

OFFICIAL DOCUMENTS TF0A0418

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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June 5, 2015

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

Re: **Republic of Armenia: Grant No. TF0A0418**  
**Grant for the Preparation of the Utility-Scale Solar Power Project**

Excellency:

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 and implementing agency of grant funds provided by various donors ("Donors") out of the Scaling-up Renewable Energy Program in Low Income Countries ("SREP") of the Strategic Climate Fund ("SCF Trust Fund"), proposes to extend to the Recipient a grant in an amount not to exceed two million United States Dollars (U.S.\$2,000,000) ("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 returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective upon: (i) receipt by the World Bank of this countersigned copy; (ii) the signing and effectiveness of the Subsidiary Agreement referred to in Section 2.03 (a) of the Annex to this Agreement duly signed by the parties thereto; and (iii) receipt by the World Bank of the Recipient notice of the 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 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

By Henry Kerali  
Henry Kerali  
Regional Director  
South Caucasus Country Department  
Europe and Central Asia Region

AGREED:  
REPUBLIC OF ARMENIA

By [Signature]  
Authorized Representative  
Name Gagik Khachatryan  
Title AA Minister of Finance  
Date: 30.06.2015

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
- (3) "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
- (4) "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011 (revised July 2014)
- (5) "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011 (revised July 2014)

**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) “Incremental Operating Costs” means expenditures incurred on account of the Project implementation such as R2E2 Fund’s salaries of staff members, except for those who are civil servants, office supplies, minor office equipment, field trips, consuming materials, utilities, operation and maintenance costs, mass media and printing costs, in-country and international travel costs, communication costs, reasonable banking charges and other costs directly associated with the Project implementation and acceptable to the World Bank.
- (b) “Operational Manual” means a manual satisfactory to the World Bank, to be prepared by the Recipient under Part V of this Project, setting forth the implementation plan, operational and administrative procedures for the implementation of the proposed SPP Project, including necessary procedures, implementation arrangements, reporting, monitoring and evaluation, as such manual may be amended from time to time with prior agreement of the World Bank.
- (c) “R2E2 Fund” means the Armenia Renewable Resources and Energy Efficiency Fund, established within the Recipient’s territory, pursuant to the R2E2 Fund Legislation.
- (d) “R2E2 Fund Legislation” means the Recipient’s Decrees No. 799-N dated April 28, 2005 and No. 1626-N dated September 22, 2005, and the R2E2 Fund’s charter, as amended to the date of this Agreement.
- (e) “SPP Project” means the proposed Utility-Scale Solar Power Project.
- (f) “Subsidiary Agreement” means the agreement referred to in Section 2.03 (a) of this Agreement, satisfactory to the World Bank, and entered into between the Recipient and the R2E2 Fund for the carrying out of the Project.
- (g) “World Bank Safeguards Policies” means the World Bank’s operational policies and procedures then in force, and which currently are 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 as said manual is published under [www.WorldBank.org/opmanual](http://www.WorldBank.org/opmanual).

## **Article II Project Execution**

2.01. ***Project Objectives and Description.*** The objective of the Project is to support the Recipient in the preparation of the proposed Utility-scale Solar Power Project.

The Project consists of the following parts:

### Part I: Resource Mapping and Feasibility Studies

Providing support for resource mapping to determine prospective sites for solar power plants, and conducting feasibility studies for prospective sites, including, *inter alia*: (a) preliminary resource mapping output based on satellite and global atmospheric and meteorological data; (b) ground-based data collection; (c) production of validated resource map(s) based on satellite and ground-based data; (d) determination of the technology for solar photovoltaic plants; (e) evaluation of the potential for grid interconnection at selected sites and the need for grid upgrades if any; (f) assessment of grid interconnection costs; (g) assessment of economic and financial viability of proposed plants; and (h) development of conceptual design.

### Part II: Preparation of Safeguard Instruments

Preparing, disclosing, and carrying out public consultations on the necessary safeguard instruments for the proposed SPP Project, which include: (a) site-specific environmental and social impact assessments, including environmental and social management plans; and (b) resettlement policy framework(s) and resettlement action plan(s) for associated facilities.

### Part III: Assessment of Legal and Regulatory Environment for Solar PV Development

Identifying bottlenecks and developing recommendations and measures for the legal and regulatory environment for development of solar power, which includes, *inter alia*,: (a) assessment of existing regulatory and legal environment; (b) development of proposals for policy and legislative improvements to attract investments in solar power plants.

### Part IV: Transaction Advisory Services

Providing transaction advisory services which include, *inter alia*: (a) identification of structuring options for individual projects; (b) development of tender documents for the selection of private developers; (c) developing marketing proposals of the specific projects among potential investors; and (d) support in bidding process and discussions with developers.

### Part V: Operational Manual

Preparation of the Operations Manual for the proposed SPP Project.

### Part VI: Grant Implementation Support

Supporting the R2E2 Fund to implement the Project: (a) through the financing of Incremental Operating Costs during implementation of the Project; and (b) financing the capacity building activities of the R2E2 Fund.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the R2E2 Fund 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.**

1. For purposes of implementing the Project, the Recipient shall make the proceeds of the Grant available to the R2E2 Fund under a subsidiary agreement (“Subsidiary Agreement”) between the Recipient and the R2E2 Fund, under terms and conditions approved by the World Bank, which shall include, *inter-alia*, the following:

- (a) the obligation of the Recipient to provide the proceeds of the Grant to the R2E2 Fund on a grant basis;
- (b) the obligation of the R2E2 Fund use the Grant funds in accordance with the terms and conditions of this Agreement, and in conformity with administrative, technical, financial, procurement, auditing, and World Bank Safeguards Policies;
- (c) the obligation of the R2E2 Fund to furnish all information regarding the implementation of Project activities and the use of the proceeds of the Grant, as the Recipient or the World Bank shall reasonably request;
- (d) the obligation for the R2E2 Fund to carry out the Project in accordance with the Anti-Corruption Guidelines; and
- (e) the obligation for the R2E2 Fund to hire and maintain staff in adequate numbers and with qualifications and expertise acceptable to the World Bank.

2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

3. In the event of any inconsistency between the provisions of the Subsidiary Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

2.04. **Safeguards.** The Recipient shall ensure that the terms of reference for any technical assistance provided under the Project include provisions, satisfactory to the World Bank, that duly incorporate the requirements of the World Bank Safeguard Policies.

2.05. **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 Donors’ 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 representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.06. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall cause R2E2 Fund to 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 (6) months after the Closing Date.

2.07. **Financial Management.** (a) The Recipient shall cause the R2E2 Fund to 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 cause the R2E2 Fund to 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 cause the R2E2 Fund to have the Financial Statements for the Project and the R2E2 Fund's financial statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Project Financial Statements and the R2E2 Fund's financial statements shall cover period of one fiscal year of the R2E2 Fund.

(d) Without limitation to the provisions of Section 2.07(c) of the Standard Conditions, the audited Financial Statements, and the R2E2 Fund's financial statements for each such period shall: (i) be furnished to the World Bank not later than six months after the end of such period; and (ii) be made publicly available in a timely fashion and in a manner acceptable to the World Bank.

## 2.08. **Procurement**

(a) **General.** All goods, works, 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:

- (i) 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 (revised July 2014) ("Procurement Guidelines"), in the case of goods, works and non-consulting services;
- (ii) 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, Works and Non-consulting Services

- (i) Except as otherwise provided in sub-paragraph (ii) below, goods, works 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, works and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding, subject to the additional provisions as per the attached Appendix; (B) Shopping; and (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.

(f) Document Retention. Notwithstanding the provisions of paragraphs 2(j) and 5 of Appendix 1 to the Procurement Guidelines, and paragraphs 2(k) and 5 of Appendix 1 to the Consultant Guidelines, the Recipient: (i) shall retain all documentation with respect to each contract as described in said paragraphs for at least seven years and six months after the Closing Date set forth in Section 3.03 of this Agreement; (ii) shall furnish such documentation to the World Bank at any time upon request; and (iii) hereby authorizes the World Bank to disclose such documentation to the Donor.

### **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:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, non-consulting services, consultants’ services and Incremental Operating Costs under the Project	2,000,000	80%
<b>TOTAL AMOUNT</b>	<u>2,000,000</u>	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

- (a) 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 May 31, 2017.

**Article IV  
Additional Remedies**

4.01. **Additional Event of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

- (a) the R2E2 Fund Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the World Bank, the ability of the Recipient or the R2E2 Fund to perform any of their obligations under this Agreement or the Subsidiary Agreement;
- (b) the R2E2 Fund has failed to comply with any of its obligations under the Subsidiary Agreement;
- (c) IBRD or IDA has declared the R2E2 Fund ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of:
  - (i) a determination by IBRD or IDA that the R2E2 Fund has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds



of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the R2E2 Fund is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the R2E2 Fund has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier;

- (d) as a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the R2E2 Fund will be able to perform its obligations under the Subsidiary Agreement; and
- (e) the World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

#### **Article V Effectiveness; Termination**

5.01 This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

- (a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.
- (b) The Subsidiary Agreement has been executed on behalf of the Recipient and the R2E2 Fund in a manner acceptable to the World Bank.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matters:

- (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and
- (b) the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the R2E2 Fund and is legally binding upon each such party in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**  
**Recipient's Representative; Addresses**

6.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

6.02. **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

Telex:	Facsimile:
243331 LADA SU	37411800132

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

## Appendix

### Additional Provisions under National Competitive Bidding (NCB) Procedure

Procurement Method	
(a)	<p>National Competitive Bidding of the Recipient may be used for procurement of goods, works and non-consulting services for the Project, provided that the following provisions are complied with:</p> <ul style="list-style-type: none"><li>(i) entities in which the Republic of Armenia owns a majority shareholding shall not be invited to participate in tenders for the Government unless they are and can be shown to be legally and financially autonomous and operate under commercial law;</li><li>(ii) post-qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders;</li><li>(iii) joint venture partners shall be jointly and severally liable for their obligations;</li><li>(iv) estimated contract prices shall not be advertised;</li><li>(v) no bids shall be rejected at bid opening;</li><li>(vi) 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 clause 2.61 of the Procurement Guidelines are met;</li><li>(vii) all bid evaluation criteria shall be quantifiable in monetary terms or expressed as a pass/fail criteria; and</li><li>(viii) advance World Bank approval is required for any modifications in the contract scope/conditions during implementation.</li></ul>