August 24, 2017

Mr. Vardan Aramyan  
Minister of Finance  
Ministry of Finance  
1 Melik-Adamyan Street  
Yerevan, Armenia

Subject: Republic of Armenia:  
Second Community Agricultural Resource Management and Competitiveness Project  
Credit Number 5504-AM  
Credit Number 5505-AM

Amendment to the Financing Agreement

Dear Mr. Aramyan,

We refer to the Financing Agreement for the Second Community Agricultural Resource Management and Competitiveness Project ("Financing Agreement") between the Republic of Armenia ("Recipient") and the International Development Association ("Association"), dated August 6, 2014. We also refer to your letter, dated June 4, 2017, requesting the Association to amend the Financing Agreement as follows: (i) replace Agriculture Projects Implementation Unit (APIU) with newly created Agriculture Development Fund (ADF), as the new Project implementation agency under the Ministry of Agriculture; and (ii) add Foreign Financial Projects Management Center (FFPMC) as the new Project implementing agency under the Ministry of Finance to carry out financial and procurement management of the Project. Unless the context otherwise requires, the capitalized terms sued in this Agreement has the meanings ascribed to them in the General Conditions or in the Financing Agreement.

In light of the above, we propose to amend the Financing Agreement as follows:

1. The reference to the term “Agriculture Projects Implementation Unit State Agency” is replaced with the term “Agriculture Development Fund” in the entire Financing Agreement.

2. The acronym “APIU” is replaced with the acronym “ADF” in the entire Financing Agreement.

3. Section 3.01 of the Financing Agreement is amended to read as follows:

   “3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Agriculture (hereinafter “MoA”) and the Ministry of Finance (hereinafter “MoF”) in accordance with the provisions of Article IV of the General Conditions.”

4. Part IV in Schedule 1 to the Financing Agreement is amended to read as follows:

   “Part IV. Project Coordination and Management

   Support to the FFPMC in the areas of Project financial management and procurement and to the ADF in the areas of overall Project coordination, supervision, communication and outreach, supervision of implementation of environmental and social Safeguards Instruments, monitoring and evaluation including through the provision of technical assistance, training, incremental operating costs, costs of impact assessments including Project evaluations, and audit.”

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5. Section I.A.1 in Schedule 2 to the Financing Agreement is amended to read as follows:

"1. Agriculture Projects Implementation Unit

In order to ensure proper and efficient implementation of the Project, the Recipient shall maintain, at all times during Project implementation:

(c) the Agriculture Development Fund (ADF) within the Ministry of Agriculture, with a mandate, staffing and other resources and terms of reference satisfactory to the Association. To this end, the ADF shall: (i) be comprised of qualified and competent staff in adequate numbers; including a core group of technical, administrative, and support staff; (ii) be responsible for day to day Project coordination and implementation, including: (a) create and maintain a small secretariat in charge of the processing of Targeted Sub-Project Grants under Part II of the Project; (b) ensure compliance with Safeguard Instruments for Project activities; (c) monitor and evaluate Project activities and preparing Project progress reports and monitoring and evaluation reports; and (d) hire and thereafter maintain, at all times during Project implementation or as agreed with the Association, an environmental/social specialist and a monitoring/evaluation specialist, whose qualifications, experience, and terms of reference shall be

(d) The Foreign Financing Projects Management Center (FFPMC) within the Ministry of Finance, with a mandate, staffing and other resources and terms of reference satisfactory to the Association. To this end, the FFPMC shall: (i) be comprised of qualified and competent staff in adequate numbers; and (ii) hire and thereafter maintain, at all times during Project implementation or as agreed with the Association, a financial management specialist, a procurement specialist, and support staff to carry out Project financial management and procurement activities, in form and substance satisfactory to the Association."

6. Definition No. 3 in Appendix to the Financing Agreement is amended to read as follows:

"3. "Agriculture Development Fund” and “ADF” means the Recipient’s Agriculture Development Fund, as referred to in Section I.A.1 (a) of Schedule 2 to this Agreement in charge of general coordination, preparation, implementation and monitoring and evaluation of the Project activities except fiduciary tasks.”

7. Definition No. 15 in Appendix to the Financing Agreement is amended to read as follows:

"15. “Incremental Operating Costs” means expenditures (other than those for consultants’ services, non-consultant services) incurred by the Recipient or the ADF and FFPMC in connection with the implementation of the Project, all which would not have been incurred absent the Project, including inter-alia: (i) maintenance and operation of equipment and vehicles procured or used for the management of the Project; (ii) salaries paid to staff hired for the purposes of the Project and pertinent costs of their health insurance premiums, (iii) travel costs and per diems, (iv) consumables office supplies, (v) communication, printing and publications, and (vi) costs of translation and interpretation, (vii) audit of the project, and (viii) office rent; but excluding salaries of members of the Recipient’s civil service; all based on annual budgets acceptable to the Association.”
8. Definition No. 34 in Appendix to the Financing Agreement is amended to read as follows:

"34. "Training" means the expenses incurred by the Recipient or the ADF and FFPMC in connection with study tours, training courses, seminars, workshops and other training-related activities under the Project including travel costs and per diem for participants, trainers and trainees, trainers’ fees, rental of training facilities, preparation and reproduction of training materials and other activities incidental to the preparation and implementation of training activities, and other expenses as agreed with the Association, all based on annual budgets acceptable to the Association."

9. Two new definitions are added in the Appendix to the Financing Agreement to read as follows:

"35. "FFPMC" means the Foreign Financial Projects Management Center within the Ministry of Finance of the Recipient established and operating pursuant to the Minister of Finance and Economy’s Decree No. 37, dated March 29, 2000, as referred to in Section I.A.1 (b) of Schedule 2 to this Agreement in charge of Project financial management and procurement.”

36. "Ministry of Finance" means the Ministry of Finance of the Recipient."

All other terms of the Financing Agreement will remain the same.

Please confirm your agreement on behalf of the Recipient with the above amendments by signing, dating and returning to us one of the original copies of this Amendment. The Amendment will become effective upon: (i) receipt by the Association of one fully executed original of this Amendment; (ii) receipt by the Association of the notice of completion of internal procedures under the laws of the Recipient; and (iii) notification by the Association to the Recipient of the Amendment’s effectiveness.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Mercy Miyang Tembon
Regional Director for the South Caucasus
Europe and Central Asia Region

CONFIRMED AND AGREED:

REPUBLIC OF ARMENIA

By:

Authorized Representative

Name: Vardan Aramyan
Title: Minister of Finance
Date: 07.09.2017