

LOCAL ECONOMY AND INFRASTRUCTURE DEVELOPMENT PROJECT

IBRD LOAN NUMBER 8572-AM

IMPLEMENTED BY  
ARMENIAN TERRITORIAL DEVELOPMENT FUND

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period 1 January 2024 to 16 June 2025

YEREVAN  
June 2025

## CONTENT

	Page
STATEMENT OF MANAGEMENT RESPONSIBILITY .....	3
INDEPENDENT AUDITOR'S REPORT .....	4
STATEMENT OF CASH RECEIPTS AND PAYMENTS.....	6
STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY .....	7
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS.....	8
ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE ATDF AND DISBURSED BY THE WORLD BANK .....	15

## 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 of the special purpose financial statements for the period covering 01 January 2024 to 16 June 2025 of "Local Economy and Infrastructure Development Project" ("Project") financed by Loan Agreement IBRD Loan Number 8572-AM dated 23 February 2016 ("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 Financial Management Manual for World Bank Financed Investment Operations (WB 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 period covering 01 January 2024 to 16 June 2025.

*ATDF's Management is also responsible for:*

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions, and which enable them to ensure that the special purpose financial statements of the Project comply with IPSAS - Cash Basis and the WB Guidelines;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project and to affirm that funds received have been used in accordance with the Loan Agreement, and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- Maintaining the Designated Accounts in accordance with the provisions of the Loan Agreement, and World Bank related guidelines;
- Procuring financed Works, Goods and Services in accordance with the Loan Agreement and World Bank related guidelines
- Preventing and detecting fraud and other errors.

The special purpose financial statements for the period covering 01 January 2024 to 16 June 2025 were signed on 30 June 2025 by the ATDF's Management.



Sargis Baghinyan

Executive Director of the  
Armenian Territorial Development Fund



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 "Local Economy and Infrastructure Development Project" ("Project") financed by Loan Agreement IBRD Loan Number 8572-AM dated 23 February 2016 ("Loan Agreement"), and implemented by Armenian Territorial Development Fund ("ATDF"), which comprise of the statement of cash receipts and payments and the statement of expenditures per components for the period covering 01 January 2024 to 16 June 2025, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements for the period covering 01 January 2024 to 16 June 2025 are prepared, in all material respects, in accordance with International Public Sector Accounting Standards: *Financial Reporting Under the Cash Basis of Accounting*, (IPSAS-Cash Basis) and Financial Management Manual for World Bank Financed Investment Operations ("WB 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 Project 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**

Without modifying our opinion, we draw your attention to Note 2 to the special purpose financial statements, which describes those special purpose financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for another purposes.

### **Emphasis of matters - Project completion**

Without qualifying our opinion, we draw your attention to Note 13 of these special purpose financial statements which disclosed that the Project was completed as at the reporting date.

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

Management of the ATDF is responsible for the preparation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB) and WB 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.

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 International Bank for Reconstruction and Development (IBRD) and the Republic of Armenia, and WB Guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
2. supporting documents, records and accounts have been maintained to support claims for reimbursement of expenditures incurred. Reimbursed expenditures included in the withdrawal applications are eligible for financing under the Loan Agreement; Interim Unaudited Financial Reports (IFRs) issued by ATDF during the Reporting year are in agreement with the underlying books of accounts;
3. the Designated Accounts have been maintained in accordance with the provisions of the Loan Agreement, and World Bank related guidelines;
4. Financed Works, Goods and Services have been procured in accordance with the Loan Agreement and World Bank related guidelines.

In our opinion, the Project management has complied with the above requirements for the period covering 01 January 2024 to 16 June 2025.

"BDO Armenia" CJSC  
30 June 2025

Vahagn Sahakyan, FCCA  
Managing partner





## STATEMENT OF CASH RECEIPTS AND PAYMENTS

IBRD Loan 8572-AM

*In USD*

*The project special purpose financial statements were signed by the management of the Armenian Territorial Development Fund on 30 June 2023. The accompanying notes form an integral part of these project special purpose financial statements.*

Karine Shahbazyan

Head of Financial Management and Accounting  
Department

# STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

Local Economy and Infrastructure Development Project  
IBRD Loan 8572-AM  
For the period 01 January 2024 to 16 June 2025  
In USD

Project Activities	Actual Year Ended 31.12.2023	Period 01.01.2024- 16.06.2025	Cumulative as at 16.06.2025	Planned Cumulative as at 16.06.2025	Variance Cumulative as at 16.06.2025
Part 1. Heritage Hub Regeneration and Tourism Circuit Development	12,969,199	14,655,089	48,160,984	49,043,188	882,204
1.a. Urban regeneration activities	-	-	-	-	-
1.b. Cultural heritage preservation	11,661,107	13,343,858	43,685,488	44,585,509	900,021
1.c. Creation of public infrastructure to attract private investments	-	-	-	-	-
1.d. Project management, design and construction supervision	1,308,092	1,311,231	4,475,496	4,457,679	(17,817)
Part 2. Institutional Development	67,826	1,495,021	1,686,977	2,044,375	357,398
Part 3. Contingent Emergency Response	-	-	-	-	-
Front-end fee	-	-	137,500	137,500	-
Total	13,037,025	16,150,111	49,985,462	51,225,063	1,239,602

The project 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 project special purpose financial statements.



Sargis Baghinyan

Executive Director of the  
Armenian Territorial Development Fund

*Karine Shahbazyan*

Karine Shahbazyan

Head of Financial Management and Accounting  
Department



## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

*Local Economy and Infrastructure Development Project*  
*IBRD Loan 8572-AM*  
*For the period 01 January 2024 to 16 June 2025*

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### 1. General information

#### 1.1 The Project financing.

According to the Loan Agreement between the Republic of Armenia and the International Bank for Reconstruction and Development ("IBRD", "WB") on 23 February 2016, IBRD provided Loan Number 8572-AM in the amount of 55,000,000 United States dollars (USD) to the Republic of Armenia.

The loan was provided for implementation of "Local Economy and Infrastructure Development Project" (hereinafter Project).

The Loan Agreement became effective on 29 December 2016.

The Project was expected to be completed by 2021 and Closing date for IBRD Loan Number 8572-AM financing was set on 30 April 2021. In 2020 the Closing date for the Project was extended to 31 March 2023. In 2022 the Closing date for the Project was extended to 31 December 2024.

The Grace period for submitting the expenditures incurred before the Closing date is set four months after the Closing date 30 April 2025.

On 22 April 2025, in response to the request submitted by ATDF on 08 April 2025, the disbursement deadline was extended to 30 June 2025.

Due to the unpredicted challenges that Republic of Armenia has been facing since the beginning of 2020, the Government of Armenia has initiated the process to engage external financing accordance to the sectorial priorities for the implementation of projects and reforms with critical needs.

For that purpose, on July 3, 2020 and August 12, 2021, RA Minister of Finance has applied to the World Bank with a request to cancel 3,200,000 USD and 9,000,000 USD amounts accordingly, under the Loan Agreement No.8572 between the Republic of Armenia and International Bank for Reconstruction and Development. As a result, the loan for the project was reduced by 12,200,000 USD. The IBRD Loan No.8572 amount is currently 48,200,000 USD.

#### 1.2 The Project's objective

The objective of the Project is to improve infrastructure services and institutional capacity for increased tourism contribution to local economy in the selected regions in Armenia.

The Project consists of the following parts:

##### Part 1: Heritage Hub Regeneration and Tourism Circuit Development

- a) Provision of Investment Subproject Financing to Participating Beneficiaries to finance the carrying out of urban regeneration activities; including, but not limited to, restoration of public infrastructure, building facades and roofs, public spaces, museums, access roads, water and sanitation, drainage and street lighting;
- b) Provision of Investment Subproject Financing to Participating Beneficiaries to finance the carrying out of cultural heritage preservation and improved site management activities which may include, inter-alia: (i) implementation of site management plans recommendations; (ii) construction of a visitor facilities with information centers, cafes, public toilets and safe parking area; (iii) preservation of cultural heritage monuments, museums, and surrounding houses; and (iv) improvement of connectivity with access roads and public infrastructure.";
- c) Creation of public infrastructure to attract private investments;
- d) Project management, design and construction supervision.

##### Part 2: Institutional Development

Institutional capacity building activities for the Project Implementing Entity, the Tourism Committee at the Ministry of Economy (the MoE), and other local and regional entities.



### Part 3: Contingent Emergency Response

Provision of support upon occurrence of an Eligible Emergency, as needed.

#### 1.3 Budget

The Project is financed by:

- IBRD Loan Number 8572-AM,
- Government of the Republic of Armenia (Government of RA) cofinancing.

Expenditure category	IBRD Loan 8572-AM			RoA Government	Total	Percentage of Expenditures to be financed (including taxes)
	Initial	Cancelled (Note 1.1)	Updated	USD equivalent	USD equivalent	%
	USD	USD	USD			
(1) Goods, works, non-consulting services, consultants' services, and/or Training under Part 1 and 2 of the Project	53,962,500	(12,200,000)	41,762,500	10,440,625	52,203,125	80%
(2) Operating costs	900,000	-	900,000	225,000	1,125,000	80%
(3) Front-end Fee	137,500	-	137,500	-	137,500	100%
(4) Goods, works, non-consulting services, consultants' services under Part 3 of the Project	-	-	-	-	-	-
<b>Total</b>	<b>55,000,000</b>	<b>(12,200,000)</b>	<b>42,800,000</b>	<b>10,665,625</b>	<b>53,465,625</b>	

#### 1.4 Project Implementation

The Project is implemented by the Armenian Territorial Development Fund (ATDF) - formerly: Armenian Social Investment Fund (the ASIF), in accordance with the Project Agreement dated 23 February 2016 signed between IBRD and ATDF.

The ASIF has been established by a Decree N 162 dated 11.04.2000 of the Government of the Republic of Armenia, the sole founder, as an autonomous non-profit agency to assist in the rehabilitation of small-scale infrastructure through community initiated and demand-based activities.

The ATDF implements projects financed by the WB and other donors including contribution 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 is the supreme governing body of the ATDF.

The ATDF registered address is: 31 K. Ulnetsu 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 Financial Management Manual for World Bank Financed Investment Operations (March 2010): RM 3 - Financial Reporting and Auditing.

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**

The special purpose financial statements are prepared and presented using the 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 reporting date.

### **2.3 Reporting currency**

The Project financial statements are presented in United States Dollars (USD), reporting currency.

### **2.4 Foreign currency transactions**

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

Project accounts are maintained in USD 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 Budgeting**

Annual budgets for funding and expenditures are based on an approved budget of the project agreement (Note 1.3.).

The expenditure budget is created based on actual accumulated expenditures for the last period plus the updated procurement plans for the period.

### **2.6 Taxes**

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

### 3. Summary Reports and SOEs

IBRD Loan Number 8572-AM

For the period 01 January 2024 to 16 June 2025

in USD Application number	Value Date	Expenditure Category			Total
		(1) Goods, Works, non-consulting services, consultants' services and/or Training under Part 1 and Part 2 of the Project	(2) Operating Costs	(4) Goods Works, non-consulting services, consultants' services and/or Training under Part 3 of the Project	
45	30-Jan-2024	3,071,659	39,325	-	3,110,984
46	16-May-2024	1,044,941	64,807	-	1,109,748
48	24-Jul-2024	2,762,794	75,142	-	2,837,936
49	27-Sep-2024	1,545,866	64,115	-	1,609,981
50	22-Nov-2024	2,475,976	46,576	-	2,522,552
51	18-Dec-2024	1,499,256	21,691	-	1,520,948
52	20-Dec-2024	1,813,874	15,387	-	1,829,261
53	22-Apr-2025	997,653	42,279	-	1,039,932
	<b>Total</b>	<b>15,212,020</b>	<b>369,321</b>	<b>-</b>	<b>15,581,342</b>

### 4. STATEMENT OF DESIGNATED ACCOUNT

Funding

IBRD Loan Number 8572-AM

Bank account number

900000902818

Bank

Central Treasury

Bank location

Meliq Adamyan Street 1, Yerevan,  
Republic of Armenia, 0010

Account currency

USD

	Period ended 16.06.2025 USD
1. Opening balance	689,007.66
2. Add: opening discrepancy	-
3. WB advance/replenishment	12,541,409.58
4. Less: Refund to WB from DA	-
5. Present outstanding amount advanced to DA	13,230,417.24
6. DA closing balance	378,758.51
7. Add: Amount of eligible expenditures paid	12,851,658.73
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	13,230,417.24
10. Closing discrepancy (5)-(9)	-



## 5. STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position discloses assets, liabilities, and net assets of the Project as at reporting date. It is prepared on an accrual basis that is transactions are recognized when they occur (and not only when cash is received or paid).

	Note	16.06.2025 USD	31.12.2023 USD
<b>ASSETS</b>			
Cash	6	420,575.74	689,007.66
Prepayments and receivables	7	-	2,257,249.42
<b>Total assets</b>		<b>420,575.74</b>	<b>2,946,257.08</b>
<b>LIABILITIES</b>			
Payables	8	281,531.93	531,362.13
<b>Total Liabilities</b>		<b>281,531.93</b>	<b>531,362.13</b>
<b>NET ASSETS</b>			
Cumulative income			
<i>Funds</i>	9		
IBRD Loan 8572-AM		40,324,269.68	27,782,860.10
RA Government		10,069,658.93	6,723,970.92
		<b>50,393,928.61</b>	<b>34,506,831.02</b>
Cumulative expenses			
Project expenses	10	(50,266,992.92)	(32,109,463.07)
		<b>(50,266,992.92)</b>	<b>(32,109,463.07)</b>
Foreign currency gain/(loss)		12,107.74	17,527.00
<b>Total net assets</b>		<b>139,043.43</b>	<b>2,414,894.95</b>

## 6. CASH

Account	Account held at	Underlying Currency	16.06.2025 USD	31.12.2023 USD
Designated account (IBRD Loan 8572-AM)	Treasury	USD	378,758.51	689,007.66
Government co-financing account	Treasury	AMD	41,817.64	-
			<b>420,576.15</b>	<b>689,007.66</b>

## 7. Prepayments and receivables

	16.06.2025 USD	31.12.2023 USD
Prepayments on Works*	-	2,257,249.42
<b>Total</b>	<b>-</b>	<b>2,257,249.42</b>

(\*) Prepayments are paid to contractors up to 20% of the construction contract amount based on bank guarantee provided.

## 8. Payables

	16.06.2025 USD	31.12.2023 USD
On Works (Retentions)*	281,532	531,362
<b>Total</b>	<b>281,532</b>	<b>531,362</b>

(\*) Retentions of 5% are held from the completed service invoices as a guarantee for the quality of the work. 2.5% is paid after signing the final act, and the remaining 2.5% are kept for up to one year as guaranty for the quality of performed works or paid on the basis of a one-year bank guaranty.

## 9. Financing

### 9.1 IBRD Loan Number 8572-AM

	Year ended 31.12.2023	For Period 01.01.2024- 16.06.2025	Cumulative at 16.06.2025
	USD	USD	USD
Advances	2,100,000	550,000	4,350,000
SOE and Summary Sheets	8,517,923	11,991,410	35,836,769
Front-end Fee	-	-	137,500
<b>Total</b>	<b>10,617,923</b>	<b>12,541,410</b>	<b>40,324,269</b>
Total financing budget			42,800,000
Percentage of finance provided			94%

### 9.2 Government of the Republic of Armenia co-financing

	Year ended 31.12.2023	For Period 01.01.2024- 16.06.2025	Cumulative at 16.06.2025
	USD	USD	USD
Contributions in cash	2,610,403	3,345,688	10,069,659
<b>Total</b>	<b>2,610,403</b>	<b>3,345,688</b>	<b>10,069,659</b>
Total financing budget			10,665,625
Percentage of finance provided			94%

## 10. Project Expenditures

### 10.1 Project expenditures financing per funds

Category	Period ended 16.06.2025		Total (USD)
	IBRD Loan	Government of RoA co-financing	
	8572-AM (USD)	(USD)	
(1) Goods, works, non-consulting services, consultants' services, and/or Training under Part 1 and 2 of the Project	12,517,341.0	3,129,083.0	15,646,424.0
(2) Operating costs	332,931.0	170,756.0	503,687.0
(4) Goods, works, non-consulting services, consultants' services under Part 3 of the Project	-	-	-
Front-end Fee	-	-	-
<b>Total</b>	<b>12,850,272.0</b>	<b>3,299,839.0</b>	<b>16,150,111.0</b>

Category	Cumulative as at 16.06.2025		Total (USD)
	IBRD Loan	Government of RoA co-financing	
	8572-AM (USD)	(USD)	
(1) Goods, works, non-consulting services, consultants' services, and/or Training under Part 1 and 2 of the Project	38,984,966	9,746,354	48,731,320
(2) Operating costs	821,653	294,988	1,116,641
(4) Goods, works, non-consulting services, consultants' services under Part 3 of the Project	-	-	-
Front-end Fee	137,500	-	137,500
<b>Total</b>	<b>39,944,119</b>	<b>10,041,342</b>	<b>49,985,461</b>

### 10.2 Project budget progress

Category	Cumulative as at 16.06.2025	Budget	Implementation*
	USD	USD	%
(1) Goods, works, non-consulting services, consultants' services, and/or Training under Part 1 and 2 of the Project	48,731,319	52,203,125	93%
(2) Operating costs	1,116,642	1,125,000	99%
(4) Goods, works, non-consulting services, consultants' services under Part 3 of the Project	-	-	0%
Front-end Fee	137,500	137,500	100%
<b>Total</b>	<b>49,985,461</b>	<b>53,465,625</b>	<b>93%</b>

(\*) The loan agreement was signed on 23 February 2016, the deadline for loan disbursements was set at 30 April 2021, then extended till 31 December 2024 (Note 1.1). In April 22 of 2025 disbursement deadline was extended to 30 June 2025. As of 16 June 2025, the cumulative expenditures were at 93% of the total budget (31.12.2023 63%).

## 11. Events after the reporting date

The application N 54 in the amount of USD 390,284.18, that includes expenditures relating to the reporting period and the audit fee, is still pending to be submitted to WB.



# **ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE ATDF AND DISBURSED BY THE WORLD BANK**

*Local Economy and Infrastructure Development Project  
IBRD Loan 8572-AM*

*For the period ending 16.06.2025  
In USD*

Expenditure Category	Appl.	ATDF	WB	Difference
Advance received	47	550,000	500,000	-
Advance recovery	45	(1,000,000)	(1,000,000)	-
	48	(550,000)	(550,000)	-
	50	(300,000)	(300,000)	-
	52	(700,000)	(700,000)	-
	53	(1,039,932)	(1,039,932)	-
<b>Sub-Total</b>		<b>(3,589,932)</b>	<b>(3,589,932)</b>	<b>-</b>
(1) Goods, works, non-consulting services, consultants' services, and/or Training under Part 1 and 2 of the Project	45	3,071,659	3,071,659	-
	46	1,044,941	1,044,941	-
	48	2,762,794	2,762,794	-
	49	1,545,866	1,545,866	-
	50	2,475,976	2,475,976	-
	51	1,499,256	1,499,256	-
	52	1,813,874	1,813,874	-
	53	997,653	997,653	-
<b>Sub-Total</b>		<b>15,762,020</b>	<b>15,762,020</b>	<b>-</b>
(2) Operating costs	45	39,325	39,325	-
	46	64,807	64,807	-
	48	75,142	75,142	-
	49	64,115	64,115	-
	50	46,576	46,576	-
	51	21,691	21,691	-
	52	15,387	15,387	-
	53	42,279	42,279	-
<b>Sub-Total</b>		<b>369,321</b>	<b>369,321</b>	<b>-</b>
<b>Total</b>		<b>12,541,410</b>	<b>12,541,410</b>	<b>-</b>

## **12. Project Implementation**

As of December 31, 2024 project related construction works were fully completed for 35 contracts. Additionally, construction was partially implemented under 7 contracts. Four other sub-projects remained at the design and budgeting stage, with only the design work finalized.

During the reporting period two out of seven partially implemented construction contracts were terminated, including:

1. Project 1- TUR-11.1, Component 1, "Restoration of the access road and walkways to Jrvezh, construction of a small bridge, parking lot, and sidewalks", contractor Best Roud LLC. Completion of the construction was around 9.2%.
2. Project 2- TUR-11.3, Component 3, "Renovation of Mashtots Street", contractor Arhovshin LLC. Completion of the construction was around 92%.

The details other five partially implemented projects are presented below:

1	Contract TUR-13.5	Construction works have been completed; however the Ministry of the Economy still didn't sign the final act of completion and acceptance.
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2	Contract TUP-PPI-05	The construction works have been completed with no quality concerns raised by the acceptance commission. However, the Urban Development Inspection Body issued a rejection, citing the absence of a water line that was part of the original design.
3	Contract TUR-17	The construction works have been completed but received a negative conclusion due to identified deficiencies. The Contractor is currently addressing these issues, after which the Fund will proceed with accepting the final acts.
4	Contract TUR-PPI-04	The construction works have been completed, however negative conclusion was issued due to identified deficiencies, which the Contractor reported as resolved. The Fund will proceed with final acts in due course.
5	Contract TUR-05	The Contractor missed the deadline and a fine was applied. Some works were done after the project's closing date.

### 13. Project Completion

The Project was completed as of 31 December, 2024 ("Closing Date"), and the transactions were completed as of 16 June 2025 ("Reporting Date"), except for final audit fee paid on 27 June 2025.

As of the date of signing these special purpose financial statements, 30 June, 2025:

- a. No expenses, except for final audit, related to the Project were incurred after the Closing Date; no payments were made during the Grace period related to expenses incurred before the Closing Date;  
Final audit fee amounting AMD 4,300,560 approximately USD 11,200 was paid on 27 June. An amount of AMD 3,440,448 equivalent to USD 8,983 was disbursed from the Designated Account, while AMD 860,112 equivalent to USD 2,246 was covered through government co-financing.
- b. No withdrawals from IBRD Loan 8572-AM were made after Reporting date;
- c. The application N 54 in the amount of USD 390,284.18, that includes expenditures relating to the reporting period and final audit fee, is still pending to be submitted to WB.
- d. There is a payable amount USD 281,532 and no prepayments outstanding to contractors related to five contracts for which the final acceptance acts have not been signed and two terminated contracts. Details are disclosed below:

	Contract Number	Description	Amount in AMD	Amount in USD
1	Contract TUR-13.5	5% retention payment	40,203,323	86,538
2	Contract TUP-PPI-05	5% retention payment	27,709,091	59,644
3	Contract TUR-17	5% retention payment	20,955,355	45,107
4	Contract TUR-PPI-04	5% retention payment	1,445,441	3,111
5	Contract TUR-05	5% retention payment	7,099,643	15,282
6	TUR-11.3/1	Termination of contract	31,228,413	67,219
7	TUR-11.1/1/1	Termination of contract	2,151,356	4,631
	<b>TOTAL</b>		<b>130,792,622</b>	<b>281,532</b>

- e. The cash balance outstanding as at Reporting date is the balance at the Designated Account of USD 378,758.51. This balance is subject to refund to the World Bank following the settlement of the final audit fee payment.
- f. Below are the litigations against the Project.

- Claim filed by "Best Road LLC" against ATDF - Seeking to declare null and void the notice No. 6/01/536-25 dated 25 February 2025 concerning the unilateral termination of Contract TUR-11.1/1.
- Claim filed by "Arhovshin LLC" against ATDF - Seeking to declare null and void the termination of Contract TUR-11.3. The contract has been considered unilaterally terminated due to the failure to complete the construction works within the timeframes stipulated in the contract. The non-performance of the works stipulated by the contract has been confirmed by the working group and the engineering-technical staff. Considering that the construction works were not completed within the designated timeframes, the contract is considered unilaterally terminated.