

Approved by the ATDF Board
On _____, 2016

THE ANNUAL REPORT
ON ACTIVITIES OF THE ARMENIAN TERRITORIAL DEVELOPMENT FUND
IN 2015

Yerevan

Contents

I. SUMMARY	3
II. ACTIVITIES OF THE TERRITORIAL DEVELOPMENT FUND	5
2.1 The 1 st Component of the SILD: Preparation of Microprojects	5
2.2 Appraisal of Micro-project Applications	8
2.3 Micro-projects Approval	10
2.4 Procurement	10
2.5 On-going microprojects	12
2.6 Training and Technical Assistance	13
III. COMMUNITY PARTICIPATION	16
IV. ACTIVITIES UNDER the SDC GRANT	17
V. COLLABORATION WITH OTHER INTERNATIONAL ORGANIZATIONS	18
VI. EXECUTIVE OFFICE MANAGEMENT	20
VII.FINANCIAL PERFORMANCE	20

Appendix 1 List of SILD micro-projects by marzes

Note: The term “community” in this Report corresponds to the one defined in the Operational Manual. Sometimes it is different from the term stated in the regional administrative division.

I. SUMMARY

The reporting period covered activities of the Armenian Territorial Development Fund (ATDF) in frames of Social Investment and Local Development (SILD) Project implemented by the support of the International Bank for Reconstruction and Development (IBRD) in the period from January 1, 2015 to December 31, 2015. Brief results of ATDF activities in frames of other Projects are presented as well.

Applications: During the period under review, a total of 49 applications of micro-projects were received from communities of 10 marzes, and passed the 1st phase of appraisal. According to the procedures set in Operational Manual of the SILD Project, community general meetings were held in the communities, where 11 Project implementation committees (PIC) were selected; 11 micro-projects were approved.

Agreements: A total of 34 preliminary agreements with total cost of 4.14 billion Armenian dram (AMD) equivalent to 8.65 million US dollars (USD) were signed with PICs of micro-projects that passed the 1st stage of appraisal. Also 10 framework agreements with total cost of 1.37 billion AMD (about 2.88 million USD) were signed with PICs of approved microprojects.

Construction works: A total of 9 contracts with total cost of 1.11 billion AMD (or about 2.31 million USD) were signed with experienced construction companies selected through tenders. At the end of the reporting period a total of 241.3 million AMD (or about 502.3 thousand USD) was disbursed against performed construction works. Work places created equalled to about 6,245 man*day ensuring a profit of nearly 110.5 thousand USD for people involved in construction works.

Received and expended amounts: During the period under review the following amounts were received from different sources and expended:

- 411.3 million AMD (equivalent to 870.22 thousand USD) was received from the IBRD credit. Expenditures made 390.2 million AMD (equivalent to 814.46 thousand USD).
- 255.1 million AMD (~531.5 thousand USD) was received from the state budget as part of the Government contribution for the SILD Project while expenditures made 220.5 million AMD (~460.6 thousand USD).
- 21.9 million USD was received in frames of Loan Agreement signed between the Government of RA and Asian Development Bank as a prepayment that made 25% of the loan amount.
- 10.62 million AMD (equivalent to 22 thousand USD) was received as the 1st tranche of grant provided by USAID in frames of Local Governance Reform Activity. Out of provided amount expenditures made 3.23 million AMD (6,691 USD).
- Total expenditures from the SDC grant source made 245,344 CHF (about 120.5 million AMD) against received amount of 230,000 CHF (about 111.2 million AMD).
- 111.2 million AMD (~ 232.3 thousand USD) was received as a contribution of communities; and expenditures from this source totalled 16.4 million AMD (about 34.2 thousand USD).

ASIF III Project: The ASIF III Project came to its end on March 31, 2015, and additional 4 months were given for the payments. An amount of 4.1 million AMD (equivalent to 8.6

thousand USD) was received as part of the Government contribution allotted by the State budget; and expenditures in frames of the ASIF III made 434.14 million AMD (nearly 913 thousand USD).

In the frames of the SILD Project and 3rd Additional Financing of the ASIF III, the plan of the year was accomplished by 101.9 percent (2.22 million USD against planned 2.18 million USD).

For more details, see the next chapters.

II. ACTIVITIES OF THE TERRITORIAL DEVELOPMENT FUND

2.1 The 1st Component of the SILD: Preparation of Microprojects

In 2015 Project activities were directed towards generation of applications for micro-projects to be implemented under the 1st component of the SILD Project. The process of applications generation is described briefly in Box 1.

The micro-project application includes community decision on participation in SILD Project; information on measures aimed at identifying the first priority needs of the beneficiaries; information on the infrastructure selected as a priority and its description; an evidence on willingness of the community to make required contribution; and the community council's commitment to invest the necessary resources for the operation and maintenance of the rehabilitated infrastructure in the community budget. The process and results of the discussions of priority problems with evidencing materials should be attached to the application along with the decision of the Community council adopted based on these discussions.

All applications will be screened against general eligibility criteria¹. The applications not meeting these eligibility criteria are rejected by the EC decision. The rest are handed over to the appraisal unit of the Fund for preliminary appraisal.

After the preliminary appraisal stage in the selected applicant communities, the promotion specialists facilitate events aimed at updating the community on the micro-project preparation progress and the results of the preliminary appraisal, obtaining community agreement on the appraisal, and ensuring awareness on the project grievance redress mechanism. After this information delivery campaign, the 2nd general community

Box 1. Microproject applications generation

Prior to launching its outreach and promotion activities in marzes, ATDF will finalize the mapping, ranking and classification of the communities of each marz by the Community Vulnerability Index.

In each marz the promotion activities start with a round table meeting in the Marzpetarans. At this meeting the ATDF will present the SILD Project, its components and procedures, and the Marzpetaran will present the Marz Development Strategy and programs. The marz community vulnerability mapping, as well as the schedule of training of involved communities, collection of the applications, conducting of beneficiary participation events is presented by ATDF officials. The Marzpetaran is requested to prepare the initial list of the most needy communities and corresponding priority problems in consultation with the municipality heads, and present this list to ATDF. The list should take into account the ATDF community vulnerability ranking. The list is based on the communities ranking by the vulnerability index, Marzpetarans'/municipalities' priorities; and the amount of available financial resources for the marz and for the current year. The ATDF finalized lists of the Marzes' eligible communities are sent to the Marzpetarans. These communities are invited by ATDF to start the process of consultation and priority projects identification with the population and apply to the ATDF for being involved in the ATDF activities.

The community administration and Council have to ensure availability of the information to all the population groups, and possibility of their participation in the problems identification. At the end of this campaign the 1st GCM is organized by the Community Council the objective of which is to discuss the important community problems, and to identify the priority one; to make a decision on participation in SILD Project; and to request the Community Council to prepare and send to ATDF an application for participation in the SILD Project. The decision of the Community council will be adopted and presented to the ATDF with description of the community outreach activities, and the process and results of the discussions of priority problems with evidencing materials should be attached to the application.

¹ Eligibility criteria for applications of microprojects include: a) the application is properly compiled and signed, and the required documents are attached; b) compliance with the final marz list of needy communities; c) the proposed micro-project type corresponds to the eligible micro-projects' typology; d) the proposed micro-project is classified as environmental Category C of B; e) no land acquisition by ATDF (permanent or temporary) or involuntary resettlement (including loss of access to property or livelihood assets) is required for the micro-project

meeting is held with participation of Community outreach and Promotion unit (COPU) officer, during which SILD Project and its procedures are presented to community members; decision is made on the community contribution, and on setting up the Project Implementation Committee (PIC) to represent the community population and to take responsibilities for the implementation of micro-projects under the Framework Agreement signed with the ATDF. PIC acts as the focal point through which local communities provide feedback or voice their concerns on micro-project preparation, technical design and implementation, work quality, and collaboration with ATDF, contractors, and other stakeholders. The first meeting of the PIC takes place with participation of the promotion specialist right after the general community meeting closing. During the meeting: (i) the Head of PIC is elected; and (ii) a short training on the role of the PIC and its next steps in the proposal preparation is conducted by the representatives of the ATDF.

Thus, during the reporting period, 49 applications are received from Shirak, Aragatsotn, Armavir, Ararat, Gegharqunik, Lory, Tavush, Kotayk, Syunik and Vayots Dzor marzes (see list of application in Annex 1). Data on applications by typology and marzes are presented in the Table 1 below.

Table 1. Application received in 2015 by typology and marzes

Marz	Kindergarten	School	Potable water system	Community Center	Outpatients Clinic	Special school	Total
Aragatsotn	5	1					6
Ararat	1			1	1		3
Armavir	1						1
Gegharqunik	7	1		1			9
Kotayk	2		3		1		6
Lory	2			1		1	4
Shirak	4	4	2				10
Syunik				1			1
Tavush	4	2	1	1			8
Vayots Dzor	1						1
Total	27	8	6	5	2	1	49

Community General Meetings (CGM): In the period from application generation till approval of micro-project three general meetings should be organize in ATDF communities **In order** to ensure availability of the information to all the population groups (including women, youth, vulnerable groups, community members of remote of near border regions), and local government.

The 1st CGM: The 1st GCM is organized by the Community Council which invites formal and informal leaders of the community, representatives of vulnerable groups, community organizations, school(s), business, and general public. The objective of this meeting is to make a decision on participation in the SILD Project; to discuss the important community problems, and to identify the priority one; to request the Community Council to prepare

and send to the ATDF an application for participation in the SILD Project. In the CGM no participation of ATDF COPU officer is envisaged.

The 2nd CGM: After the 1st stage of appraisal the 2nd GCM should be organized to inform the community on SILD Project in more details, to get confirmation of the participants that all the community problems were openly discussed at the first GCM and to ensure that the community population understands and appreciates the micro-project selection and design, to make a decision on the local contribution, and setting up the Project Implementation Committee (PIC) to represent the community population, and support all activities related to the micro-project preparation and implementation.

Table 2. Data on CGMs

Meeting	N	N of participants	Of which women
II CGM	11	1,108	582
III CGM	11	1,000	656

The 3rd CGM is held after that the 2nd stage appraisal is completed. At the meeting, COPU officer presents once more the ATDF and (in collaboration with the PIC) the micro-project final design and the community involvement in its co-financing and implementation. The minutes of the meeting are included in the micro-project proposal package. Data on CGMs held in 2015 are presented in Table 2.

Typology of microprojects' application is illustrated in Figure 1, and their distribution by marzes and location types is provided in Table 3.

Fig 1. Typology of MP applications

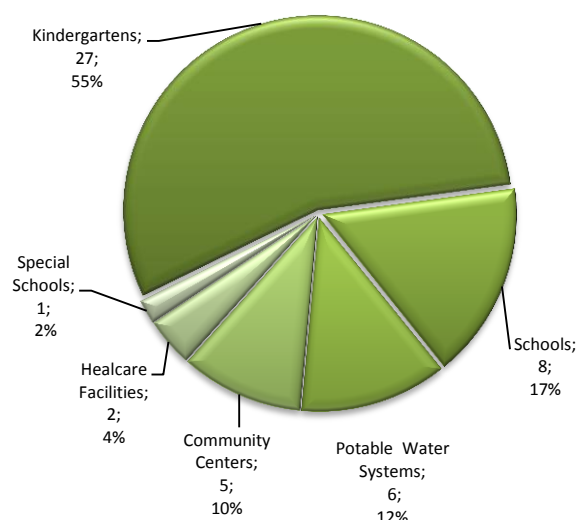


Table 3. Distribution of micro-project applications by marzes as of December 31, 2015

Marz	N	Urban	Rural
Aragatsotn	6	2	4
Armavir	1		1
Ararat	3	1	2
Gegharqounik	9	3	6
Kotayk	6	1	5
Lory	4	1	3
Shirak	10		10
Syunik	8	1	7
Tavoush	1	1	
Vayots Dzor	1		1
Total	49	10	38

Distribution by vulnerability clusters: All Armenian communities were ranked based on the community mapping and profiling exercise carried out in 2015 and distributed among 3 clusters: "Most vulnerable", "Vulnerable" and "Least vulnerable". According to the requirement instituted under the SILD, at least 40% of the loan proceeds should be used for micro-projects in the communities from the poorest cluster, and maximum 20% in the communities from the least poor cluster. The distribution of the total value of the estimated costs of micro-projects among three clusters is shown in Table 4.

Table 4. Distribution of MPs by vulnerability clusters

Vulnerability Cluster	Interval of vulnerability index		N of applications	Total Cost, AMD	%	Requirement set under the SILD
Most vulnerable	0.456	0.950	17	2,320,059,544	36.6%	At least 40%
Vulnerable	0.276	0.455	29	3,591,189,943	56.6%	
Least vulnerable	0.050	0.275	3	430,885,011	6.8%	Not more than 20%

* Cost referred to the stage of micro-project as of Dec 31, 2015.

Promotion activities with community groups in 2015 are summarized in Table 5 below.

Table 5. Data on promotion activities during the reporting period

Marz	N of applications	N of Inhabitants	N of participants in discussions	Of which women	N of participants of EC meetings	Of which women	N of PIC members	Of which women
Aragatsotn	6	10,117	493	239	140	25	46	9
Ararat	3	6,405	512	177	22	1	24	9
Armavir	1	4,314	130	60	9	0	7	1
Gegharqounik	9	17,962	643	262	126	39	68	20
Kotayk	4	5,640	208	121	68	25	14	5
Lory	6	7,450	370	155	82	22	45	12
Shirak	10	12,415	429	237	283	131	62	15
Syunik	1	23,200	34	14	8	0	7	1
Vayots Dzor	1	1,868	155	95	8	2	8	4
Tavoush	8	13,743	594	248	143	38	70	26
Total	49	103,114	3,568	1,608	889	283	351	102

2.2 Appraisal of Micro-project Applications

The goal of appraisal is to study the received applications, to rank them according to the ATDF appraisal criteria, to select the higher ranked applications and to prepare all necessary documents for the implementation of those micro-projects (ordering the architectural/ engineering design and cost estimations, verifying the presence of the documents envisaged by the RA legislation and ATDF regulations, etc.). The appraisal is carried out in two stages: preliminary and final (see Box 2 for particularities).

It should be noted that if the applicant was a beneficiary of the ASIF Project, the community must submit the actual data on the current state of infrastructure maintenance.

The preliminary micro-project proposals are handed over to the Legal unit for preparation and signing of the Preliminary Agreement with the PICs allowing the procurement of the project technical design works and/or consultancy services. The agreement defines the preliminary portion of the community contribution which is asked as a guaranty for carrying out final stage of the appraisal. As a rule, the preliminary contribution is 50% of the entire contribution.

During the period under review a total of 34 Preliminary Agreements with total cost of 4.14 billion AMD (equivalent to 8.65 million USD) were signed with applicant communities.

The micro-projects final appraisal stage starts immediately after signing of the Preliminary Agreement with the PIC. As of December 31, 2015, a total of 49 micro-project proposals passed to the final stage of appraisal. Project Design papers were ordered for all of them except for one micro-project (TSH-02- Construction of school for 100 students in the village of Vardaqrar) that provided Project Design papers acceptable for ATDF.

The finally appraised micro-projects are approved by the Executive Committee meetings.

Environmental and Social Safeguard:

In 2015, according to the SILD procedures, a total of 36 applications passed also environmental and social expertise, out of which 12 were classified as category "B" and 24 as category "C". For these applications Environmental and social management plans were

Box 2. Microprojects Appraisal

The appraisal is carried out in two stages: preliminary and final.

The preliminary stage of appraisal includes desk study of all applications. Then, after the site visit and discussions with the community, the appraisal engineer works out a list of activities necessary to solve the problem presented in the Application and prepares the preliminary cost estimate. Based on the collected data and worked out preliminary cost estimation, the applications' compliance with the SILD Project's eligibility appraisal criteria is checked. In case if the aggregated cost of the complying micro-projects from the particular marz does not exceed the amount of financial resources pre-allocated to the marz and to the specific vulnerability cluster, all the complying applications are presented for the Executive Committee approval. The remaining micro-projects are rejected. In the opposite case the applications are scored against ATDF Evaluation criteria.

The group of the higher scored applications with the aggregated cost not exceeding the funds pre-allocation is presented for the Executive Committee approval. In case the aggregated amount of applications received by ATDF exceeds the available financial resources allocated to the marz and/or to the vulnerability cluster, the ATDF appraisal engineers evaluate the applications against the set of the evaluation criteria (geographical, social, economic, general features, environmental classification, and technical). Based on the evaluation, environmental classification and ranking list of the applications is prepared. Applications with higher scores are selected by the EC for the transferring to the Appraisal unit and the Legal Unit for preparation and signing of the Preliminary Agreement with the PIC.

The micro-project's final appraisal starts immediately after the signing of the Preliminary Agreement with the PIC. It includes the final clarification of main activities with the PIC, the final micro-project budget, mechanisms for ensuring local level sustainability of the micro-project, the planned measures for mitigation of possible negative effects in area of environmental and social protection, final evaluation of the operational and maintenance costs, as well as ordering of the architectural/engineering design project, PD's comprehensive examination, and environmental and social expertise, etc..

Taking as a base the adjusted design and the estimated cost, as well as the results of preliminary and final stages of appraisal, the appraisal engineer develops the final appraisal report, which includes the description of main planned activities, the final micro-project budget, the technical criteria of the civil works and equipment, the planned measures for environmental protection and improvement (if needed).

prepared and published on the ATDF's website and presented to the World Bank. After that public hearings were announced and organized in these communities.

Within the social safeguard framework a grievance redress mechanism was established. Thus, a separate e-mail (support@atdf.am) was set up, and online registration system was launched for submission of complaints through ATDF's official website². The ATDF new website provides information on appeal procedures and process, contact details of the officer responsible for processing of submitted complaints and other information of general nature. An automatic response form was developed for all complaints received either by e-mail, or online, with contact information and a notice, describing terms of complaints resolution. Along with that, complaints registration and resolution rules were developed and introduced for complaints processing on two levels, by the ATDF officer and on places, by the local coordinators (for 34 micro-projects in total).

2.3 Micro-projects Approval

After the micro-project approval the promotion specialist supports the PIC with planning and carrying out information dissemination events in the community aimed at updating the community on the micro-project progress and presenting the final version of its design. It is important to ensure that entire population has an opportunity to get information and to provide comments / suggestions on the micro-projects specifications. At the end of information dissemination campaign the last general community meeting is held. The minutes of the meeting are included in the micro-project proposal package.

The micro-projects with the ATDF share³ above equivalent of USD 330,000 in local currency must get the no-objection of the World Bank and approval of the ATDF Board. In these cases ATDF Board has seven days for providing its no-objection. The Board decision on the micro-project approval is made through collection of written endorsements of the members. If the ATDF Board does not provide comments or no-objection within seven days of the receipt of the micro-project appraisal, then the micro-project proposal is considered to be automatically approved and is sent to the World Bank for its no-objection. After the micro-project's final approval (including the Bank's "no objection", if required), and after receiving the community contribution fixed in the Preliminary Agreement, a Framework Agreement is signed with the PIC that will regulate the entire project implementation.

During the period under review a total of 10 Framework Agreement were signed with PICs with total cost of 1.37 billion AMD (or 288 million USD).

2.4 Procurement

After the micro-project approval, the PIC in collaboration with ATDF carries out the procurement of civil works (see in details in Box 3 below).

.

² <http://atdf.am/hy/Home/ContactUs>)

³ the WB loan means, the Government co-financing and local co-financing together

Box 3. Procurement

Procurement arrangements under the SILD micro-projects are as follows: Based on the responsibilities of parties outlined in the Framework Agreement signed between the ATDF and the PIC, civil works under the SILD Project Component 1 will be procured by the PIC under technical assistance, guidance and supervision of ATDF.

Goods and Consultant Services will be procured/selected by the Procurement Department of the ATDF.

The Procurement Department and the PIC will start civil works procurement process of within a week after receiving the required contribution. They announce the tender, after which bids are evaluated according to the criteria specified in the Operational Manual, the winner is determined and a contract signed with him, and the contract is subject to approval by ATDF.

For the civil works contracts with the contract price above US\$ 300,000 the bidding/selection documents and results are sent to the ATDF Board approval. The Board has to provide its decision within 7 days. If the ATDF Board does not provide comments or no-objection within seven days of the receipt of the contract then it is considered automatically approved and is sent to the World Bank for its no-objection.

In the reporting period a total of 9 contracts with total cost of 1.11 billion AMD (or about 2.32 million USD) were signed with construction organizations. All procurement transactions of ATDF during 2015 are summarized in Table 6 below.

Table 6. ATDF Procurement transactions in 2015

Type of Contract	N	Cost, AMD	Cost, USD	%
Construction	9	1,112,171,352	2,319,855	86.2%
Author supervision services	6	12,650,410	26,742	1.0%
Design contract	6	99,510,635	210,355	7.7%
Expertise services	4	31,646,307	65,924	2.5%
Micro-project Supervision Services	2	29,943,144	63,325	2.3%
Computer equipment for SILD	1	4,603,240	9,539	0.4%
Grand Total	28	1,290,525,088	2,695,740	100%

Furniture provision. Under the 1st and 2nd Components of the SILD Project procurement of goods for micro-projects and sub-projects is envisaged primarily in the form of furniture, equipment and materials for the rehabilitated schools, kindergartens, healthcare facilities and community centers. The ATDF will provide goods to other infrastructures beyond the ATDF coverage as well based on applications received from the marz centers/marpetarans. An amount of 1.15 billion AMD (or 2.43 million USD) is planned for furniture provision in frames of the SILD Project.

No contract was signed on furniture provision in 2015.

2.5 On-going microprojects

As of December 31, 2015, construction works were in process for 9 microprojects.

Among these micro-projects 5 refer to kindergartens, and one of each to school, outpatient clinic, community center and museum.

Brief description of construction stage of a micro-project is provided in the Box 4.

Figure 2 presents the stage of micro-projects under implementation according to the level of their accomplishment as of December 31, 2015. Table 7 presents summarized data on the on-going micro-projects by typology.

Box 4. Microproject Civil works implementation

With civil works start microproject follow-up phase is starting under the general guidance of Fund's follow-up engineer. During construction period the micro-project designer and technical supervisor along with monitoring by the Follow-Up Engineer conduct the supervision of works under the micro-projects. The technical supervisor is responsible for the daily supervision of ongoing works, in particular the supervision of construction quality and amounts and ensuring compliance with the Project safeguards documents and overall World Bank safeguards policies. The project designer is responsible for supervising the adherence to the technical designs. The Follow-up Engineer visits the micro-project site at least twice a month to verify the progress and quality of works, including compliance with safeguards requirements; examine documentation of the project-designer and technical supervisor; on the basis of randomly picked checking, sign Statements of Accomplished Works with the technical supervisor; and identify technical, managerial or other constraints faced by PICs and contractors and submit this information to the head of the FU. During these visits, the FE meets with the PIC and community members to discuss issues related to micro-project implementation.

Upon completion of the works, a completion and hand-over meeting is held for each microproject. The members of Hand-Over Committee visit the microproject site, inspect the quantity of the accomplished works and availability of the necessary documents, and make a decision regarding the satisfactory completion. The local government is responsible for signing the Hand-Over Agreement, b signing of which the microproject deemed to be completed. From this moment, the local government, the community and the local organizations will be responsible for the operation and maintenance of the infrastructure facility as stated in the Framework Agreement.

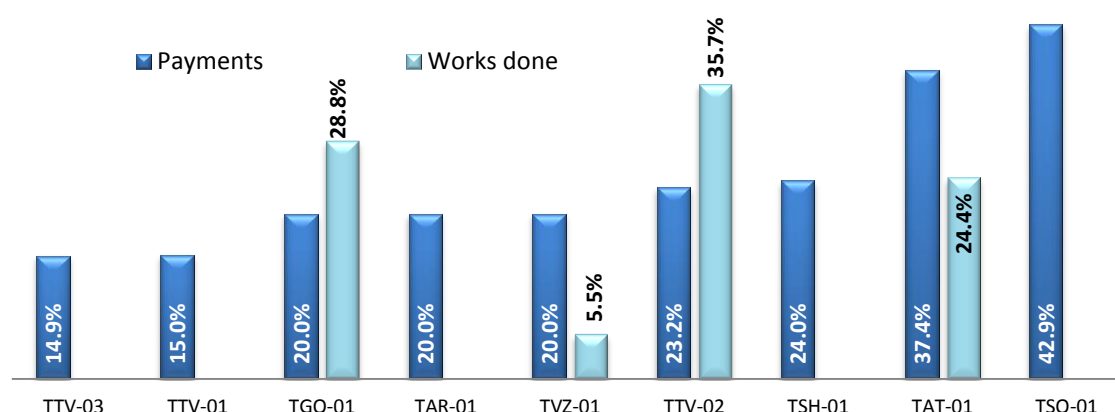


Fig. 2 Accomplished works and payments done for ongoing MP's as of Dec 31, 2015

**Table 7. Brief Data on ATDF on-going Micro-projects by Typology
as of December 31, 2015**

Type	N of MPs	Total Contract Cost, AMD	Total Contract Cost, USD	%	Number of Beneficiaries	%
Kindergarten	5	741,442,301	1,532,933	66.7%	13,192	8.7%
Community centers	2	146,811,006	306,492	13.2%	25,120	1.9%
Outpatient clinic	1	37,301,744	78,472	3.4%	3,716	58.6%
School	1	186,615,605	387,242	16.8%	809	30.8%
Total	9	1,112,170,656	2,305,139	100%	42,837	100%

The total amount paid against accomplished civil works of on-going micro-projects at the end of the reporting period made about 62 million AMD (equal to 130 thousand USD).

2.6 Training and Technical Assistance

The Training and Technical Assistance (T&TA) Coordination unit of the Fund is responsible for coordinating all T&TA within the ATDF and for ATDF partners and clients. T&TA will be provided to:

- Community councils and executive, relevant service providing organizations including school councils;
- PICs in frames of the 1st Component;
- Sub-project initiative groups (SIG) in frames of the 2nd Component;
- Local experts (particularly, responsible for subprojects design and monitoring) to facilitate preparation and implementation of the ATDF projects; and
- ATDF staff.

Box 5. Training and Technical Assistance

Capacity building and technical assistance under the **SILD Project Component 1** will be provided to the local officials and basic service providers, involved in the Component implementation, namely:

- To **Community officials/ service providing organizations** aiming to build the stakeholder's capacity to cooperate with ATDF; to support the micro-projects identification, implementation, monitoring, and operation and maintenance; and to ensure effective community involvement at all stages of the micro-project cycle. The TA/capacity building is provided by the COPU specialists in form of coaching/tutoring. It is provided during the visits of the COPU/AU specialists to the community prior to, during and following the CGM.
- To **PICs** aiming to build PIC members' capacity to cooperate with ATDF and to support the micro-projects preparation, participatory implementation and monitoring.

The TA/capacity building is provided by the COPU and AU specialists mainly in form of coaching/tutoring just after the first General community meeting where the PIC is elected; during the appraisal final stage; after the approval of the micro-project and signing of the Framework Agreement.

T&TA to be provided in frames of Component 1 of the SILD Project is described briefly in the Box 5.

Data on training/capacity building of ATDF local partners conducted in the period under review in frames of 49 applications generated under Component 1 is presented in Table 8.

Table 8. T&TA of ATDF partners in frames of the Component 1 of the SILD Project

To whom T&TA is directed	N of participants	Of which women
I. Community councils of applicant communities	128	29
II. Discussions in applicant communities	1,109	434
III. Project Implementation Committees	86	28

Capacity building of officials of Marz Governor offices. In December, 2015 within the frameworks of SILD's 2nd Component preparation, ATDF organized capacity building courses on regional development and intercommunity collaboration for 27 representatives (of which 12 were women) of Development projects and analytic departments of governor offices of all marzes (except Yerevan). The duration of the course was 24 academic hours.

From December 21 to 23 training was organized in the village of Hermon, Vayots Dzor for representatives of regional administration departments of Aragatsotn, Ararat, Armavir, Syunik, Vayots Dzor marzes. From December 24 to 26 training was organized in the town of Tsaghkadzor, Kotayk marz, for representatives of regional administration departments of Gegharkunik, Lori, Kotayk, Shirak and Tavush marzes.

The following issues were covered in the workshops through combination of lectures and practical work:

- Cycle of sub-projects to be implemented under the Component 2 and procedures;
- Formats of applications and proposals of sub-projects;
- Sub-project selection, evaluation and exclusion criteria;
- The methodology for defining and evaluating the characteristics of inter-community cooperation;
- Assessment of institutional capacity of inter-communal cooperation (and/or municipality);
- Classification of potential beneficiary communities, of guide for application of intercommunity cooperation assessment methodology.

Table 9. Testing Results

Estimation interval (max 25)	N of participants
<10	6
10-12.5	11
12.5-15	5
15-17.5	4
17.5-20	1

After the seminar the participants' knowledge was assessed by testing method with the maximum grade of 25. Results are provided in the Table 9. Seminars were also evaluated: 92% of participants rated the seminar as effective, highly appreciated the quality of

educational materials and presentations, compliance of provided materials with their needs, preparedness of trainers, etc.

Study Tour: A study tour to Poland and Ukraine on management of regional development projects for 2 staff members of the Fund, representatives the Ministry of Territorial Administration and Emergency Situations and Syouniq and Vayots Dzor marzpetarans was organized from April 12-23 by the Swiss Development Corporation in frame of the SDC local governance program in Armenia. Participants were hosted by the Podlaskie Regional Foundation in Poland and UNDP Regional Development Project in Ukraine. Within the scope of the study tour program number of meetings took place with representatives of Korichin, Mikhailowo, Suprasil community representatives in Poland and Kirovograd and Zaporozhye development projects' participants in Ukraine.

During the study tour to Podlaskie region activities of the local self-government bodies/gminas, as well as operation of the Fund were thoroughly explained and introduced to the study tour participants. The demonstrated experience proved high level of independence, responsibility and accountability of local self-government bodies, particularly with regard to decisions affecting life of the whole community, such as for example, consolidation of three schools in one, building of a new infrastructure (roads), etc.

In Ukraine there is an intensive and productive communication and interaction between the center/oblast and the local self-government bodies and population/NGOs in places. All demonstrated projects have diversified sources of funding, including regional/state input, community input/individual donations or memberships fees in case on NGOs, community input/private business, donor support/UNDP and other. Numbers of successful projects are implemented by voluntary associations, cooperatives created for applying and carrying out specific tasks. They seemed to prove their sustainability, since most of them continue their operation after completion of UNDP projects for which they had been initially created. While evaluating and making decisions on the projects to be implemented in the regions, the strategic development programs of the regions are also taken into considerations, i.e. to what extent the regional development plans are reflected and addressed in the applications/draft papers of the applicants.

All participants evaluated this trip to Poland and Ukraine as very useful and effective.

ATDF staff training: During the reporting year ATDF staff training/capacity building activities comprise of both on-the-job/experience-based, and structured training courses. Thus:

- ASIF accountants attended a number of workshops on Amendments to the Tax Law and expected amendments in taxation in 2015, organized by “Economics and Law”, and IAB Center as well as workshops regarding International accounting standards organized by International Center of training in accounting.
- Three staff members participated in English Language courses organized by IAB Center.
- ATDF Lawyer participated in a course of contract negotiations organized by American University of Armenia.

- Two-day seminar was organized in Yerevan for six employees of the Institutions support department of ATDF, during which participants were trained and enhanced their capacities in conducting workshops.

A Workshop was organized by the Fund for ATDF staff in Tsakhkadzor from October 21 to 23 to present in details results of studies conducted in SILD's preparation period as well as developed methodologies, toolkits and guides for application.

Three Round table discussions were organized on January 30, April 9 and July 1 of 2015, where the results of the ASIF preparatory studies were presented by the consultants and discussed with ASIF staff, involved parties, LG representatives and international donor organization representatives, namely WB, SDC, USAID, and GIZ.

International conference. In December 9-11 a regional conference dedicated to the prospects of regional development and the 20th anniversary of Armenian Social Investment Fund was held in Yerevan. The conference brought together government officials, representatives of various local and international organizations, non-governmental organizations in Armenia, as well as the invited participants from five countries, ATDF staff, and a total of over 150 people. Experience of different countries related to regional development projects implemented with financial support from donors and projects aimed to establish the most favorable social and economic conditions of the communities were presented at the conference. As a reference to the 20th anniversary of the Social Investment Fund, results of its activities in the implementation of community-based programs as well as ASIF contribution to the development of local self-government bodies was presented at the conference.

The conference was initiated and financed by the ATDF, the European Union and SDC.

III. COMMUNITY PARTICIPATION

For the SILD microprojects, community contribution is sought as part of the micro-project financing.

- ✓ 4% minimum (out of a micro-project estimated cost) contribution rate is set up for the most vulnerable communities of Cluster "A",
- ✓ 7% minimum rate is set up for the Cluster "B" communities, and
- ✓ 10% rate is set up for the Cluster "C" communities.

The SILD Project allows micro-projects to be implemented in the marz-centers, for which a minimum of 10 percent community contribution would be paid.

Generally, the community contribution is done in cash. Only in cases if (i) according to state regulations (for example, for mounting electricity lines, gas pipelines etc.), or (ii) by agreement with ATDF (for architectural/engineering design) the community orders some part of work to a third party, and the documented and reasonable cost of these works is accepted as a part of the community contribution. The principal forms of community contribution are local budget allocation, small amounts raised from all the members of

the community, and sponsors' contributions. Sponsors, donors, community members and the local government are all permitted to provide the community contribution.

The Preliminary Agreement (see section 2.2) defines the preliminary portion of the community contribution which is asked as a guaranty for carrying out final stage of the Appraisal. As a rule, the preliminary contribution is 50% of the entire contribution, and can be changed only by decision of Executive Committee of the ATDF. It is worth to be mentioned that procurement of the civil works under the approved micro-project commenced only after the agreed community contribution was deposited in full in the ATDF's bank account.

During the period under review contribution was made in amount of 111.2 million AMD (equivalent to 232.3 thousand USD) for 18 microprojects. Figure 3 and Table 10 below present data on community contributions made in 2015.

Fig. 3 Monetary contributions done in 2015 by sources, USD

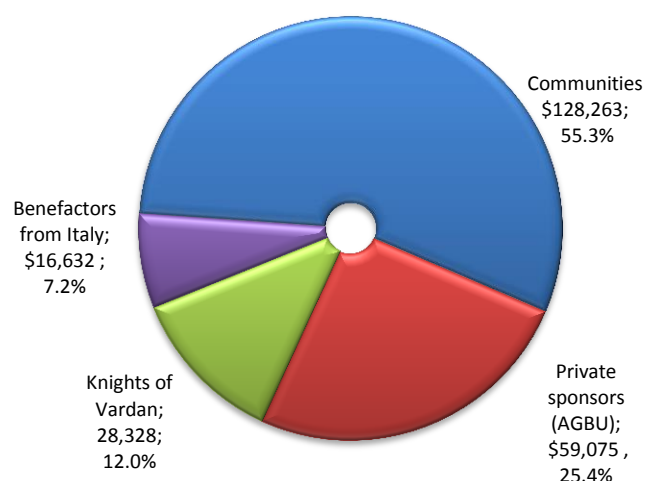


Table 10. Monetary contributions done in 2015

Source	N *	Total amount, AMD	Total amount, USD	%
Communities	14	61,494,096	128,263	55.3%
Private sponsors (via AGBU)	4	28,296,680	\$59,075	25.4%
Knights of Vardan	1	13,394,895	\$28,328	12.0%
Benefactors from Italy	1	8,006,962	\$16,632	7.2%
Total		111,192,633	\$232,298	100%

* Contribution for a micro-project can be made from different sources.

The amount of payments against works completed during the reporting period made from the source of communities' contributions totalled more than 16.4 million AMD (or about 34.2 thousand USD).

IV. ACTIVITIES UNDER THE SDC GRANT

To support establishment of Territorial Development Fund on the basis of ASIF's restructuring, SDC South Caucasus office awarded grant to the ASIF in the amount of 287,850 Swiss francs for preparatory activities of the Fund aimed to support number of basic studies necessary for transformation of the ASIF into the Territorial Development

Fund and strengthening of ASIF capacities, including study on the Fund's institutional capacities and institutional development plan.

At the end of period under review all studies are accomplished; the final reports, toolkits and guides are provided, and discussed during the number of Round Tables (see section 2.7).

In 2015 an amount of CHF 230,000 was received from SDC (equivalent to 111.2 million AMD). Total expenses during the reporting period were equal to CHF 245,344 (equivalent to 120.5 million AMD).

V. COLLABORATION WITH OTHER INTERNATIONAL ORGANIZATIONS

During the reporting period negotiations were held with several international organizations on implementation of various projects on financing of provided grants and credits. In particular:

❖ **The USAID's Local Governance Reform Activity (LGRA):** The ATDF will support the Government's Territorial Administration Reform (TARA) initiatives through the implementation of complex intercommunity projects in consolidated communities. Overall coordination of TARA will be carried out under the mandate of the Ministry of Territorial Administration and Emergency Situations (MTAES). MTAES will guide ATDF in areas of the state policy regarding TARA, and will exercise control over selection and prioritization of the sub-projects. ATDF with its enhanced institutional mandate and resources will be the main implementation mechanism to manage financial resources and technical support needed to implement territorial administrative reforms and achieving the goals of long-term development of the country.

USAID will support TARA by providing up to \$8.6 million for 14 consolidated municipalities comprising 14 proposed clusters for the pilot phase of the TARA. This amount will be provided under the G2G4 mechanism of the Development Objective Cooperation Agreement signed between the USA and the Republic of Armenia on September 28, 2013. For this purpose USAID will work directly with the ATDF in line with the SILD Project. The total project cost is 9.39 million USD, of which 8.6 million is USAID grant, and 786 thousand will be contributed by the communities.

During the reporting period an accountant was hired under the LGRA (other vacancies will be filled in further). Five computers and office equipment envisaged for LGRA staff have been procured (total amount of mentioned equipment is 3.65 million AMD (or 7,567 USD)).

In 2015 an amount of 22,000 USD (equivalent to 10.62 million AMD) was received as a 1st tranche of grant provided by USAID in frames of Local Governance Reform Activity. Out of provided amount expenditures made 3.23 million AMD (6,691 USD).

⁴ G2G (Government-to-Government)

❖ On September 22, 2015 Asian Development bank approved Results-based lending of loan for implementation of **Seismic Safety Improvement (SSIP)** Project that will support the implementation of the National Strategy for Disaster Risk Reduction during 2015-2020 by (i) improving school seismic safety to reduce casualties and damage in schools during earthquakes, and (ii) enabling better use of school buildings as shelters for the general public and as focal points for emergency response after earthquakes.

Loan Agreement was signed on October 19, 2015. The Project will be carried out by MTAES as executing agency, and ATDF as implementing agency. The total cost of the Project is 107 million USD, of which 88.5 is ADB loan.

From November 19 to 20, 2015 an orientation workshop was organized to support implementation of SSIP in Yerevan. Over 50 representatives (engineers, architects, planners from the Ministry of Urban Development, engineering design companies, etc. as well as ATDF officers attended this workshop. Topics included lessons learned from past earthquakes in the world, and particularly in Armenia, disaster risk reduction through proper planning and strengthening of the schools' design standards, and improvement of building codes, construction practices, design and supervision of construction.

In addition to above mentioned, during the reporting period the Fund actively participated in the negotiations and preparation of projects to be implemented through the ATDF by the financing to be provided by the following organizations:

❖ **Swiss International Cooperation Office** plans to allocate CHF 2,885 million as a grant under guidance of the World Bank for implementation of inter-community projects in seven consolidated communities of Syunik and Vayots Dzor Marzes.

❖ **European Investment Bank (EIB)** also plans to implement a program of upgrading its seismic secondary schools in Armenia through the ATDF. Currently negotiations are in progress.

❖ Another WB Project named **Local Economy and Infrastructures Development Project (LEIDP)** with the cost of 66 million USD is envisaged to be implemented through the ATDF. On December 22, 2015 the Project was approved by WB's Board of Directors. LEIDP's objective is to improve infrastructure services and institutional capacity for increased tourism contribution to local economy in selected regions of Armenia.

The Project activities are expected to benefit the residents, tourists and enterprises in five regions located in Ararat, Kotayk, Lori, Syunik and Vayots Dzor marzes. Residents, tourists and enterprises are expected to receive improved access to, and quality of, public infrastructure; increased volume of private sector investment in the region; and increased small and micro enterprises in renovated cultural heritage sites and cities. The Government will benefit from increased overall tourism spending and satisfaction, job creation, improved institutional capacity of selected agencies, and improved capacity to operate and maintain assets.

ATDF participated in development of the LEID Project's environmental and social safeguards framework and Resettlement frameworks. Both frameworks in Armenian and English are published in the ATDF site. Public discussions on environmental, social safeguard frameworks, and document of strategic assessment of cultural heritage were held in seven communities of Vayots Dzor, Kotayk, Syunik, Ararat, Lori regions to be

covered by the LEIDP. The aim of the discussions was to review these documents, as well as to raise public awareness on this matter.

VI. EXECUTIVE OFFICE MANAGEMENT

Considering increase of work volume due to SILD Project's start, the Fund's staff was expanded during the reporting period; namely three new promotion specialists, two appraisal engineers, two follow-up engineers, an estimator, a procurement specialist, a social specialist, and an assistant to executive director were selected through bidding. The technical staff was supplemented by three drivers. An appraisal engineer was fired according to his own statement.

Based on ASIF staff qualification evaluation done in June 2015, Fund's Executive committee made a decision on signing of new contracts with one year duration.

During the period under review SOS Audit Company conducted two financial audits: in February-March the Company conducted financial audit of ASIF III previous activities of 2014 (as an organization and as a Project); and in August-September the Company conducted financial audit of ASIF III activities for the period of January-July of 2015 (as a Project). The audit revealed that Financial Reports gave the fair and true reflection of the ASIF's financial position (both organization and Project), flows of Special accounts and their remnants; and disbursements were correctly reflected in all the essential respects and were made according to the provisions of international standards.

In 2015 new computers, printers and other office equipment were purchased for the ATDF office through tenders. Purchases were made at SILD Project, USAID and Swiss grants expense.

During the reporting period, all equipment and cars operated faultlessly. Kilometres logged by the cars made 201,895, and the consumption of fuel totalled 29,085 litres.

VII. FINANCIAL PERFORMANCE

During the period under review a few Special accounts were opened newly in the Treasury of RA for needs of the Territorial Development Fund:

- Two accounts for credit means to be provided by IBRD (84830-AM) and for Government contribution for the SILD Project,
- Two accounts for credit means to be provided by ADB (3284 ARM-SF) and for Government contribution for the SSIP Project,
- An account for USAID grant (USD).

During the year of 2015 the special account of the SILD Project was replenished once by a total amount of 600 thousand USD (initial advance). An amount of 255.1 million AMD (equivalent to 531.2 thousand USD) was received from the state budget as part of the Government contribution for the SILD Project.

An amount of the initial advance payment consisting 25% of the loan amount (equal to 21.9 million USD) was received on special account of SSIP according to the Loan Agreement that entered into force in December of 2015.

SDC Grant was completed in December 31. As of that day grant expenses made 281.74 CHF. The last tranche of the grant will be received in 2016 after its financial audit.

During 2015 the monetary contributions made on behalf of 18 communities equalled to more than 111.2 million AMD (or about 232.3 thousand USD).

In the reporting period 9 contracts with total amount of about 1.11 billion AMD (or about 2.31 million USD) were signed with construction enterprises.

In the frames of the SILD Project and 3rd Additional Financing of the ASIF III, the plan of the year was accomplished by 101.9 percent (2.22 million USD against planned 2.18 million USD).

Brief data on the ATDF expenditures by funding sources during the year of 2015 are given in Table 11.

Table 11. SILD Project expenditures by sources for the period of January 1- December 31, 2015

Category	Component	Source	Amount, USD	Amount, AMD
Civil works	Infrastructure Rehabilitation	Government	105,703	50,775,469
		IBRD	362,430	174,092,529
		Communities	34,195	16,424,488
Total Civil works			502,328	241,292,486
Goods	ATDF Office	Government	2,473	1,192,981
		IBRD	6,502	3,137,259
Total for Goods			8,975	4,330,240
Consulting Services	Infrastructure Rehabilitation	Government	58,503	27,944,683
		IBRD	151,563	72,395,288
Total for Consulting Services			210,066	100,339,971
Operating Costs	ATDF Office	Government	293,961	140,566,729
		IBRD	293,961	140,566,767
		Communities	166	79,493
		Sponsors	41	19,313
Total for Operating Costs			588,129	281,232,301
GRAND TOTAL for SILD			1,309,497	627,194,998

* * *

ASIF III Project: The ASIF III Project came to its **end in the reporting period, and additional 4 months were given for the payments.**

During the year 4.1 million (8.6 thousand USD) was received as part of the Government contribution for the ASIF III's 3rd Additional Financing.

ASIF III expenses totalled more than 434.14 million AMD (equivalent to 913 thousand USD).

In the frames of the SILD Project and 3rd Additional Financing of the ASIF III, the plan of the year was accomplished by 101.9 percent (2.22 million USD against planned 2.18 million USD).

ATDF Executive Director

Ashot Kirakosyan

Table: SILD Project - list of applications

Code	Name	Registration Date	Stage of implementation
TAN-01	Reconstruction of school in the village of Alagyz	15-Apr-15	Appraisal 2nd
TAN-02	Reconstruction of kindergarten and installation of its heating system in the village of Ujan	25-Aug-15	Appraisal 2nd
TAN-03	Reconstruction of kindergarten in the village of Ohanavan	24-Aug-15	Appraisal 2nd
TAN-04	Reconstruction of kindergarten in the village of Parpi	15-Dec-15	Appraisal 2nd
TAN-05	Disposition of kindergarten in the reconstructing school building in the town of Aparan	15-Dec-15	Appraisal 2nd
TAN-06	Reconstruction of "Arevik" kindergarten in the town of Ashtarak	7-Dec-15	Appraisal 2nd
TAR-01	Completion of construction of semi-constructed kindergarten in the village of Arshaluys	15-Apr-15	Construction
TAT-01	Overhaul of outpatients' clinic in the village of Norashen	15-Apr-15	Construction
TAT-02	Reconstruction on cultural center in the village of Getazat	15-Apr-15	Appraisal 2nd
TAT-03	Reconstruction of #4 kindergarten in the town of Artashat	14-Apr-15	Appraisal 2nd
TGQ-01	Reconstruction of kindergarten in the village of Tsakqar	15-Apr-15	Construction
TGQ-02	Completion of construction of semi-constructed community center in the village of Lichq	22-Sep-15	Appraisal 2nd
TGQ-03	Reconstruction of one building of kindergarten in the village of Geghamavan	8-Oct-15	Appraisal 2nd
TGQ-04	Reconstruction of "Zartong" kindergarten in the town of Sevan	8-Oct-15	Appraisal 2nd
TGQ-05	Reconstruction of one building of kindergarten in the village of Ddmashen	8-Oct-15	Appraisal 2nd
TGQ-06	Reconstruction of #3 kindergarten in the town of Chambarak	8-Oct-15	Appraisal 2nd
TGQ-07	Reconstruction of school in the village of Tsaghkashen	9-Oct-15	Appraisal 2nd
TGQ-08	Reconstruction of kindergarten #5 in the town of Gavar	16-Nov-15	Appraisal 2nd
TGQ-09	Reconstruction of kindergarten in the village of Vardadzor	17-Dec-15	Appraisal 2nd
TKQ-02	Construction of outpatients' clinic in the village of Qaghsi	23-Nov-15	Appraisal 2nd
TKQ-03	Reconstruction of distribution network in the village of Marmarik	23-Nov-15	Appraisal 2nd
TKQ-04	Construction of DRR in the village of Zovashen	23-Nov-15	Appraisal 2nd
TKQ-05	Construction of DRR and reconstruction of water intake in the village of Zar	24-Nov-15	Appraisal 2nd
TKQ-06	Reconstruction of one building of kindergarten in the village of Geghadir and installation of its heating system	24-Nov-15	Appraisal 2nd
TKQ-07	Reconstruction of #3 kindergarten in the town of Charentsavan	25-Nov-15	Appraisal 2nd
TLR-01	Reconstruction of wrestling school in the town of Aparan	7-Sep-15	Appraisal 2nd
TLR-02	Reconstruction of community center in the village of Norashen	23-Nov-15	Appraisal 2nd
TLR-03	Construction of kindergarten in the village of Gyulagarak	25-Nov-15	Appraisal 2nd
TLR-04	Reconstruction of kindergarten in the village of Lermontovo	26-Nov-15	Appraisal 2nd
TSH-01	Construction of school in the village of Vardaqaar	15-Apr-15	Construction
TSH-02	Construction of school in the village of Krasar	15-Apr-15	Appraisal 2nd
TSH-03	Replacement of floors, renovation and heating system installation of school in the village Haykadzor	13-Oct-15	Appraisal 2nd
TSH-04	Construction of school gym in the village of Harich	13-Oct-15	Appraisal 2nd
TSH-05	Reconstruction of kindergarten in the village of Aygabac	13-Oct-15	Appraisal 2nd
TSH-06	Construction of potable water system in the village of Jajur	13-Oct-15	Appraisal 2nd

Code	Name	Registration Date	Stage of implementation
TSH-07	Overhaul of kindergarten in the village of Voskehask	13-Oct-15	Appraisal 2nd
TSH-08	Reconstruction of kindergarten in the village of Arevik	13-Oct-15	Appraisal 2nd
TSH-09	Reconstruction of kindergarten in the village of Spandaryan	13-Oct-15	Appraisal 2nd
TSH-10	Construction of external pipeline of potable water system in the village of Lernakert	13-Oct-15	Appraisal 2nd
TSQ-01	Reconstruction of Sero Khanzadyan's Museum in the town of Goris	15-Apr-15	Construction
TTV-01	Reconstruction of kindergarten in the village of Azatamut	13-Apr-15	Construction
TTV-02	Reconstruction of the 3 rd building of kindergarten in the town of Berd	15-Apr-15	Construction
TTV-03	Construction of community center in the village of Verin Karmir Aghbyur	24-Aug-15	Construction
TTV-04	Construction of new pipeline for potable water system in the village of Voskepar	28-Sep-15	Appraisal 2nd
TTV-05	Construction of kindergarten in the village of Navur	29-Sep-15	Appraisal 2nd
TTV-06	Construction of #1 school gym in the village of Bagratashen	29-Sep-15	Appraisal 2nd
TTV-07	Construction of kindergarten in the village of Artsvaberd	1-Oct-15	Appraisal 2nd
TTV-08	Reconstruction of school in the village of Kirants	1-Oct-15	Appraisal 2nd
TVZ-01	Strengthening and reconstruction of kindergarten in the village of Zaritap	15-Apr-15	Construction