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

Re: Republic of Armenia: HRITF Grant No. TF013103 for the Preparation of the  
Health Performance Based Financing Program of the Armenia Disease Prevention  
and Control Project.

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”) acting as administrator of grant funds provided by various donors (“Donors”) under the Health Results Innovation Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed four hundred thousand United States Dollars (US$400,000) (“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 objective of the Project is to finance the preparation of a proposed project with the objective of improve disease prevention, early detection, and management (the “Armenia Disease Prevention and Control Project”).

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. 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: (i) 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; and (ii) it understands that the provision of this Grant does not constitute or implies any commitment on the part of the World Bank to assist in the financing of the Armenia Disease Prevention and Control Project; all in accordance to the provisions of 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 [Signature]
Henry Kerali
Country Director
South Caucasus Country Department
Europe and Central Asia Region

AGREED:
REPUBLIC OF ARMENIA

By [Signature]
Authorized Representative
Name: David Sargsyan
Title: Minister of Finance
Date: 14.05.2013

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 terms shall have the following meanings:

(a) "MoH" means the Recipient’s Ministry of Healthcare or any successor thereto.

(b) HPIU" means the Health Project Implementation Unit established and operating pursuant to the Mo H’s Decree No. 764 dated October 22, 1996, or any legal successor thereto.

(c) “PBC” means performance based contracts/contracting.

(d) “PBF” means performance based financing.

(e) “PHC” means primary health care.

(f) “SHA” means, State Health Agency under the MoH, a government agency established and operating, within MoH, pursuant to the Recipient’s Resolution Number 593 of December 18, 1997, or any legal successor thereto.

(g) “World Bank’s 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 published at www.worldbank.org/opmanual.

Article II
Project Execution

2.01 Project Objectives and Description. The objective of the Project is to assist the Recipient in the preparation and design of the PBF program of the Armenia Disease Prevention and Control Project.

The Project consists of the following Parts:

(a) Carrying out of stakeholder and institutional analyses;

(b) Carrying out of an assessment of the lessons learned during the implementation of PBC;

(c) Identification of PHC personnel’s capacity building needs.

(d) Strengthening of the institutional capacity of: (i) SHA, particularly in relation to the carrying out of monitoring and audits; (ii) SHA’s regional branches; and (iii) selected entities, including HPIU, participating in the PBF program.
(c) Design and implementation of workshops to support the successful implementation of the PBF scheme, including, *inter alia:* (i) defining additional outputs and indicators; (ii) identifying institutional and financial management arrangements; (iii) determining monitoring and evaluation mechanisms, including verification of reported information; and (iv) PHC capacity building.

(f) Carrying out of a fiduciary assessment of SHA.

(g) Provision of technical assistance to assess the feasibility of carrying out an impact evaluation.

2.02. *Project Execution Generally.* The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through MoH, shall 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) During the implementation of the Project, the Recipient, through MoH shall ensure that terms of reference for any consultancies related to the studies, technical assistance or capacity building that may have implications or could affect environmentally or socially sensitive areas, incorporate the requirements of the World Bank Safeguard Policies, in a manner acceptable to the World Bank.

(b) Throughout Project implementation, the Recipient, through MoH, shall maintain the HPIU, with a structure, functions and responsibilities acceptable to the World Bank, including, *inter alia:* the following functions: (i) financial management; (ii) procurement; and (iii) disbursement.

2.05. *Project Monitoring, Reporting and Evaluation.* (a) The Recipient, through MoH, 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, through MoH 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, through MoH, 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, through Health PIU, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient, through Health PIU, shall have Project 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 each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
2.07. **Procurement.** All goods, non-consulting services, and consulting services required for the Project and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in 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”), and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 (“Consultant Guidelines”).

2.08. Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

**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) 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 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>Consultant services, goods, Training and Workshops; and Operating Costs</td>
<td>$ 400,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>$ 400,000</td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purposes of this paragraph, the term:

(i) “Training and Workshops” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants’ services); and

(ii) “Operating Costs” means incremental expenses incurred on account of Project implementation and management, including the operation and maintenance of vehicles, office supplies, communication charges, insurance costs, office administration costs, banking charges, utility charges, rental charges, domestic/international travel and *per diem* allowance.
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

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

Facsimile: 1-202-477-6391