Mr. Tigran Davtyan  
Minister of Finance  
Ministry of Finance  
Melik Adamyan 1  
0010 Yerevan  
REPUBLIC OF ARMENIA

Dear Mr. Minister:

Re: Republic of Armenia: Amendments to Legal Agreements  
Transfer of Special Accounts from Commercial Banks to the Treasury  
(Credits No. 3891, No. 4038, No. 4102 and No. 4159 and TF056211)

We refer to the Development Credit Agreements and the GEF Grant Agreement for the projects set forth in Attachment I to this amendment letter (individually a “Legal Agreement” and collectively, the “Legal Agreements”) between the Republic of Armenia (“Recipient” or “Borrower”, on the one part, and the International Bank for Reconstruction and Development (variously “IBRD” and “Bank”) and the International Development Association (variously “Association” and “Bank”) as the case may be, on the other part, as amended to date. We also refer to our recent decision to allow the transfer of Special Accounts from commercial banks into the Treasury of the Borrower/Recipient for projects financed by the Bank out of its own resources or as administrator of trust fund grants provided by other donors.

Accordingly, the Legal Agreements are amended as follows:

1. Section 2.02 (b) of the Development Credit Agreements shall be amended to read as follows:

“(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in the Treasury of the Borrower on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement and the Annex thereto.”

2. Section 2.02 (b) of the GEF Grant Agreement shall be amended to read as follows:

“(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in the Treasury of the Recipient on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement and the Annex thereto.”
3. Schedule 5 to the Legal Agreements shall be amended by incorporating the provisions of the Annex set forth in Attachment II to this amendment letter as an Annex to Schedule 5 and as an integral part of each Legal Agreement.

All terms of the Legal Agreements not hereby amended shall remain in full force and effect.

Please indicate your agreement with the foregoing amendments to the Legal Agreements on behalf of the Recipient/Borrower by countersigning and dating the two original copies of this amendment letter and returning one countersigned original to us. Upon receipt by the Bank of this countersigned copy of this amendment letter, the foregoing amendments shall become effective as of the date of the countersignature. We also request that you notify all relevant project implementing entities of the above amendments.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Asad Alam
Country Director
South Caucasus Country Unit
Europe and Central Asia Region

AGREED:

REPUBLIC OF ARMENIA

By: /s/ Vache Garbrielyan
Title: Minister of Finance
Date: March 11, 2011

Attachments:

I. List of Amended Legal Agreements.
Attachment I

List of Amended Legal Agreements

<table>
<thead>
<tr>
<th>Name and Date of Legal Agreement</th>
<th>Credit/Grant Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Credit Agreement for the Public Sector Modernization Project</td>
<td>Credit No. 3891 AM</td>
</tr>
<tr>
<td>dated July 30, 2004</td>
<td></td>
</tr>
<tr>
<td>Development Credit Agreement for Yerevan Water and Wastewater Project</td>
<td>Credit No. 4038 AM</td>
</tr>
<tr>
<td>dated April 15, 2005</td>
<td></td>
</tr>
<tr>
<td>Development Credit Agreement for Urban Heating Project dated July 20, 2005</td>
<td>Credit No. 4102 AM</td>
</tr>
<tr>
<td>Development Credit Agreement for the Renewable Energy Project dated April</td>
<td>Credit No. 4159 AM</td>
</tr>
<tr>
<td>7, 2006</td>
<td></td>
</tr>
<tr>
<td>GEF TF Grant Agreement for Renewable Energy Project dated April 7, 2006</td>
<td>GEF Grant No.TF056211</td>
</tr>
</tbody>
</table>
Terms and Conditions for Opening of Special Accounts in the Treasury of the Republic of Armenia for the Bank financed projects

1. **General.**

1.1. The **Ministry of Finance of the Republic of Armenia** (hereinafter referred to as the **Ministry**) shall open and maintain the Project’s Special Account (hereinafter, the **Account** ) in the Treasury of the Republic of Armenia (hereinafter, the **Treasury**).  

1.2. The **Ministry** shall deposit the funds received into the **Account** and make transfers from the **Account**.

1.3. The **Implementing Entity** shall certify the rights of persons authorized to transfer funds and issue payment instructions on behalf of the **Implementing Entity** by submitting the documents stipulated below.

1.4. The **Treasury** will not perform ex-ante financial control functions stipulated in **Borrower/Recipient’s** legislation for the **Implementing Entity**’s financial resources as part of servicing the **Account**. The **Treasury** may perform only ex-post monitoring of budget expenditure according to the economic and functional classifications. The closing balances available in the **Account** of the last business day of each budget year shall not be transferred to the state budget as funds not used during the budget year. Those closing balances shall be maintained on the **Account** and be available for use in the subsequent budget year for the Project purposes.

1.5. The **Parties referred to in the below text** are the **Ministry and Implementing Entities** who signed “Account Service Agreement for Accounts Opened with the **Treasury** in the Name of **Project Implementing Units** funded by Loans/Credits and Grants provided to the **Borrower/Recipient** by Foreign Countries and International Donor Organizations” (hereinafter referred to as the **Agreement**).

2. **Relationships Between the Parties**

2.1. The **Implementing Entity** may administer the funds available in the account under the authority granted to it by the legislation of the **Borrower/Recipient**.

2.2. The **Implementing Entity** may issue instructions in paper form (delivered on hand, via post or courier) or in electronic form using the electronic formats of messages accepted in the “Client-Treasury” or other systems.

2.3. Instructions provided by the **Implementing Entity to the Ministry** in paper/electronic form shall include the minimum requisites for the instructions defined in the **Borrower/Recipient**’s Law on Transfer of Funds by Payment Orders, and other legal acts based on it, as well as the sample payment order approved by Decree No. 751-N of
the Minister of Finance of November 11, 2010 provided that (i) the payment orders and instructions for overseas wire transfers can be submitted in English; (ii) no fees for processing international wire transfers through the Central Bank of Armenia corresponding accounts shall be charged to the Implementing Entity; and (iii) in addition to SWIFT codes other internationally or regionally beneficiary bank identification codes may be used for making instructions. Electronic instructions shall be sent according to the protocols of respective systems.

2.4. The Ministry shall not execute the Implementing Entity’s instruction if it is incomplete (i.e. not all the mandatory fields are filled in), contains errors or corrections. The Ministry shall notify the Implementing Entity of non-execution of the instruction, specifying the reasons for non-execution no later than the following banking day of submitting (receiving) the instruction.

2.5. The Implementing Entity shall receive online information, i.e. the statement of the transactions executed through the account opened in Implementing Entity’s name, through the “Client – Treasury” system.

2.6. The Ministry shall provides a paper version of the statement of a given account to the Implementing Entity on transactions executed through the account opened in Implementing Entity’s name approved by the seal of the appropriate department of the Treasury, at the frequency specified by the Implementing Entity in the application filed with the Treasury for account opening. Paper versions of statements are provided to the person authorized by the Implementing Entity via postal or courier services.

2.7. When the Implementing Entities submit a currency conversion request (request for currency purchase and sale), the conversion will be done at the average exchange rate formed in the foreign currency market on the previous day released by the Central Bank of Armenia. Any payment instruction submitted by the Implementing Entity for making payments in any currency which differs from the account currency shall be considered and processed as a payment instruction containing also currency conversion request, without need to submit an additional currency conversion request.

2.8. The following services shall be provided to the Implementing Entity by the Treasury as part of the account service:

- Payment and settlement service for the account;
- Within seven business days following the submission of request by Implementing Entity opening and processing Letters of Credit (including irrevocable and confirmed) by the Central Bank of Armenia with the full range of transactions and services necessary for processing such Letter of Credit, listed and described in “The Uniform Customs and Practice for Documentary Credits, 1993 Revision, ICC Publication No. 600” or any relevant revision adopted thereafter.
2.9. Cash payments from the account are made in a manner prescribed by the Borrower/Recipient’s legislation on budget execution.

2.10. Amounts returned by correspondent banks due to presenting incorrect data in the instructions by Implementing Entities are deposited back into the account.

3. Rights and Obligations of Parties

3.1. The Ministry has right to:
- Reject to execute Implementing Entity’s order, if the Implementing Entity violated or failed to meet the requirements of Borrower/Recipient’s Law on Transfer of Funds by Payment Orders or other legal acts enacted on the basis of the latter, as well as the minimum requisites in the sample defined in the “Order No. 753-N of November 11. 2010 of the Minister of Finance” for payment orders and failed to honor the obligations undertaken in the present Agreement.

3.2. The Ministry has an obligation to:
- Open an account for the Implementing Entity within three business days of filing the respective documents (copies of the Charter and the certificate of Implementing Entity’s registration with the State Registry, specimen of the seal used for approving the payment documents intended for executing transactions on the account. Implementing Entity’s taxpayer identification number, details of primary and secondary authorized signatories for administering the account and their alternates, i.e. first name, last name, title, copy of the passport and specimen signature of each person, approved by the head of the Implementing Entity and/or his/her replacement and the Implementing Entity’s application to open an account) with the Ministry.
- Accept from Implementing Entity and according to Implementing Entity’s instruction withdraw funds from the account no later than within one banking day after receiving the respective payment documents.
- Provide to the Implementing Entity written information approved by the seal of the respective department under the Treasury, i.e. a statement of the account, at the frequency specified in the application filed by the Implementing Entity with the Ministry for opening an account.

3.3. The Implementing Entity has right to:
- Administer its account on its own, in a manner prescribed by the legislation and the Agreement executed with the Ministry.
- Request written information approved by the seal of the respective department under the Treasury, i.e. a statement of the account opened in its name on the transactions executed on the account, at the frequency specified in the application filed with the Ministry for opening the account.
- According to Borrower/Recipient’s legislation cancel the payment order issued by it.

3.4. The Implementing Entity has an obligation to:
• Comply with normative legal acts regulating the account service relationships under the Borrower/Recipient’s legislation.

3.4.2. If information filed with the Ministry for account opening changes, file with the Ministry the information (documents) about the changes within three business days.

3.5. The Ministry does not bear responsibility for inaccurate information contained in the documents filed by the Implementing Entity.

3.6. In cases not stipulated in the Agreement, the Parties will be held liable for non-performance or improper performance of their obligations in a manner prescribed by Borrower/Recipient’s legislation.

4. **The Sequence of Fund Withdrawals from the Account**

4.1. If funds are available in the Implementing Entity account and their amount is sufficient to meet all the claims on the account, these funds will be withdrawn at the same sequence (calendar sequence) as the entry of Implementing Entity instructions and other withdrawal documents.

5. **Fee for Account Service and Provided Services**

5.1. The Ministry will not charge any fee for opening the Implementing Entity account and servicing it (including making any local or foreign transfers).

6. **Concluding Provisions**

6.1. The Agreement shall enter into force at the moment of its signing.

6.2. The terms and conditions of the Agreement may change by the written consent of Parties and endorsement from the Bank.