March 1, 2013

Mr. Vache Gabrielyan  
Minister  
Ministry of Finance  
1 Melik-Adamyan Street  
Yerevan 0010  
Republic of Armenia

Re: Republic of Armenia: IDF Grant for Environmental Governance, Inclusion and Transparency in Mining Sector - IDF Grant No. TF013658

Dear Sir:

In response to the request for financial assistance made on behalf of the Republic of Armenia (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed three hundred eighty five thousand United States Dollars (US$385,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and return it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date on which the World Bank receives notice of completion of internal approval procedures under the laws of the Recipient; provided, however, that the offer of this Agreement shall
be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Henry Kerali
Regional Director
South Caucasus
Europe and Central Asia Region

AGREED:

REPUBLIC OF ARMENIA

By

Authorized Representative

Name Davit Sargsyan

Title Minister of Finance

Date 29 May 2013

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

(a) "FFPMC" means the Foreign Financing Project Management Center established within the MoF.

(b) "MENR" means the Recipient’s Ministry of the Energy and Natural Resources or any successor thereto.

(c) "MEP" means the Recipient’s Ministry of Environment Protection or any successor thereto.

(d) "Mining Community" means a community, to be selected by the Recipient based on agreed criteria between the Recipient and the World Bank, in which ongoing mining operations are taking place or areas in which new mining developments are proposed to be undertaken; and "Mining Communities" means the plural thereof.

(e) "MoF" means the Recipient’s Ministry of Finance or any successor thereto.

(f) "Training and Workshops" means reasonable expenditures (other than those for consultants’ services and goods) incurred by the Recipient on account of training, workshops and study tours under the Grant, including reasonable transportation costs, lodging and per diem of trainers and trainee, preparation and reproduction of training and workshop materials, rental of training facilities and rental of equipment.

(g) "World Bank Safeguards Policies" means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to improve the capacity of the Recipient’s key agencies to address institutional and implementation gaps concerning environmental and social regulations in the mining sector. The Project consists of the following parts:
Part I: Strengthening the Framework for Implementation of the Mining Code

Strengthening the institutional capacity of MEP and MENR for implementation of the mining code through:

(a) the development of implementation guidelines for applying environmental impact assessments provisions by carrying out consultations with stakeholders, selected Mining Communities and non-governmental organizations.

(b) the establishment of an active website to provide space for access to information concerning environmental impact assessment processes as well as pertinent information relating to application procedures for mining licenses.

Part II: Environmental Oversight of Mining Operations at National and Local Levels

Assisting MEP, the regional environmental inspectorates and Mining Communities in monitoring and reducing environmental risks of mining operations through:

(a) (i) the development of guidelines for cumulative impact assessment on mining operations; (ii) the provision of training to MEP, MENR and regional inspectorates staff; (iii) the development of a toolkit for communities for local monitoring of environmental impacts; (iv) the carrying out training in selected mining sites; and (v) the dissemination of relevant materials to communities and local schools.

(b) the production and dissemination through media of a documentary relating to mining development and sustainable practices of the sector.

(c) the carrying out of a study tour and workshop for members of MEP, the regional inspectorates, MENR and the Mining Communities to: (i) enhance their oversight capacity; (ii) gain firsthand experience and understanding of proper mining operations, including addressing and mitigating any potential environmental and social risks to the said communities, their local environment and livelihoods; and (iii) share knowledge and discuss findings.

Part III: Coordination, Administration, Monitoring and Evaluation

Ensuring timely and effective implementation of the Project’s activities through the provision of staffing, Grant management, Project monitoring, evaluation and reporting.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MEP in coordination with MENR in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements. (a) For the purposes of carrying out the Project, the Recipient, through MEP, shall:
(i) maintain at all times during Project implementation: (A) professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank, to perform the Project's related functions including: (aa) providing technical support to the Project; (bb) preparing terms of reference for consultants' assignments; and (cc) conducting technical reviews of activity outputs, consultations, and effective dissemination of activity outputs to key stakeholders and the public; and (B) the FFPMC, with a structure, functions and responsibilities acceptable to the World Bank. The FFPMC shall provide expert advice to ensure compliance with Sections 2.05 and 2.06 of this Agreement;

(ii) appoint and maintain throughout Project implementation a Project authorizing officials who shall be responsible for ensuring institutional oversight; and

(iii) ensure that the terms of reference for any consultancies related to the technical assistance provided under the Project shall be satisfactory to the World Bank and, to that end, such terms of reference shall require that the advice conveyed through such consultancies and technical assistance be consistent with the requirement of the World Bank's Safeguard Policies.

(b) Without limitation to the provisions of Section 2.01 (b) of the Standard Conditions, the Recipient shall provide in-kind contribution consisting of office facilities, training facilities, staff time and other resources to facilitate the implementation of the Project.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank's request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover such period as shall be indicated in the World Bank's request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The Recipient shall, upon the World Bank's request, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five months after the Closing Date.

2.05. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have the Project's Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited
Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Section III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services.**

Goods and non-consulting services shall be procured under contracts awarded on the basis of: (A) Shopping.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection (QCBS).

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection based on Consultants’ Qualifications; (B) Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other
contracts shall be subject to Post Review by the World Bank. All Terms of Reference (TORs) shall be subject to Prior Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocation of the amount of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods; Consultants’ services including audit; Training and Workshops</td>
<td>385,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>385,000</td>
<td></td>
</tr>
</tbody>
</table>

(b) The Recipient shall bear all Taxes incurred as a result of the implementation of the Project.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date that the World Bank receives notice of completion of internal procedures of this Agreement by the Recipient.

Article IV
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.
4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance  
1 Melik-Adamyan Street  
Yerevan 0010  
Republic of Armenia

Faesimile:

+374-10-524282

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391