Mr. Gagik Khachatryan  
Minister  
Ministry of Finance  
1 Melik-Adamyan Street  
Yerevan 0010  
Republic of Armenia  

Re: Republic of Armenia: Grant No. TF0A1063  
Grant for the Preparation of the Local Economy and Infrastructure Development Project (LEIDP)  

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/International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Europe and Central Asia Capacity Development (ECAPDEV) Multi-donor Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed six hundred sixty thousand United States Dollars (US$660,000) ("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").  

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.  

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procedures under the laws of the Recipient; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within one hundred and twenty (120) days after the date of signature of this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
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Country Manager
South Caucasus Country Department
Europe and Central Asia Region

AGREED:

REPUBLIC OF ARMENIA

By
Authorized Representative
Name: Magik Khachatryan
Title: RA Minister of Finance
Date: 13 November, 2018

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

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

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) "DFA" means the Recipient’s "Development Foundation of Armenia", a non-profit organization established pursuant to Government Decree No. 1523-N of December 18, 2014, as a result of the merger of the Industrial Development Foundation and the National Competitiveness Foundation of Armenia.

   b) "ESMF" means the Recipient’s environmental and social management framework, to be prepared, satisfactory to the World Bank, outlining the procedures for: (a) screening the activities under the LEIDP Project based on their expected impacts on the natural and social environment, and cultural heritage; (b) evaluating their risks; (c) carrying out site-specific Environmental and Social Impact Assessment of the activities as required and producing Environmental Management Plans; (d) disclosing Environmental and Social Impact Assessment reports and environmental management plans; and (e) monitoring the activities under the Project.

   c) "Environmental and Social Impact assessment" or "ESIA" means the process of analyzing character, magnitude, and span of potential environmental impacts and defining measures for their mitigation, to be documented in the ESIA reports, satisfactory to the World Bank, publicly disclosed, and agreed upon with affected stakeholders.

   d) "Environmental Management Plan" or "EMP" means the Recipient’s site-specific environmental management plan, acceptable to the World Bank, to be included into the ESIA report or prepared as a self-standing document depending on the risk rating of a specific activity prepared in accordance with the ESMF and approved by the World Bank, describing environmental impact mitigation, monitoring and institutional measures for EMP implementation; and "EMP(s)" means the plural thereof.

   e) "FFPMC" means the Foreign Financial Project Management Center within the Ministry of Finance established and operating pursuant to the Minister of Finance and Economy’s Decree No. 37 dated March 29, 2000, or any legal successor thereto.

   f) "LEIDP" means the Local Economy and Infrastructure Development Project, the project proposed for the financing from the World Bank’s investment Loan, to be prepared by the Recipient using proceeds of the present trust fund Grant.

   g) "Operations Manual" or "OM" means the LEIDP manual, to be prepared by the Recipient in a form and substance satisfactory to the World Bank, as set forth in Section 2.03 (c) of this Agreement.

   h) "Project Area" means the area comprising the regions where the LEIDP will be implemented, including Ararat, Vayots Dzor, Syunik, Kotayk, and Lori.
i) "Resettlement Action Plan" or "RAP" means the Recipient’s resettlement action plan, to be prepared satisfactory to the World Bank, for carrying out activities under the LEIDP in accordance with the Resettlement Policy Framework, to set out, inter alia, the principles and objectives, the affected persons’ eligibility criteria, compensation, assistance and rehabilitation entitlements, as well as the monitoring and reporting arrangements in conformity with the Resettlement Policy Framework.

j) "Resettlement Policy Framework" of "RPF" means the Recipient’s framework, satisfactory to the World Bank, for the carrying out of land acquisition activities under the Project, which framework sets out the procedures to be followed in the carrying out of said activities as such framework may be amended from time to time with the prior approval of the World Bank.

k) "Rules of Operation" means the Bank’s set of rules and procedures dated July 2014 applicable to the Multi-donor Programmatic Trust Fund for Europe and Central Asia Region Capacity Development (ECAPDEV), containing inter-alia: the criteria for eligible countries, the approval process for grants, the financing thresholds of Eligible Expenditures and the applicable governance arrangements; as the same may be amended from time to time by agreement between the Donor(s) of ECAPDEV and the Bank.

l) "SECHSA" or "Strategic Environmental, Cultural Heritage, and Social Impact Assessment" means the process of assessing direct, indirect, long term, and induced development impacts of ongoing and planned investments in the Project Area on the natural and cultural environment and the social strata, resulting in recommendations on how LEIDP design and implementation modality may amplify positive outcomes of these investments and mitigate their risks.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to strengthen the capacity of the newly established DFA to design and implement tourism promotion and development projects and to participate in the preparation of the feasibility study and detailed designs for the LEIDP. The Project consists of the following parts:

Part 1: Capacity Building of the Tourism Armenia Division under DFA

Enhancing the institutional capacity and performance of the tourism division of the DFA through, inter-alia: destination management and promotion, (including local outreach campaign; marketing and promotion); skilled workforce development and capacity building; construction supervision and sustainable site management of cultural heritage; and performance monitoring & evaluation activities.

Part 2: Feasibility Study and Detailed Designs for High Priority Investments

(a) Conducting a feasibility study and detailed designs for LEIDP activities in the Project Area.

(b) Preparation of detailed designs and bid documents of: (i) heritage hub regeneration in selected regions of the Project Area; and (ii) the most attractive cultural heritage sites located along the main tourism circuit in the Southern Corridor of the Recipient’s territory, including site management plans, engineering and architectural designs for tourism facilities at each attraction, such as information centers, cafes, rest areas, public toilets, parking, and improvement of access roads.

Part 3: Safeguard Documents
(a) Conducting a Strategic Environmental, Cultural Heritage, and Social Impact Assessment to *inter alia:* (i) assess the natural and physical environment in the Project Area; (ii) assess the potential direct, indirect, long term and induced development impacts of the development programs and projects planned or ongoing in the Project Area on the environment, cultural heritage and social strata; (iii) identify how LEIDP design and implementation arrangements may amplify expected positive environmental, cultural and social impacts of the Recipient’s efforts to develop local economy and tourism in the Project Area, and (iv) develop LEIDP risks mitigation plan.

(b) Preparing all framework safeguard documents and site-specific safeguard documents for pre-identified individual investments, including, the preparation of the Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF) as well as the development of the Environmental and Social Impact Assessment (ESIA) reports including Environmental Management Plans (EMPs) or self-standing EMPs and the Resettlement Action Plans (RAPs) for those individual investments, which are identified and designed within the Project’s lifetime.

Part 4: Financial Audit of the Grant

Carrying out a financial audit of the activities financed by the Grant.

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 the Foreign Financing Project Management Center (FFPMC) 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”); (c) this Article II; (d) the Operations Manual; (e) the ESMF; (f) the EIAs; (g) the EMPs; (h) the RPF; and (i) the RAPs.

2.03. *Institutional and Other Arrangements.* (a) For the purposes of carrying out the Project, the Recipient shall maintain throughout Project implementation the FFFMC, with a structure, functions and responsibilities acceptable to the World Bank, including the responsibility for carrying out Project administration, monitoring and evaluation, procurement and financial management.

(b) The Recipient shall maintain at all times during Project implementation professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank, to perform all functions related to the Project.

2.04. *Donor Visibility and Visit.* (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. *Project Monitoring, Reporting and Evaluation.* (a) The Recipient shall monitor and evaluate the progress of the Project and 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 the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.
(b) The Recipient shall 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 six months after the Closing Date.

2.06. **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 its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **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 (revised July 2014) (“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 Sections II and 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**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding, subject to the following additional provisions:

(1) Entities in which the Recipient owns a majority shareholding shall not be invited to participate in tenders for the Recipient unless they are and can be
shown to be legally and financially autonomous and operate under commercial law.

(2) Post-qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders.

(3) Joint venture partners shall be jointly and severally liable for their obligations.

(4) Estimated contract prices shall not be advertised.

(5) No bids shall be rejected at bid opening. The opening procedures shall comply with conditions of section 2.45 of the Procurement Guidelines.

(6) No bids shall be rejected solely because they exceed the estimated price. Bids can be cancelled and new bids invited, only if the conditions of paragraphs 2.61-2.64 of the Procurement Guidelines are met.

(7) All bid evaluation criteria shall be quantifiable in monetary terms or expressed as a pass/fail criteria.

(8) Comply with paragraph 3 of the Appendix 1 to the Procurement Guidelines.

(B) Shopping; (C) Direct Contracting.

(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.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the 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.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) 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 allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

7
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in US$)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services (including audit)</td>
<td>590,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>30,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>40,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>660,000</td>
<td></td>
</tr>
</tbody>
</table>

Unless otherwise agreed by the World Bank, the Recipient shall ensure that the amounts allocated to finance the Eligible Expenditures under Categories 2, and 3 do not exceed the financing thresholds established for said Eligible Expenditures pursuant to the Rules of Operation.

For purposes of this table, the term “Training” means reasonable expenditures (other than those for consultants’ services and goods) incurred by the Recipient on account of training and workshops under the Grant, including reasonable transportation costs, lodging and per diem of trainers and trainee, preparation and reproduction of training and workshop materials.

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 either: (i) twelve months after the Effectiveness Date of the Grant Agreement, or (ii) the date when the Bank declares the LEIDP Project effective; whichever occurs first.
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

Cable:  
Telex:  
Facsimile:  
+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 address:  
Telex:  
Facsimile:  
INTBAFRAD  
248423(MCI) or  
1-202-477-6391  
Washington, D.C.  
64145(MCI)