

Contents

Special Purpose Project Financial Statements and Independent Auditor's Report

Water Committee of the Ministry of Territorial Administration and Infrastructures of the Republic of Armenia

Communal Infrastructure Programme II – Phase 3

As of and for the year ended 31 December 2019



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The special purpose project financial statements of the "Commune Infrastructure Programme II - Phase 2" under KfW Loan and Project Agreement as of 31 December 2019, and the cash receipts and cash paid for the year then ended, in accordance with the cash book of accounting documents, as set out in the special purpose project financial statements, and in all material respects, payments have been made in accordance with the conditions of the Loan and Project Agreement dated 27 December 2013, as amended on 20 June 2016 and the corresponding Separate Agreement dated 26 October 2015, as amended on 23 March 2016 and on 23 July 2016, as well as Supplementary Conditions of the KfW for payments under the Disbursement procedure.

In our opinion, the statements of expenditures submitted were supported by relevant and reliable evidence and can be relied upon to support the applications for the KfW BMZ 2015/2016 withdrawal.

In addition, in our opinion:

- a) The payments have been made in accordance with the conditions of the relevant Loan and Project Agreement dated 27 December 2013, as amended on 20 June 2016 and the corresponding Separate Agreement dated 26 October 2015, as amended on 23 March 2016 and on 23 July 2016. There were no relative expenditures conflict.
- b) The accounting documents have been maintained in accordance with the provisions of the Loan and Project Agreement dated 27 December 2013, as amended on 20 June 2016 and the corresponding Separate Agreement dated 26 October 2015, as amended on 23 March 2016 and on 23 July 2016.
- c) Expenditures are supported by relevant and reliable evidence. All supporting documents and records with respect to the disbursements of expenditures submitted as the basis for withdrawal applications have been made available.

Independent auditor's report

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To the management of the Water Committee of the Ministry of Territorial Administration and Infrastructures of the Republic of Armenia

Opinion

We have audited the accompanying special purpose project financial statements of the "Communal Infrastructure Programme II – Phase 3" (the "Project"), implemented by the Armenian Territorial Development Fund (the "ATDF") through the Branch of the ATDF (the ATDF "Water Sector Projects Implementation Branch") for the implementation of water management programs under the responsibility of the Water Committee of the Ministry of Territorial Administration and Infrastructures of the Republic of Armenia (the "WC") and financed in accordance with the Loan and Project Agreement of the KfW, Frankfurt am Main (the "KfW"), financing agreement of the European Union (the "EU"), represented by the European Commission's EU Neighbourhood Investment Facility Project (the "EU-NIF") and the European Investment Bank (the "EIB") finance contract, which comprise the statement of cash receipts and disbursements, statement of expenditures and statements of project accounts, individual project accounts and government co-financing accounts as of and for the year ended 31 December 2019 and a summary of significant accounting policies and other explanatory information.

In our opinion, the special purpose project financial statements present fairly the cash balance of the "Communal Infrastructure Programme II – Phase 3" under KfW Loan and Project Agreement as of 31 December 2019, and the cash received and cash paid for the year then ended, in accordance with the cash basis of accounting described in note 2 to the special purpose project financial statements, and in all material respects, payments have been made in accordance with the conditions of the Loan and Project Agreement dated 27 December 2013, as amended on 20 June 2018 and the corresponding Separate Agreement dated 28 October 2015, as amended on 23 March 2016 and on 23 July 2018, as well as Supplementary Conditions of the KfW for payments under the Disbursement procedure.

In our opinion, the statements of expenditures submitted were supported by relevant and reliable evidence and can be relied upon to support the applications for the KfW BMZ 2013.6634.3 withdrawals.

In addition, in our opinion:

- a) The payments have been made in accordance with the conditions of the relevant Loan and Project Agreement dated 27 December 2013, as amended on 20 June 2018 and the corresponding Separate Agreement dated 28 October 2015, as amended on 23 March 2016 and on 23 July 2018. There were no ineligible expenditures identified.
- b) The accounting documents have been maintained in accordance with the provisions of the Loan and Project Agreement dated 27 December 2013, as amended on 20 June 2018 and the corresponding Separate Agreement dated 28 October 2015, as amended on 23 March 2016 and on 23 July 2018.
- c) Expenditures are supported by relevant and reliable evidence. All supporting documents and records with respect to the statements of expenditure submitted as the basis for withdrawal applications have been made available.

- d) The audited statements of expenditures can be relied upon to support the related withdrawal applications. Clear linkage exists between the statements of expenditures, the withdrawal applications presented to the KfW and the accounting records.
- e) During the year ended 31 December 2019 no goods have been acquired within the scope of the Loan and Project Agreement and corresponding Separate Agreement. The rendered services include only the consulting services, which were financed and procured in accordance with the relevant Loan and Project Agreement dated 27 December 2013, as amended on 20 June 2018 and the corresponding Separate Agreement dated 28 October 2015, as amended on 23 March 2016 and on 23 July 2018, respectively.
- f) No specific deficiencies and areas of weakness have been identified in the internal systems established within the framework of the Project.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Project Financial Statements* section of our report. We are independent from the ATDF and the WC in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

- We draw attention to note 6 to the special purpose project financial statements, which describes that according to the letter of the KfW, the KfW agreed to extend deadline for requesting disbursement until 30 December 2022, provided that the Ministry of Finance of the Republic of Armenia will bear the refunding costs incurred by the KfW due to such extension. Our opinion is not modified in respect of this matter.
- We draw attention to note 6 to the special purpose project financial statements which describes the effect of a new disease COVID-19. Our opinion is not modified in respect of this matter.
- We draw attention to note 2 to the special purpose project financial statements, which describes the basis of accounting. The special purpose project financial statements are prepared to assist the management of the Project to meet the requirements of the financial reporting of the Loan and Project agreement of the KfW, the EU-NIF financing agreement and the EIB finance contract. As a result, the special purpose project financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Special Purpose Project Financial Statements

Management of the Project under the responsibility of the SCWE is responsible for the preparation and fair presentation of the special purpose project financial statements in accordance the cash basis of accounting as described in note 2 to the special purpose project financial statements, the conditions of the Loan and Project Agreement dated 27 December 2013, as amended on 20 June 2018 and the corresponding Separate Agreement dated 28 October 2015, as amended on 23 March 2016 and on 23 July 2018, the appropriate covenants of the EU financing agreement and the EIB finance contract and for such, internal control as management determines is necessary to enable the preparation of special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose project financial statements, management is responsible for assessing the ability of the Project to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Special Purpose Project Financial Statements


Our objectives are to obtain reasonable assurance about whether the special purpose project 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 a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or 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 project 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 project 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 internal control established within the framework of the Project.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Project to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose project financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose project financial statements, including the disclosures, and whether the special purpose project 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.

Armen Hovhannisyan
Chief Executive Officer


Emil Vassilyan, FCCA
Engagement Partner

5 June 2020



Statement of cash receipts and disbursements

As of and for the year ended 31 December 2019

In Euro	Note	Year ended 31 December 2019	As of 31 December 2019
RECEIPTS			
Fund replenishments from the KfW		-	6,555,542
Fund replenishments from the EU-NIF		-	402,383
Fund replenishments from the co-financing		24,973	474,797
Total receipts		24,973	7,432,722
DISBURSEMENTS			
Disbursements from the KfW sources	4	124,068	2,618,946
Disbursements from the EU-NIF sources		-	162,868
Disbursements from the co-financing sources		25,144	475,645
Bank transfer fees		-	315
Total disbursements		149,212	3,257,774
Net increase/(decrease) in funds		(124,239)	4,174,948
Gain from the exchange rate difference		171	848
Cash balance at the beginning of the year		4,299,864	-
Cash balance at the end of the year	3	4,175,796	4,175,796

The special purpose project financial statements were approved on 5 June 2020 by:

Mamikon Gasparyan

Deputy Director of the ATDF-Branch Director

Anna Margaryan

Acting General Secretary of WC

Nanna Keryan

Chief Accountant

Marik Aghvanyan

Head of Financial and Accounting Department of WC

The statement of cash receipts and disbursements is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 13 to 16.

Statement of expenditures

In Euro	Expenditures	
	Year ended 31 December 2019	As of 31 December 2019
<i>KfW loan</i>		
Consulting services	124,068	2,618,946
<i>EU-NIF grant</i>		
Consulting services	-	162,868
<i>Co-financing</i>		
Consulting services	25,144	475,645
Bank transfer fees	-	315
Total expenditures	149,212	3,257,774

The statement of expenditures is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 13 to 16.

Project account statement (KfW loan)

Account number: 900000902370
Bank: State Treasury of the Republic of Armenia
Address: Yerevan 0010, Meliq-Adamyán 1
Currency: Euro
As of and for the year ended 31 December 2019

Balance as of 1 January 2019	<u>4,060,442</u>
Add:	
The KfW loan funds	-
Total inflow	<u>-</u>
Less:	
Transfer to the Individual Project account	124,069
Total outflow	<u>124,069</u>
Balance as of 31 December 2019	<u>3,936,373</u>

The project account statement is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 13 to 16.

Project account statement (EU-NIF)

Account number: 900000902396
 Bank: State Treasury of the Republic of Armenia
 Address: Yerevan 0010, Meliq-Adamyan 1
 Currency: Euro
 As of and for the year ended 31 December 2019

Balance as of 1 January 2019	239,414
Add:	
The EU-NIF funds	-
Total inflow	-
Transfer from the Project account	124,439
Less:	
Transfer to the Individual Project account	-
Total outflow	-
Project expenses	124,439
Balance as of 31 December 2019	239,414

The project account statement is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 13 to 16.

Individual Project account statement (KfW loan)

Account number: 900000902974
Bank: State Treasury of the Republic of Armenia
Address: Yerevan 0010, Meliq-Adamyanyan 1
Currency: Euro
As of and for the year ended 31 December 2019

Balance as of 1 January 2019	<u>7</u>
Add:	
Transfer from the Project account	<u>124,069</u>
Total inflow	<u>124,069</u>
Less:	
Project expenses	<u>124,068</u>
Total outflow	<u>124,068</u>
Balance as of 31 December 2019	<u>8</u>

The individual project account statement is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 13 to 16.

Individual Project account statement (EU-NIF)

Account number: 900000903592
 Bank: State Treasury of the Republic of Armenia
 Address: Yerevan 0010, Meliq-Adamyani 1
 Currency: Euro
 As of and for the year ended 31 December 2019

Balance as of 1 January 2019	1
Add:	
Transfer from the Project account	-
Total inflow	-
Less:	
Project expenses	-
Total outflow	-
Balance as of 31 December 2019	1

The individual project account statement is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 13 to 16.

Government co-financing account (AMD) statement

Account number: 900000902982
 Bank: State Treasury of the Republic of Armenia
 Address: Yerevan 0010, Meliq-Adamyan 1
 Currency: AMD
 As of and for the year ended 31 December 2019

Balance as of 1 January 2019	-
Add:	
The Government co-financing (the KfW loan funds)	28,007
Returned amount to budget	(3,034)
Total inflow	<u>24,973</u>
Exchange rate difference	171
Less:	
Project expenses	<u>25,144</u>
Total outflow	<u>25,144</u>
Balance as of 31 December 2019	<u>-</u>

The government co-financing account statement is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 13 to 16.

Notes to the special purpose project financial statements

1 Nature of operations and general information

Within the framework of the "Communal Infrastructure Programme II – Phase 3" (the "Project"), the Republic of Armenia (the "RA") has received a loan from the KfW, Frankfurt am Main (the "KfW"). The Loan and Project Agreement was signed on 27 December 2013, as amended on 20 June 2018 between the KfW on the one part, and the RA, represented by the Ministry of Finance and represented by the State Committee of Water Economy of the Ministry of Energy Infrastructures and Natural Resources of the Republic of Armenia (the "SCWE") and the Armenian Water and Sewerage CJSC, the Lori Water and Sewerage CJSC, "Nor Akunq" CJSC and "Shirak Water and Sewerage" CJSC ("PEAs"), each represented by the SCWE on the other part for the implementation of the Project. The total amount of the financing was agreed to be up to Euro 30,000,000. The Project is co-financed by the European Union (the "EU"), represented by the European Commission's EU Neighbourhood Investment Facility Project (the "EU-NIF") and the European Investment Bank (the "EIB").

The Implementing Financing Agreement between the RA, represented by the Ministry of Finance and the SCWE and the EU were signed on 14 May 2014. The total amount of the grant was agreed to be up to Euro 15,000,000.

The Finance Contract between the RA, represented by the Ministry of Finance and the EIB was signed on 27 June 2014. The total amount of the credit was agreed to be Euro 25,500,000.

The Project is implemented in accordance with the Separate Agreement to the Loan and Project Agreement dated 28 October 2015, as amended on 23 March 2016 and on 23 July 2018.

Until December 2016 the Project was carried out by the four regional Water Utilities: Shirak CJSC, Lori CJSC, Nor Akunq CJSC and Armenian Water and Sewerage CJSC as the Project Executing Agencies ("PEAs"). In 2016 a lease contract for water and wastewater services in the service areas of the four regional Closed Joint Stock Companies as well as in area of Yerevan Djur CJSC has been concluded with the newly founded Veolia Water CJSC. Since January 2017 the lessee Veolia Water CJSC is responsible for management, operation and maintenance of the national water and sewage infrastructure. In accordance with the RA Government Decree N191-A as of 23 February 2017 the responsibility for the further Project implementation of projects under implementation financed by loan and grant funds implemented in the system of the SCWE provided to the Republic of Armenia by foreign countries and international donors has been assigned to the Water Sector Project Implementation Unit ("WSPIU") State Agency of SCWE. From January 2017 to 27 December 2019 the Project will be carried out by the WSPIU under the responsibility of the WC.

The purpose of the Project is further rehabilitation and construction of the Water Supply and Sewerage Infrastructure in Armenia, the service areas of Lori Water and Sewerage CJSC, Shirak Water and Sewerage CJSC, Nor Akunq CJSC and Armenian Water and Sewerage CJSC, including consulting services. The Project concerns the rehabilitation, renewal and extension of the water supply network, some urgent measures in the sewer systems in the service areas of the former regional Water Utilities Shirak CJSC, Lori CJSC, Nor Akunq CJSC and AWSC as well as the waste water treatment plant in Armavir. Also the Project covers the third Phase of the Communal Infrastructure Program that aims at providing continuous, 24/7 days water and demand-oriented supply of the population with hygienically sound water and thus raising the living and health conditions of the population. The purpose of the Project is the qualitative and quantitative improvement of the water supply of the population living in the project region. Furthermore, the Project includes investments for the surrounding villages. This is to contribute to the sustainable and ecological municipal development as well as to the improvement of the environmental situation, contribution to sustainable and ecologically sound management of the regional water resources and the reduction of negative impacts on the health situation of the population in the project region.

The following Project activities shall be financed from the Loan:

- Construction and rehabilitation of the Water Supply and Sewer Systems including house connections in the Project region;
- Procurement of Operation and maintenance equipment;
- Consultancy Services for design works including all services required, in compliance with Art. 1.2 (Environmental, Social, Health and Safety Compliance), tendering and supervision.
- Consultancy Services for technical and financial monitoring services of project accounts.

The EU-Neighbourhood Investment Facility (the "EU-NIF") will provide to the Project an Investment Grant of up to Euro 15 million. The following measures shall be financed from the EU-NIF contribution, which is administered by KfW;

- Construction of the Wastewater Treatment Plant in Armavir in accordance with the ultimate goal of complying with the EU standards and international standards;
- Pilot projects in the 560 villages not assigned to the former Water Utilities and the lessee, respectively; the measures will be defined in the framework of the Feasibility Study "Improving and Developing Water and Sanitation Systems in Settlements out of the Service Areas of Water Utilities".

The estimated total project investment cost underlying the project appraisal are approximately Euro 70.5 million (excluding VAT, and other public charges as well as the cost of necessary land acquisition and interest during construction) and are planned to be financed as follows:

KfW Loan of up to	Euro 30 million
European Investment Bank (EIB) loan of up to	Euro 25.5 million
EU NIF Investment Grant up to	Euro 15 million (3 million from 15 million is not subject for audit).

The Project concept also includes a contribution of the Armenian side to the Project costs. Since no VAT payments and other public charges shall be financed from Financial Cooperation funds, all necessary VAT, custom duties and other public charges have to be borne by the Armenian Government. This not only concern VAT payments for the investment measures, but also the VAT payments for the accompanying measures.

The Project is planned to be implemented within five years from the date of effectiveness of the Loan and Project Agreement and the complementary Separate and Financing Agreement.

According to the decree N170-Ն of the RA Government and its amendment dated 28 February 2019, it was decided to suspend the activities of the Water Sector Project Implementation Unit State Agency of the SCWE (the "WSPIU") starting from 30 December 2019. It was determined that the operations of the WSPIU will continue to be implemented by the Armenian Territorial Development Fund (the "ATDF") through the Branch of the ATDF (the ATDF "Water Sector Projects Implementation Branch") for the implementation of water management programs

The legal address of the ATDF "Water Sector Projects Implementation Branch" is 8A Vardanants Blind Alley, Yerevan, Republic of Armenia.

2 Significant accounting policies

2.1 Basis of preparation

The special purpose project financial statements have been prepared on the cash basis of accounting. Under this basis of accounting financing is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. The special purpose project financial statements are also prepared in accordance with the relevant sections of the Loan and Project Agreement dated 27 December 2013, as amended on 20 June 2018 and the corresponding Separate Agreement dated 28 October 2015, as amended on 23 March 2016 and on 23 July 2018, EU financing agreement and the EIB finance contract.

2.2 Functional and presentation currency

Armenian dram ("AMD") is the national currency of the Republic of Armenia. Euro is the functional currency for maintaining the Project accounting records and ledgers. The special purpose project financial statements are presented in Euro.

Government co-financing amounts in Armenian drams and payments made from those amounts are converted into Euro applying the exchange rate set out by the Central Bank of Armenia on the date of the transaction.

In preparing the special purpose project financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At the reporting date, bank balances, advances and payables denominated in foreign currencies are retranslated into Euro at the rate defined by the Central Bank of Armenia prevailing on that date, which is 537.26 drams for 1 Euro as of 31 December 2019 (553.65 Armenian drams for 1 Euro as of 31 December 2018).

2.3 Financing

The Project account financing is recognized and included in the special purpose project financial statements only if the credit amounts are transferred to the Project account opened in the State Treasury of the Republic of Armenia. Fund replenishments are disbursed by the KfW in Euro according to the method of Disbursement in Tranches. Replenishments are provided in tranches by the amount calculated in a disbursement forecast detailing the expenditures planned for the measures financed for the forthcoming six months from each of the individual project sub - accounts. Application for replenishment of any project account may be made as soon as more than 70% of the preceding replenishment has been expended and that all earlier tranches have been fully expended.

The EIB disbursements will follow the terms of the EIB financing contract and the EIB's general procedure.

Disbursements of the NIF Funds will be affected by the KfW to the relevant project account in the forecasted amount upon withdrawal application.

2.4 Expenses

The Project expenses are recognized and included in the special purpose project financial statements if the payment to suppliers for works and services performed is made. Payments are made from the Project account and the Government co-financing accounts.

3 Cash

Within the framework of the Project three separate project accounts were opened in the State Treasury of the Republic of Armenia (Project account), for the financing received from the KfW loan, EU Neighbourhood Investment Facility (the "EU-NIF") grant and the European Investment Bank (the "EIB"). The accounts of the KfW and the EU-NIF funds are maintained in the name of the WC of the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia. The account of the EIB funds are kept in the name of the Ministry of Finance of the Republic of Armenia. These project accounts are used exclusively for payment transactions and shall channel the funds to the individual project accounts in line with stipulations of the Separate Agreement. Three sub accounts (Individual project accounts) of the single treasury account are opened in the State Treasury of the Republic of Armenia, which will be kept in the name of the ATDF. Each sub account must be kept exclusively to pay for supplies and services intended for project components on a credit basis.

In Euro	As of 31 December 2019	As of 31 December 2018
Project account statement (KfW loan fund)	3,936,373	4,060,442
Project account statement (EU-NIF fund)	239,414	239,414
Individual Project account (KfW loan fund)	8	7
Individual Project account (EU-NIF fund)	1	1
	<u>4,175,796</u>	<u>4,299,864</u>

All these accounts are to be kept in Euro and shall bear no interest and no bank fees will occur.

4 Disbursements

Disbursements by contractors are stated below:

Contractor	Contract number	Payments to contractors			Total paid amount
		KfW portion	NIF portion	Co-financing	
GITEC-IGIP GmbH-Shirak	BMZ N 2013 66343 (LOT 1)	3,875	-	788	4,663
SRP Schneider & Partner Ingenieur Consult GmbH-Lori	BMZ N 2013 66343 (LOT 2/1)	77,660	-	15,787	93,447
SRP Schneider & Partner Ingenieur Consult GmbH- Nor Akunq	BMZ N 2013 66343 (LOT 2/2)	42,533	-	8,569	51,102
		<u>124,068</u>	<u>-</u>	<u>25,144</u>	<u>149,212</u>

5 Withdrawal applications

During the year ended 31 December 2019 no withdrawal applications submitted to the KfW by the WC.

6 Subsequent events

According to the letter of the KfW in reply to the letter of the Minister of Finance of the Republic of the Armenia Mr. Janjughazyan dated 22 November 2019, the KfW informed that the deadline for requesting disbursement can be extended to 30 December 2022, provided that the Ministry of Finance of the Republic of Armenia will bear the refunding costs incurred by the KfW due to such extension. The refunding costs ("Final Prolongation Fee") for the further extension of the disbursement period of the loan until 30 December 2022 will be calculated by the KfW on the basis of the capital market conditions prevailing on the date of the final calculation.

In addition, in March 2020 the World Health Organization has classified the coronavirus (COVID-19), which has exploded in China in December 2019, as pandemic. The impact of the coronavirus outbreak is unknown at this time. The developing situation with COVID-19 may have some impact on the continuity or the volume of the operations of the ATDF implemented through ATDF "Water Sector Projects Implementation Branch". On 16 March 2020 the Government of the Republic of Armenia announced a state of emergency in the country to last until 13 June 2020. These special purpose project financial statements do not reflect the potential effect of the above.