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LAURA E. BAILEY
Country Manager for Armenia
Europe and Central Asia Region

March 23, 2017

H.E. Vardan Aramyan
Minister of Finance
Ministry of Finance
Yerevan, 0010, Melik Adamyan str. 1
Republic of Armenia

Re: Republic of Armenia PHRD TF Grant No. TF0A4449
Agriculture Policy Monitoring and Evaluation Capacity Building Project
Letter Agreement

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 of grant funds provided by Japan (“Donor”) under the Special Fund for Policy and Human Resource Development (“PHRD”) Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed one million eight hundred thousand United States Dollars (US\$ 1,800,000) (“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 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 Donor 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.

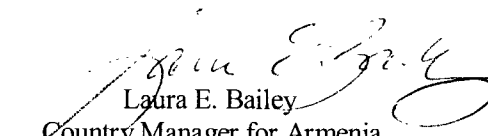
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1818 H Street N.W. Washington, DC 20433, USA
Tel: +1 (202) 473 7252
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Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

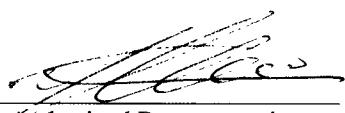
Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT


Laura E. Bailey
Country Manager for Armenia
Europe and Central Asia Region

AGREED:

REPUBLIC OF ARMENIA

By 
Authorized Representative
Name Vardan Aramyan
Title Minister of Finance
Date: March 23, 2017

cc: Mr. Frank Heemskerk, Executive Director, The World Bank

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 Investment Project Financing, dated February 2017
- (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 and as of July 1, 2016
- (4) World Bank Procurement Regulations for Borrowers under Investment Project Financing, dated July 1, 2016

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”), with the modifications set forth in Section I of the Appendix to this Agreement, 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.

- (i) “Agricultural Census” means the Recipient’s national agricultural census prepared by the National Statistical Service of the Republic of Armenia (NSSRA).
- (ii) “APIU” or “Project Implementing Entity” means the Agricultural Projects Implementation Unit within the MOA that will be managing day-to-day implementation of the Project.
- (iii) “MOA” means the Recipient’s Ministry of Agriculture.
- (iv) “Project Operational Manual” or “POM” means a manual referred to in Section 2.03(c), prepared and adopted by APIU in a manner acceptable to the World Bank, that sets forth operational and administrative procedures for the implementation of the Project, including implementation arrangements, reporting, monitoring and evaluation, as such manual including any provision thereof or any schedules thereto, may not be assigned, amended, abrogated, or waived without the prior written agreement of the Bank.
- (v) “remote sensing technologies” means satellite- or aircraft-based sensor technologies to detect and classify objects on the surface based on propagated signals and photogrammetry.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to strengthen the Recipient’s monitoring and evaluation capacity and systems to enable itself to carry out evidence-based agriculture policy analysis and formulation. The Project consists of the following parts:

Part 1: Capacity building for evidence-based policy making analysis and formulation

1.1. Staff training program for capacity building

Carry out a series of two- to four-day training programs for building skills in the: (i) review of sources of information, identification, design and use of monitoring indicators; (ii) development and management of databases; (iii) design and commissioning of evaluations for evidence-based policy making; (iv) techniques of policy analysis including mechanisms to build beneficiary engagement into the process

of policy evaluation; and (v) alignment of monitoring and evaluation (M&E) outputs with strategy implementation and budget formulation.

1.2 *Skills building for survey design and analysis*

Support in carrying out surveys and analyses including, *inter alia*, the: (i) analysis of the Agricultural Census; (ii) development of templates for farm enterprise analysis to be updated annually for monitoring trends in on-farm incomes and profitability; and (iii) review and improvement of survey instruments used for agriculture and rural areas.

1.3 *Specific economic evaluations*

Support in carrying out specific and detailed economic evaluations on topics agreed with the Recipient focusing on impact analysis of existing policies, including socio-economic impact, environmental impact and regulatory impact assessment.

1.4 *Information technology support and database management*

Support in the use of information technology tools including, *inter alia*, computers, printers, database management software(s) and remote sensing technologies.

1.5 *Technical assistance*

- (a) Review and provide recommendations/guidance to strengthen the Recipient's:
 - (i) institutional base for M&E and evidence-based policy making, including links to other ministries and public agencies;
 - (ii) human resource base for policy M&E, and training program to build/strengthen relevant skills;
 - (iii) M&E system for policy evaluation and its links to: implementation of the agriculture sector strategy, design of the agriculture budget, and adoption of principles and techniques of evidence-based policy making including statistical analysis, commissioned research, beneficiary engagement and the use of administrative information;
 - (iv) evidence base for agricultural policy monitoring produced by the NSSRA, and its contribution towards evidence-based policy making for agriculture; and
 - (v) capacity for (A) independent policy monitoring outside the Ministry of Agriculture (MOA) by other relevant agencies and stakeholders including, *inter alia*, NSSRA and the Agricultural University; and (B) the design and implementation of training and support programs.
- (b) Carry out a fora to discuss the outcomes of evidence-based policy making with other ministries, institutes and public agencies.

Part 2: Project Management and Administration, Monitoring and Evaluation, and Knowledge Dissemination

Provide technical and administrative support on areas of project management including field visits, mid-term impact assessments, reporting, project evaluations, and audit.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall, through the MOA, cause the Project to be carried out by the Agricultural Projects Implementation Unit (“APIU” or “Project Implementing Entity”) 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 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** (a) For purposes of carrying out the Project, the Recipient shall maintain throughout Project implementation, both the MOA and the APIU, with a structure, functions and responsibilities acceptable to the World Bank;

(b) The Recipient, through APIU, shall implement the Project in accordance with the Memorandum of Understanding (“MOU”) developed for the implementation of this Project including its environmental and social performance, to be signed within forty-five (45) days of effectiveness of this Agreement; and

(c) A Project Operational Manual (“POM”) will be prepared and adopted by APIU prior to project implementation.

Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the POM and those of this Grant Agreement, the provisions of the Grant Agreement shall prevail.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient 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 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 four months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants in accordance with the provisions of Section 2.06 of this Agreement.

2.05. **Financial Management.** (a) The Recipient 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 shall 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 have the Project 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 shall cover the period of one fiscal year of the Recipient. The audited Project Financial Statements for each such period shall be furnished to the World Bank not later than six months: (i) after the end of such period; and (ii) after the Project closing date. The audited Project Financial Statements shall be made publicly available in a timely fashion and in a manner acceptable to the World Bank.

2.06. Procurement

All goods, non-consulting services and consulting 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 the “World Bank Procurement Regulations for Borrowers under Investment Project Financing” dated July 1, 2016 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated December 9, 2016, provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

**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.

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services and consulting services under Part 1 of the Project	1,638,000	100%
(2) Goods, non-consulting services, consulting services and operating costs under Part 2 of the Project	162,000	100%
TOTAL AMOUNT	1,800,000	

For the purpose of Section 3.01, the term “Operating Costs” means the reasonable costs for the incremental expenses incurred on account of Project implementation, consisting, inter alia, of translation, vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing and consumables, but excluding the salaries of the Recipient’s civil service’s officials.

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 this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2018.

Article IV Effectiveness; Termination

4.01. 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; and
- (b) The POM referred to in Section 2.03(c) of this Annex has been adopted by APIU.

4.02. 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.

4.03. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) 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 V Recipient's Representative; Addresses

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

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Yerevan, 0010, Melik Adamyan str. 1
Republic of Armenia

Telephone:
(+374 60) 595 304

Facsimile:
(+37411) 800 132

5.03. **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

Telephone:
1-202-473-1000

Facsimile:
1-202-477-6391