 31 Dec 2024	Year ended 31 Dec 2024	Cumulative as at 31 Dec 2024	Year ended 31 Dec 2024
Opening Cash Balance		-	-					
Sources of Funds	8							
ADB Loan Number 4351-ARM		30,614,123	30,614,123					
RA Government		5,234,778	5,234,778					
UNDP		-	-					
Total		35,848,901	35,848,901					
Uses of Funds								
(1) Works		29,951,059	29,951,059	30,787,613	30,787,613	836,554	836,554	12,544,122
(2) Goods		-	-	-	-	-	-	-
(3) Consultants' services		525,225	525,225	952,194	952,194	426,969	426,969	-
(4) Operating costs		-	-	-	-	-	-	-
(5) Interest during implementation		120,770	120,770	120,770	120,770	-	-	120,770
Total		30,597,054	30,597,054	31,860,578	31,860,578	1,263,523	1,263,523	12,664,892
Foreign currency gain/(loss)		(3,093)	(3,093)					
Closing Cash Balance	5	5,248,754	5,248,754					

The Program special purpose financial statements were signed by the management of the Armenian Territorial Development Fund on 30 June 2025. The accompanying notes form an integral part of these Program special purpose financial statements.

Sargis Baghinyan  
Executive Director



Karine Shahbazyan  
Chief Financial Officer

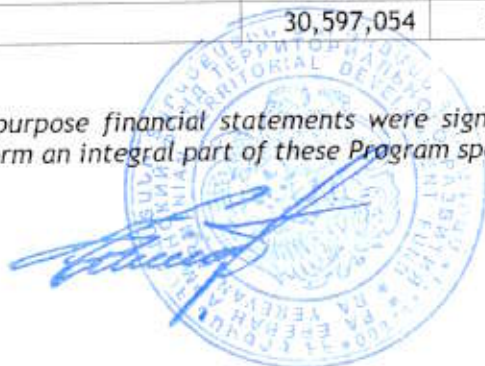
# STATEMENT OF USES OF FUNDS BY PROGRAM ACTIVITY

Seismic Safety Improvement Program - Results-Based Lending  
ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF))  
For the year ended 31 December 2024  
In EUR

Program Activities	Actual		Planned		Variance		Planned Initially
	Year ended 31 Dec 2024	Cumulative as at 31 Dec 2024	Year ended 31 Dec 2024	Cumulative as at 31 Dec 2024	Year ended 31 Dec 2024	Cumulative as at 31 Dec 2024	Year ended 31 Dec 2024
(a) Increased seismic resilience of 46 schools	30,476,284	30,476,284	31,739,808	31,739,808	1,263,523	1,263,523	12,544,122
(b) strengthened seismic disaster preparedness and response capacity	-	-	-	-	-	-	-
(c) improved supportive policies and systems for seismic disaster risk management and reduction	-	-	-	-	-	-	-
(d) enhanced national capacity in executing and implementing the seismic safety investment program	-	-	-	-	-	-	-
(e) Interest during implementation	120,770	120,770	120,770	120,770	-	-	120,770
<b>Total</b>	<b>30,597,054</b>	<b>30,597,054</b>	<b>31,860,578</b>	<b>31,860,578</b>	<b>1,263,523</b>	<b>1,263,523</b>	<b>12,664,892</b>

The Program special purpose financial statements were signed by the management of the Armenian Territorial Development Fund on 30 June 2025. The accompanying notes form an integral part of these Program special purpose financial statements.

Sargis Baghinyan  
Executive Director



Karine Shahbazyan  
Head of Financial Management and Accounting Department



## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

*Seismic Safety Improvement Program - Results- Based Lending*  
*ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF))*  
*For the year ended 31 December 2024*

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### 1. General information

#### 1.1. The Program financing

According to the Loan Agreement between the Republic of Armenia and the Asian Development Bank ("ADB") concluded on 19 October 2015, ADB provided a Loan Number 3284-ARM(SF) in the amount of 63,259,000 Special Drawing Rights ("SDR") to the Republic of Armenia.

According to the Loan Agreement between the Republic of Armenia and the ADB concluded on 23 November 2023, ADB agrees to lend to the Republic of Armenia from ADB's ordinary capital ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF)) resources an amount of 66,100,000 Euros.

The payment currency of the loan is Euro.

The loan was provided for implementation of "Seismic Safety Improvement Program-Additional Financing" ("Program", "SSIP-AF").

The Loan Agreement became effective on 7 May 2024.

The Program was expected to be completed by 30 September 2027.

#### 1.2. The Program's objective

The objective of the Program is to support SSIP implementation in improving coverage of seismically safe school buildings.

The Program shall support SSIP in the following areas:

- a) Increasing seismic resilience of school buildings;
- b) Strengthening seismic disaster preparedness and response capacity;
- c) Improving supportive policies and systems for seismic disaster risk management and reduction;
- d) Enhancing capacity in Program execution and implementation.

#### 1.3. Disbursement Linked Indicator ("DLI")

The Loan amounts are available for withdrawal upon satisfaction of the corresponding DLI targets. The satisfactory evidence of DLIs achievement shall be submitted to ADB to support withdrawal applications.

The DLIs schedule is presented below.



Additional Financing: ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS  
ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF))

EUR

	Disbursement Linked Indicator	Total ADB Financing Allocation	% of ADB financing	2016-2023	2024	2025	2026	2027
DLI1	Coverage of seismically safe school buildings improved	21,400,000	33%	-	700,000	4,700,000	8,900,000	7,100,000
DLI2	Seismic resilience of school buildings increased	37,200,000	56%	-	3,200,000	14,500,000	10,800,000	8,700,000
DLI3	Seismic disaster preparedness and response capacity strengthened	2,800,000	4%	-	200,000	1,100,000	800,000	700,000
	<b>Subtotal</b>	<b>61,400,000</b>	<b>93%</b>	<b>-</b>	<b>4,100,000</b>	<b>20,300,000</b>	<b>20,500,000</b>	<b>16,500,000</b>
	Interest during program implementation	4,700,000	7%					
	<b>Total</b>	<b>66,100,000</b>	<b>100%</b>					

#### 1.4. Budget

The Program is financed by:

- ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF)).
- Government of the Republic of Armenia (Government of RA), covering the taxes.
- 

Category		ADB Loan Number 4351- ARM	Government of RoA	Total
		EUR	EUR	EUR
(1) Works		59,558,000	11,911,600	71,469,600
(2) Consultant's services & Operating costs		1,842,000	368,400	2,210,400
(3) Interest during implementation		4,700,000		4,700,000
Total		66,100,000	12,280,000	78,380,000

#### 1.5. Program Implementation

The Program is implemented by the Armenian Territorial Development Fund (ATDF).

The ATDF implements Programs related to:

- Welfare development of population through improving quality and accessibility of social and economic infrastructure and public services, employment, investment activity,
- Institutional and financial strengthening of regions of the Republic of Armenia.

The Board of Trustees is a supreme governing body of the ATDF.

The ATDF registered address is: 31 K. Ulnetsi Street, Yerevan, 0037, Republic of Armenia.

## **2. Summary of significant accounting policies**

### **2.1 Preparation and presentation of financial statements**

The special purpose financial statements are prepared in accordance with the International Public Sector Accounting Standards: *Financial Reporting Under the Cash Basis of Accounting* (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB), and presented in accordance with ADB Program Financial Reporting and Auditing Guidelines ("ADB Guidelines").

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented.

### **2.2 Cash basis of accounting**

Cash basis means a basis of accounting under which transactions and other events are recognized only when cash or its equivalent is received or paid.

Financial statements prepared under the cash basis provide information about the sources of cash raised during the period, the purpose for which cash was used and the cash balances at the end of reporting date.

### **2.3 Reporting currency**

The Program financial statements are presented in Euros (EUR).

### **2.4 Foreign currency transactions**

Foreign currency is a currency other than the reporting currency of the Program.

Program accounts are maintained in EUR and Armenian Drams (AMD).

Transactions in foreign currencies are translated to presentation currency at exchange rates at the dates of these transactions. The exchange rate:

- For the inflows is used the foreign exchange purchase rate as of the transaction date set by the Central Bank of the RA.
- For outflows is used the foreign exchange selling rate as of the transaction date set by the Central Bank of the RA.

### **2.5 Taxes**

All applicable taxes are paid in accordance with tax regulations of the Republic of Armenia.



### 3. SUMMARY OF FUNDS RECEIVED UNDER EACH DLI

ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF))

For the year ended 31 December 2024

In EUR

Application number	Value date	DLI Advance	Disbursement category documented					Interest during implementation	Total Documented
			DLI1. Coverage of seismically safe school buildings increased	DLI2. Seismic resilience of school buildings increased	DLI3. Seismic disaster prepare dness and respons e capacity strengt hened	DLI4. Supportive policies, systems, and structures for seismic disaster risk management and reduction improved	DLI5. National capacity in executing and implementing the seismic safety investment program enhanced		
WA #00001	10-Jun-24	16,525,000.00							-
Interest	15-Jul-25							120,770	
WA #00002	30-Oct-24	14,089,122.80	6,055,789.47	8,033,333.33					14,089,123
(Advance recovery)		(14,089,122.80)							
<b>Total</b>		<b>16,525,000</b>	<b>6,055,789</b>	<b>8,033,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,770</b>	<b>14,089,123</b>

#### 4. STATEMENT OF DEPOSIT ACCOUNT (DA)

Bank account number 900000911710  
 Bank Central Treasury  
 Bank location Meliq-Adamyany Street 1, Yerevan, Republic of Armenia, 0010  
 Account currency EUR  
 ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF))

	Year ended 31 Dec 2023	Year ended 31 Dec 2024
1. Opening balance	-	-
2. Add: opening discrepancy	-	-
3. ADB advance/replenishment	-	30,614,123
4. Less: Refund to ADB from DA	-	-
5. Present outstanding amount advanced to DA	-	30,614,123
6. DA closing balance	-	5,090,119
7. Add: Amount of eligible expenditures paid	-	25,524,004
8. Less: interest earned (if credited to DA)	-	-
9. Total advance accounted for	-	30,614,123
10. Closing discrepancy (5)-(9)	-	-

#### 5. Cash

Account	Account held at	Underlying Currency	Year ended 31 Dec 2023 EUR	Year ended 31 Dec 2024 EUR
Deposit account (ADB Loan Number 4351-ARM)	Treasury	EUR		5,090,119
GoA Cofinancing	Treasury	AMD		279,405
			-	5,369,524

#### 6. Financing

##### 6.1. ADB Loan Number 4351-ARM (Additional Financing to Loan No. 3284-ARM(SF))

	Year ended 31 Dec 2024 USD	Cumulative as at 31 Dec 2024 USD
DLI advance/ (advance recovery)	16,525,000	16,525,000
DLI payment	14,089,123	14,089,123
Interest payment	120,770	120,770
Total	30,734,893	30,734,893
Total financing budget		66,100,000
Percentage of finance provided as at 31 Dec 2024		46%

## 6.2. Government of the Republic of Armenia co-financing

	Year ended 31 Dec 2024	Cumulative as at 31 Dec 2024
	USD	USD
Contributions in cash	5,234,778	5,234,778
Total	5,234,778	5,234,778
Total financing budget		12,280,000
Percentage of finance provided as at 31 Dec 2024		43%

The necessary funds for payments under the current and upcoming construction contracts significantly exceed the program's financial capacity during year 2024 to meet performance indicators and obtain corresponding credit funds. To address this issue, the Government of the Republic of Armenia allocated AMD 2,000,000,000 (approximately EUR 4.8 million) from the state budget through Decision No. 288-N on February 29, 2024. These funds are to be reimbursed to the state budget following the receipt of credit funds, which will be disbursed based on performance reports of schools scheduled for completion in 2024. As of 18 June 2024, the allocated amount (2,000,000,000 AMD) was fully reimbursed.

## 7. Litigations

There are no pending litigations against the Program as at reporting date and as at approval date of these financial statements.



8. DLI achievement progress

DLI#	DLI description	Year *	DLI target	Progress of implementation as at 31 Dec 2024	Corresponding verification process	Amount of Loan Allocated (EUR)	Amount of Loan Proceed Cumulative as at 31-Dec-24 (EUR)	Proceed %
DLI 1	Coverage of seismically safe school buildings increased	2023-2024	At least 2% over baseline points	Implemented and submitted to ADB on 14 October 2024	Approved by ADB on 18 October 2024	21,400,000	700,000	28.30%
		2024-2025	At least 2.6% over baseline points	Implemented and submitted to ADB on 14 October 2024	Approved by ADB on 18 October 2024		4,700,000	
		2025-2026	At least 4.5% over baseline points	Implemented and submitted to ADB on 14 October 2024	Approved by ADB on 18 October 2024		655,789	
DLI 2	Seismic resilience of school buildings increased	2023-2024	# of schools increase by 15 from baseline	Implemented and submitted to ADB on 16 February 2024 and 14 October 2024	Approved by ADB on 22 February 2024 and on 18 October 2024	37,200,000	3,200,000	21.59%
		2024-2025	# of schools increase by 24 from baseline	Implemented and submitted to ADB on 16 February 2024 and 14 October 2024	Approved by ADB on 22 February 2024 and on 18 October 2024		4,833,333	
DLI 3	Seismic disaster preparedness and response capacity strengthened		At least 24 communities received public awareness campaign			2,800,000		
Total						61,400,000	14,089,123	23%