

CONFORMED COPY

TF029782  
DUTCH GRANT RELATED TO CREDIT NUMBER 3508 AM

Dutch Grant Agreement

(Fourth Structural Adjustment Credit)

between

THE REPUBLIC OF ARMENIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

as Administrator of Dutch Funds  
provided by the  
MINISTER FOR DEVELOPMENT COOPERATION  
OF THE NETHERLANDS

Dated July 6, 2001

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DUTCH GRANT RELATED TO CREDIT NUMBER 3508 AM

DUTCH GRANT AGREEMENT

AGREEMENT, dated July 6, 2001 between THE REPUBLIC OF ARMENIA (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION acting as Administrator (the Administrator) of the Dutch Grant (as hereinafter defined) provided by the Minister for Development Cooperation of the Netherlands (the Minister).

WHEREAS (A) the Recipient has requested the assistance of the International Development Association (the Association) and the Minister in support of a program of actions, objectives and policies designed to achieve structural adjustment of the Recipient's economy set forth in a letter addressed to the Association dated March 5, 2001 (hereinafter called the Program) and declaring the Recipient's commitment to the execution of the Program;

(B) the Administrator has made a credit for this purpose on the terms and conditions set forth in a Development Credit Agreement (Credit No. 3508 AM) dated May 31, 2001 between the Recipient and the Administrator (the Credit Agreement);

(C) the Minister wishes to make available to the Recipient a grant in the amount of ten million Dutch guilders (NLG 10,000,000) (the Dutch Grant) in support of the Program;

(D) pursuant to the General Arrangement, entered into between the Minister, the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), (IBRD and IDA being herein collectively referred to as the Bank), dated May 24, 1995 (the Arrangement), and the Arrangement between the Minister and the Bank dated June 22, 2001, the Minister has appointed the Bank and the Bank has agreed to administer the grant funds to be made available by the Minister under the same terms and conditions as under Credit No. 3508 AM, as the case may be, in accordance with the provisions of the Arrangement and has authorized the Bank to do

all such acts and things as may be necessary or appropriate to carry out such administration, including entering into this Grant Agreement on behalf of the Minister; and

(E) the Recipient acknowledges that the financial assistance extended to the Recipient under this agreement (the Dutch Grant Agreement) shall be considered part of the bilateral development aid extended by the Government of the Netherlands to the Recipient;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through October 6, 1999 (the General Conditions), constitute an integral part of this Agreement, subject, however, to the following modifications thereof:

(a) the term "Association", whenever used in the General Conditions, means the International Development Association acting as Administrator of the Dutch Grant pursuant to the Arrangements, except in the phrase "member of the Association" in Sections 2.01 (5), 4.02 (b) and 6.02 (e);

(b) the term "Borrower" whenever used in the General Conditions means the Recipient;

(c) the term "Development Credit Agreement", whenever used in the General Conditions, means this Agreement;

(d) the term "Credit", whenever used in the General Conditions, means the Dutch Grant extended to the Recipient under this Agreement;

(e) the term "Credit Account", whenever used in the General Conditions, means the Dutch Grant Account opened by the Administrator on its books, in the name of the Grantee, to which the amount of the Dutch Grant is credited;

(f) Section 2.01, paragraph 12, shall be modified to read:

"the term 'Project' means the goods that may be financed out of the proceeds of the Dutch Grant pursuant to the provisions of the Schedule to the Dutch Grant Agreement.";

(g) Section 4.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, withdrawals from the Credit Account shall be made in the currency of the deposit account specified in Section 2.02 of the Development Credit Agreement."

(h) The last sentence of Section 5.03 is deleted;

(i) in Section 6.02, the term "Association" shall also include the International Development Association acting in its own capacity;

(j) Section 9.04 is deleted and Sections 9.05, 9.06 (as modified above), 9.07 and 9.08 are renumbered, respectively, Sections 9.04, 9.05, 9.06 and 9.07.

(k) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date, or such later date as may be agreed for this purpose between the Grantee and the Administrator, the Grantee shall prepare and furnish to the Administrator a report of such scope and in such detail as the Administrator shall reasonably request, on the execution of the Project, the performance by the Grantee and the Administrator of their respective obligations under the Dutch Grant Agreement and the accomplishment of the purposes of the Dutch Grant"; and

(l) Sections 3.02, 3.03, 3.04, 3.05, 4.01, 4.02, 4.03, 4.06, 6.05, 7.01, 8.01 (a) and 12.05 are deleted.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) the terms "Dutch guilders" and "NLG" mean the currency of the Netherlands; and

(b) the term "Deposit Account" means the account referred to in Section 2.02 (b) of this Agreement.

## ARTICLE II

### The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount of ten million Dutch guilders (NLG 10,000,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b) and (c) of this Section and fulfillment of the conditions of first tranche release, the Recipient shall be entitled to withdraw the proceeds of the Dutch Grant from the Dutch Grant Account in support of the Program.

(b) The Recipient shall open, prior to furnishing to the Administrator the first request for withdrawal from the Dutch Grant Account, and thereafter maintain in its central bank, a deposit account in Dollars on terms and conditions satisfactory to the Administrator. All withdrawals from the Dutch Grant Account shall be deposited by the Administrator into the Deposit Account.

(c) The Recipient undertakes that the proceeds of the Dutch Grant shall not be used to finance expenditures excluded pursuant to the provisions of the Schedule to this Agreement. If the Administrator shall have determined at any time that any proceeds of the Dutch Grant Account shall have been used to make a payment for an expenditure so excluded, the Recipient shall, promptly upon notice from the Administrator, (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Administrator shall so request, refund such amount to the Administrator. Amounts refunded to the Administrator upon such request shall be credited to the Dutch Grant Account for cancellation.

Section 2.03. The Closing Date shall be December 31, 2001 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

## ARTICLE III

### Particular Covenants

Section 3.01. Except as otherwise expressly provided herein, Articles III and IV of the Development Credit Agreement, including the Schedules referred to therein, are hereby incorporated into this Agreement with the same force and effect as if they were fully set forth herein, it being understood that all references in said Articles to the "Association" shall be deemed to be references to the Association as Administrator of the Dutch Grant under this Agreement, all references to the "Borrower" shall be deemed to be references to the Recipient, and all references to the "Credit" and the "Credit Account" shall be deemed to be references to the Dutch Grant and the Dutch Grant Account, respectively.

## ARTICLE IV

### Transfer of Rights and Obligations

Section 4.01. In accordance with the Arrangements, the rights and obligations of the Administrator under this Agreement may be transferred to the Minister. The Recipient accepts and agrees that, upon notice by the Administrator to the Recipient to that effect, the Minister shall, ipso facto, from the date specified in such notice, be substituted in all rights and obligations of the Administrator under this Agreement as if the Minister had been an original party to this Agreement, without any further action or formality being required on the part of any party and, from such date, the Administrator shall cease to have any rights or obligations as a party under this Agreement.

ARTICLE V

Effectiveness

Section 5.01. This Agreement shall become effective as of the date on which the Bank receives notice of completion of internal approval procedures required under the Laws of the Recipient and shall continue in effect until the Dutch Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VI

Representation

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance  
1, Government House  
Republic Square  
Yerevan 375010  
Republic of Armenia

Telex:

24333 LADA SU

For the Administrator:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the day and year first above written.

REPUBLIC OF ARMENIA

By /s/ Vartan Khachatryan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of Dutch Funds  
Provided by the  
MINISTER FOR DEVELOPMENT  
COOPERATION OF THE NETHERLANDS

By /s/ Judy O'Connor

SCHEDULE

Withdrawal of the Dutch Grant

For purposes of Section 2.02(c) of this Agreement, the proceeds of the Dutch Grant shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Administrator shall have financed or agreed to finance, or which the Bank or the Administrator shall have financed or agreed to finance under another loan or a credit;
3. expenditures for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or sub-groups under future revisions to the SITC, as designated by the Administrator by notice to the Recipient:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728.43	-	Tobacco processing machinery
metals goldsmiths' gems)	897.3	Jewelry of gold, silver or platinum group (except watches and watch cases) and or silversmiths' wares (including set
971	-	Gold, non-monetary (excluding gold ores and concentrates)

4. expenditures for goods intended for a military or para-military purpose or for luxury consumption;
5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party; and
6. in furtherance of the purposes of Section 5.01 of the General Conditions, expenditures: (a) in the territories of any country which is not a member of the Administrator or for goods procured in, or services supplied from, such territories; or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.



