June 4, 2012

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

Dear Mr. Minister:

Re: Republic of Armenia: IDF Grant for Ministry of Finance Capacity Building Project
IDF Grant No. TF011907

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 (“Member Country”), a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed three hundred seventeen thousand United States Dollars (U.S.$317,000) (“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 returning 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procedures under the laws of the Recipient; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World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
Elene Imnadze
Acting Regional Director
Europe and Central Asia
AGREED:

REPUBLIC OF ARMENIA

By ____________________________
Authorized Representative

Name _____________________________
Title: _____________________________
Date: _____________________________

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.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to build capacity at the relevant divisions of the Ministry of Finance responsible for financial market development and anti-money laundering policy.

The Project consists of the following parts:

**Part A: Advancing Institutional Development**

Provision of technical assistance and training to build the capacity of the Ministry of Finance by engaging a consultant to assess the existing institutional challenges at the Ministry and draft a policy formulation strategy and by developing monitoring and evaluation systems supporting financial market development policy formulation and decision making at the Ministry level.

**Part B: Financial Market Development**

Provision of technical assistance and training to strengthen the capacity of the Ministry of Finance by engaging consultants to: (i) identify main directions of possible investment for institutional investors and develop new guidelines describing the information and fund flow between market participants; and (ii) improve the legal and regulatory environment for preventing money laundering and combating terrorism financing through a review of the existing framework, developing a new manual and guidelines and building the capacity of the front office staff.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project and shall make the agreed in-kind contribution to provide office and training facilities, administrative support, counterpart and trainee staff time with an estimated value of thirty-five thousand United States Dollars (U.S.$35,000). To this end, the Recipient shall carry out the Project through the Foreign Financing Projects Management Center (FFPMC) of the Ministry of Finance of the Recipient 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. **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
the indicators set forth below in paragraph (b) of this Section. 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 performance indicators referred to above in paragraph (a) consist of the following:

(i) By the end of the Project, the policy formulation strategy has been developed and implemented at the MOF.

(ii) By the end of the Project, a new monitoring and evaluation system has been introduced and implemented.

(iii) By the end of the Project, investment activities regulation has been introduced for the institutional investors.

(c) 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.

2.04. 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.

2.05. Procurement

(a) General. All goods 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:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(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 Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

Goods shall be procured under contracts awarded on the basis of 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.

(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 under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants' Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; and (F) 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, including terms of references for all contracts for consultants' services. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.0. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of 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:
<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>(1) Goods, Operating Costs, Consultants’ Services including audit and Training</td>
<td>317,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>317,000</td>
<td></td>
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</tbody>
</table>

For the purposes of this Section, the term: (a) “Training” means expenditures incurred on account of training and workshops under the Grant, including fees to the host organizations for international training and study tours, cost for visa, travel, per diem and hotels; and (b) “Operating Costs” means expenditures incurred on account of the Grant implementation such as procurement notices and bank fees.

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 a notice of completion of internal procedures of this Agreement by the Recipient.

**Article IV**

**Recipient’s Representative; Addresses**

4.0. **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 of the Republic of Armenia
1 Melik-Adamyan Street
Yerevan 0010
Republic of Armenia

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
<table>
<thead>
<tr>
<th>Cable:</th>
<th>Telex:</th>
<th>Facsimile:</th>
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<tbody>
<tr>
<td>INTBAFRAD</td>
<td>248423 (MCI) or</td>
<td>1-202-477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145 (MCI)</td>
<td></td>
</tr>
</tbody>
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