

September 8, 1999

H.E. Levon Barkhudarian  
Minister of Finance  
Ministry of Finance  
1, Government House  
Republic Square  
Yerevan 375010  
Republic of Armenia

Re: Grant for Cultural Heritage Initiative  
IDF Grant No. TF27293

Excellency:

I am writing on behalf of the International Development Association (the Association) to indicate the Association's agreement to make to the Republic of Armenia (the Recipient) a grant in an amount not exceeding three hundred seventy-one thousand United States Dollars (US\$371,000) (the Grant).

The Grant is made in response to the Recipient's request for financial assistance and for the purposes and on the terms and conditions set forth in the Annex to this Letter-Agreement. The Recipient represents, by confirming its agreement below, that it is authorized to contract and withdraw the Grant for the said purposes and on the said terms and conditions.

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter-Agreement. Upon receipt by the Association of the copy of this Letter-Agreement countersigned by you, this Letter-Agreement will become effective as of the date of countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Judy O'Connor  
Country Director for Armenia  
Europe and Central Asia Department

AGREED:

REPUBLIC OF ARMENIA

By /s/ Levon Barkhudaryan  
Minister of Finance

Date: December 16, 1999

#### ANNEX

##### Purposes, Terms, and Conditions of the Grant

1. The purposes of the Grant are: (i) to improve the Recipient's institutional and legal framework for cultural heritage preservation and management and build the capacity of cultural institutions; and (ii) to set up a Cultural Rehabilitation Fund with a sound structure to attract diaspora and private sector funds to the arena of cultural preservation, and develop a cultural tourism pilot project to maximize local impact and closely involve local communities. The activities (the Activities) for which the Grant is given are as follows:

##### Part A: Institutional and Legal Framework

1.1 updating the existing inventories of cultural institutions and introducing new methods and data collection technologies for their maintenance and upgrading;

1.2 training of professional staff in registry management;

1.3 reviewing the existing legal framework and policies on cultural heritage and assisting the Recipient to revise its legislation in accordance with international standards for managing cultural properties;

1.4 assessing the implications of the other sectors; legislation in relation to cultural property protection management.

Part B: Cultural Rehabilitation Fund

1.4 provision of technical assistance to define the terms of reference, criteria and guidelines governing a Cultural Rehabilitation Fund;

1.5 designing an operational manual and procedures for promotion, project design and evaluation, supervision and monitoring of culturally oriented projects;

1.6 carrying out a feasibility study for a pilot project which will encompass aspects such as site management from both ecological and commercial points;

1.7 defining a strategy to implement the recommendations outlined in the study, provide input in promoting with the private sector and help identify private investors to participate in the project; and

1.8 carrying out feasibility studies on a pilot basis for selected projects to be financed by the Cultural Rehabilitation Fund and initiated by local cultural institutions and local governments.

2. Expenditures to be financed out of the proceeds of the Grant are as follows:

Category	Grant Allocated (un U.S. Dollars)	Expenditures to be Financed
(1) Consultants' services and training	330,800	100%
(2) Goods	40,200	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 80% of local expenditures for other items procured locally

For the purposes of this paragraph, the term:

(a) "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient; and

(b) "local expenditures" means expenditures that are not foreign expenditures, provided, however, that if the currency of the Recipient is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be foreign expenditures.

3. The Recipient, through the Hayastan All Armenia Fund, a semi-public institution, shall carry out the Activities with due diligence and efficiency; promptly provide the funds, facilities, services, and other resources required for the purpose; furnish all information covering the Activities and the use of the proceeds of the Grant as the Association shall reasonably request; and from time to time exchange views with the Association's representatives on the progress and results of the Activities.

4. A steering committee chaired by the Ministry of Culture, Youth and Sports of the Recipient shall oversee the implementation of the Activities. The Hayastan All Armenia Fund shall be responsible for the implementation of the Activities, and shall closely collaborate with the Ministry of Culture, Youth and Sports and the Ministry of Trade and Industry.

5. Except as the Association shall otherwise agree, procurement of the consultants' services and goods required for the carrying out of the Activities and to be financed out of the proceeds of the Grant shall be governed by the provisions of Attachment I

to this Annex..

6. The amount of the Grant shall be credited to an account opened by the Association on its books in the name of the Recipient (the Grant Account), and the Association shall disburse funds therefrom to or on the order of the Recipient to meet the expenditures specified in paragraph 2 above. The Recipient shall submit a written application for withdrawal of such funds in the form specified by the Association. Withdrawal applications for the Grant shall be: (a) signed on behalf of the Recipient by the Minister of Finance or any other person authorized by him or her for such purpose; and (b) accompanied by evidence of the expenditures made, or, if the Association shall so agree, to be made. Authenticated specimen signatures of the Designated persons shall be provided with the first application. To facilitate the carrying out of the Activities, the Recipient may open a special deposit account (the Special Account) in Dollars in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Attachment II hereto.

7. The Association may require that withdrawals from the Grant Account be made on the basis of statements of expenditure for expenditures for: (a) consultants' services costing less than the equivalent of US\$50,000; (b) training; and (c) goods, all under such terms and conditions as the Association shall specify by notice to the Recipient.

8. The Grant shall be disbursed in U.S. dollars. However, the Recipient may request any other currency required to meet an expenditure to be financed by the Grant, and the Association will purchase that currency with U.S. dollars.

9. Withdrawals from the Grant Account shall be made only for expenditures for goods and services supplied from countries eligible under the Procurement Guidelines and Consultant Guidelines, as these terms are defined in Attachment I to this Annex. No withdrawals shall be made on account of payments for any taxes levied by, or in the territory of, the Recipient.

10. No withdrawals from the Grant Account shall be made after a date two years from the date of signature by the Association of this Letter-Agreement, or such later date that the Association may establish by notice to the Recipient (the Closing Date), except that the Association may disburse against withdrawal applications for expenditures incurred prior to the Closing Date, which are received by the Association within four months after the Closing Date. Any amount of the Grant then remaining unwithdrawn shall be canceled.

11. The Association may at any time, by notice to the Recipient, suspend further withdrawals from the Grant Account if any of the following events has occurred: (a) funds withdrawn shall not have been used for the purpose agreed between the Recipient and the Association; (b) the Activities shall not have been carried out in accordance with the standards or methods agreed between the Recipient and the Association; (c) the Recipient shall not have complied with any of the obligations herein specified; or (d) the right of the Recipient, or any other entity to which the International Bank for Reconstruction and Development (the Bank) has made a loan with the guarantee of the Recipient, to make withdrawals under any loan agreement with the Bank or any development credit agreement with the Association shall have been suspended.

12. The Association may, by notice to the Recipient, cancel any amount of the Grant remaining unwithdrawn (a) at any time after withdrawals from the Grant Account shall have been suspended pursuant to the provisions of paragraph 11 above; or (b) if the Recipient fails to take action, satisfactory to the Association, regarding the implementation of the Activities within six months of the date of this Letter-Agreement.

#### Attachment I

#### Procurement

#### Section I. Consultants' Services

#### Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of

Consultants by World Bank Borrowers", published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines), and the following provisions of this Section I.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services under paragraph 1.3 of the Annex estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines] shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Activities shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for the employment of consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

Section II. Procurement of Goods

Goods shall be procured: (a) in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines. The review procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply to such contracts, provided that the word "bids", in such paragraph 4, shall be read as "quotations".

## Special Account

1. For the purposes of this Attachment:

(a) the term "eligible categories" means the categories set forth in paragraph 2 of the Annex to this Letter-Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Activities to be financed out of the proceeds of the Grant allocated from time to time to the eligible categories in accordance with the provisions of paragraph 2 of the Annex to this Letter-Agreement; and

(c) the term "Authorized Allocation" means the amount of US\$70,000 to be withdrawn from the Grant Account and deposited in the Special Account pursuant to paragraph 3 (a) hereof.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Attachment.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) The Recipient shall furnish to the Association a request or requests for a deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Attachment for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Grant Account under the eligible categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Attachment, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account;

(b) if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of paragraph 11 of the Annex to this Letter-Agreement; or

(c) once the total unwithdrawn amount of the Grant allocated to the eligible categories shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible categories shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Attachment; or (ii) was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

