

CONFORMED COPY

May 28, 2003

His Excellency
Vardan Khachatryan
Minister of Finance and Economy
Ministry of Finance and Economy
Yerevan
Republic of Armenia

**Re: Cr. 3175-AM (Electricity Transmission and Distribution
Project)**

Amendment to the Development Credit Agreement

Excellency:

We refer to the Development Credit Agreement (*Electricity Transmission and Distribution Project*), dated March 30, 1999, between the Republic of Armenia (the Borrower) and the International Development Association (the Association) as amended. We also refer to your letter dated December 24, 2002, notifying the Association of the institutional changes in project implementation and requesting amendments to the Agreement. We are pleased to inform you, the Association has agreed to the following amendments:

1. The Project Agreement pertaining to the above-captioned Project between the Yerevan Distribution Company (YDC) and the Association dated March 30, 1999 is hereby terminated.
2. Part D of the Preamble is hereby amended by deleting the words “and YDC” and the comma between Armenergo and HVENC and replacing the comma with the word “and.”
3. The second last paragraph to the preamble is hereby amended by deleting the words “and in the YDC Project Agreement of even date herewith between the Association and YDC”.
4. Section 1.02 (d) in Article 1 of the DCA is hereby deleted.
5. Section 1.02 (m) is hereby amended by deleting the words “and YDC” after the word HVENC and the comma between Armenergo and HVENC and replacing the comma with the word “and.”
6. Section 1.02 (n) in Article 1 to the DCA is amended by deleting the words “and YDC Subsidiary Loan Agreement” after the words “HVENC Subsidiary Loan Agreement” and deleting the comma between the words “the Armenergo Subsidiary Loan Agreement” and “HVENC Subsidiary Loan Agreement” and replacing the comma with the word “and”.
7. Sections 1.02 (o), (p) and (q) in Article 1 to the DCA are hereby deleted.
8. Sections 1.02 (e), (f), (g), (h), (i), (j), (k), (l), (m) and (n) in Article 1 to the DCA shall be renamed as Sections 1.02 (d), (e), (f), (g), (h), (i), (j), (k), (l) and (m).

9. Section 3.01 (a) (ii) is hereby amended by deleting the words “and YDC” before the words “to carry out their respective parts of the Project” and before the words “to perform such obligations”. The comma between HVENC and Armenergo is deleted and replaced with the word “and”.
10. Section 3.01 (b) is amended by deleting the words “and YDC” after the word “ HVENC” and the comma between Armenergo and HVENC and replacing the comma with the word “and.”
11. Section 3.02 (a) is amended by (a) deleting the words “and YDC” after HVENC and the comma between Armenergo and HVENC and replacing the comma with the word “and”; and (b) deleting the words “and the YDC Subsidiary Loan Agreement” after the words the HVENC Subsidiary Loan Agreement and deleting the comma between Armenergo Subsidiary Loan Agreement and HVENC Subsidiary Loan Agreement and replacing the comma with the word “and.”
12. Section 3.05 of the DCA is hereby deleted, and Section 3.06 is hereby renumbered as Section 3.05.
13. Section 4.02 of the DCA is hereby amended by deleting the words “and YDC’s” after the words “HVENC’s.” The comma between the words “Armenergo’s” and “HVENC’s” is deleted and replaced with the word “and”.
14. Section 5.01 (b), (c) and (d) are hereby deleted and sub-sections (e), (f) and (g) are hereby numbered as (b), (c) and (d), respectively.
15. Section 5.02 (a) and (b) are hereby deleted.
16. Section 6.01 (c) is hereby amended by deleting the word “and YDC,” after the word “HVENC” and the comma between the words “Armenergo” and “HVENC” is also deleted and replaced with the word “and.”
17. Section 6.02 (a) is hereby deleted and Section 6.02 (b) is hereby renumbered as Section 6.02 (a).
18. Schedule 2 (Description of the Project) to the DCA is revised as follows:
 - (a) Paragraph 2, (i) is hereby amended by deleting the words “and within YDC” after the words “and distribution companies.”
 - (b) Paragraph 2, (ii) is amended to read as follows: “(ii) to reduce technical losses and increase reliability of the power supply in the electricity networks, and improve system availability.”
 - (c) Paragraph 2 (iii) is hereby amended by deleting the words “and YDC”, after the word “HVENC” and deleting the comma between HVENC and Armenergo and replacing it with the word “and”.
 - (d) Part B is amended to read as follows: “Provision of equipment for rehabilitation of transmission sub-stations at Shahumian-2, Ekhegnadzor, Zovuni, Marash, Ararat-2, Ashnak, Shinuhair and Lichk.”

- (e) Part C is amended by deleting the words “in Yerevan” after the words “distribution networks”.
 - (f) Part D is amended by deleting the words “and YDC” after the words “HVENC” and deleting the comma between HVENC and Armenergo and replacing it with the word “and”.
19. Section II, Part C of Schedule 3 (Procurement) to the DCA is revised as follows:
- (a) Part C(2) is amended by deleting the words “in aggregate” after the word “equivalent”.
 - (b) A new paragraph 4 is added to read as follows:
“4 Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.”
20. Schedule 4 (Implementation Program) to the DCA is revised as follows:
- (a) Paragraph 1(b) is amended by deleting the words “and YDC” after the word “HVENC” and deleting the comma between HVENC and Armenergo and replacing the comma with the word “and”.
 - (b) Paragraph 3(b) is amended by deleting the words “on or about August 31, 2000” and replacing them with the words “on or about January 31, 2004” after the words “furnish to the Association.”
 - (c) Paragraph 3(c) is amended by deleting the words “September 30, 2002” and replacing them with the words “February 29, 2004” after the words “review with the Association.”
21. Schedule 6 (Subsidiary Loan Agreement) is revised as follows:
- Paragraph B(5) is amended by deleting the words “or YDC” after the word “HVENC” and deleting the comma between “Armenergo” and “HVENC” and replacing the comma with the word “and”.
22. The table in paragraph 1 of Schedule 1 (Withdrawal of the Proceeds of the Credit) to the Development Credit Agreement is revised to read as set forth in the Attachment to this Letter.
- All the terms and conditions of the Development Credit Agreement, as amended hereby, shall remain in full force and effect.

Please confirm your agreement to the foregoing amendment by signing, dating and returning to us the attached copy of this letter. This amendment will become effective as of date of countersignature upon receipt by the Bank of the countersigned copy of this letter.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Peter Nicholas

Acting Country Director
South Caucasus Country Unit
Europe and Central Asia Region

CONFIRMED

REPUBLIC OF ARMENIA

By: /s/ Vardan Khachatryan

Date: July 22, 2003

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods, equipment and vehicles	12,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(2) Consultants' services and training	950,000	100%
(3) Operating costs of the PIU	750,000	100%
(4) Refunding of Project Preparation Advance	457,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(5) Works	91,000	90%
(6) Unallocated	<u>752,000</u>	
TOTAL	<u>15,000,000</u>	

Copied to: H.E. A. Movsessyan, Minister of Energy
Mr. V. Movsesyan, Chairman, Energy Regulatory Commission
Mr. I. Isayan, Acting General Director, Armenergo, CJSC
Mr.S. Abrahamyan, General Director, High Voltage Electrical Network,CJSC
Mr. E. Gladunchik, General Director, Electrical Networks of Armenia, CJSC
Mr. R. Hovhannisyan, Project Manager, Energyinvest PIO, S.I.
Mr. Roger Robinson, Country Manager, The World Bank, Yerevan
Mr. Ad Melkert, Executive Director for Armenia, The World Bank

Cleared with and cc: N. Rukuba-Ngaiza (LEGEC); T. Nguyen (LOAG1); Masterson, Hamso, Thomson (ECSIE); Nicholas (ECCU3); Westin, Vanian, Hinderdael/Bhattacharya (ECSPS)

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