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MINISTRY OF FINANCE OF THE
REPUBLIC OF ARMENIA
MINISTER
МИНИСТЕРСТВО ФИНАНСОВ
РЕСПУБЛИКИ АРМЕНИЯ
МИНИСТР

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N 01/5-2/15848-2023
<< 10 >> 08 2023թ.

To: Mr. George Akhalkatsi
Head of Yerevan Resident Office
European Bank for Reconstruction and Development

Subject: Re: Gyumri Urban Roads (Operation Number 46540)

Dear Mr. Akhalkatsi,

Gladly taking this opportunity I would like to highlight the longstanding and productive cooperation that we have been developing between the Republic of Armenia and European Bank for Reconstruction and Development (hereinafter referred as the "Bank").

Referring to your letter dated 17 July 2023 on Gyumri Urban Roads, please be informed that covering the financing gap of EUR 3.470 million under the "Tranche C" through the EBRD loan increase of EUR 2.720 million and an additional TC grant of EUR 0.75 million, is acceptable for us.

Given the above stated we would also like to ask for proceeding with the respective procedures both for the loan and for the grant.

Thank you for your time and consideration and looking forward to your feedback.

Sincerely Yours,

Vahe Hovhannisyan

CC: Mr Mher Grigoryan, Deputy Prime Minister of the Republic of Armenia
CC: Mr Gnel Sanosyan, Minister of Territorial Administration and Infrastructure of the Republic of Armenia
CC: Mr Vardges Samsonyan, Mayor of Gyumri Community



European Bank
for Reconstruction and Development

Mr. Vahe Hovhannisyan
Minister
Ministry of Finance of the Republic of Armenia
1 Melik-Adamyan str., Yerevan 0010

17 July 2023

Subject: Gyumri Urban Roads (Operation Number 46540)

Dear Minister Hovhannisyan,

Please accept my sincere appreciation for the continuous fruitful cooperation between the Republic of Armenia and the European Bank for Reconstruction and Development (the “Bank”).

In response to your letter (ref. N 01/5-2/12329-2023) dated 20 June 2023, I am pleased to confirm that the Bank is ready to start the approval process to reallocate savings (under the Tranches A and B) and to expand the use of proceeds under the Tranche C from street lighting only to the road rehabilitation and street lighting modernisation of Ani and Austrian districts of Gyumri city.

Based on the due diligence results, the total project cost under the proposed Tranche C scope is estimated at EUR 10.2 million (excluding VAT). Furthermore, this cost needs to be adjusted for the project implementation support and supervision services, estimated additionally at EUR 1.5 million. The available funds (inclusive of the amounts to be reallocated) stand at EUR 8.3 million. **This results in a financing gap of EUR 3.470 million.** For further details, please refer to the updated project cost table in an annex.

The financing gap of EUR 3.470 million can be funded from the state budget entirely, or the Government can request the Bank to finance it through the EBRD loan increase of EUR 2.720 million and an additional TC grant of EUR 0.75 million for project implementation support. The latter approach will allow the Bank to seek these additional TC donor funds and to provide confidence to existing capex donors, when seeking their approvals, that the project will be implemented effectively, consistently and in line with the EBRD procurement rules and requirements. VAT and other taxes would need to be covered from the state budget and are excluded from current estimates.

Subject to the confirmation from the Ministry of Finance on the preferred approach to cover the financing gap, the Bank will proceed with internal approvals to incorporate the above changes including seeking donor approvals and the extension of the last availability dates. *For the avoidance of any doubt, please note that this letter does not represent a binding commitment to provide any financing until all necessary approvals are received and satisfactory legal documentation is executed.*



European Bank
for Reconstruction and Development

We look forward to our continued cooperation and successful completion of this important project for the Republic of Armenia.

Sincerely yours,

George Akhalkatsi
EBRD Head for Armenia

CC: Mr Mher Grigoryan, Deputy Prime Minister of the Republic of Armenia
CC: Mr Gnel Sanosyan, Minister of Territorial Administration and Infrastructure of the Republic of Armenia
CC: Mr Vardges Samsonyan, Mayor of Gyumri Community

George Akhalkatsi
EBRD Head for Armenia



Calculations on required funds
Gyumri Urban Raods, Tranche C re-purposing
in Euro's

Annex

	Loan Disbursement	Grant Disbursement	TC grants	Total
Tranche A				
Front End Fee (for three Tranches)	146,000			146,000
Road Rehabilitation works	4,186,698	2,094,245		6,280,943
Project Implementation Support (extension)	120,000			120,000
Total Tranche A (disbursed)	4,452,698	2,094,245		6,546,943
Tranche B				
Road Rehabilitation works	4,510,845	2,255,424		6,766,269
Purchase of LED luminaries	184,735	92,368		277,103
Total Tranche B (disbursed)	4,695,581	2,347,791		7,043,372
Technical Cooperation component				
Project Implementation Support			1,359,600	1,359,600
Parking Strategy and Action Plan			172,000	172,000
Feasibility Study (for Tranche C)			146,000	146,000
Total TCs			1,677,600	1,677,600
Tranche A (signed)	5,300,000	2,650,000		7,950,000
Tranche B (signed)	5,300,000	2,650,000		7,950,000
Savings (Tranche A)	847,302	555,755		1,403,057
Savings (Tranche B)	604,419	302,209		906,628
Total savings	1,451,721	857,964		2,309,685

Tranche C	Loan	Grant	TC grants	Total
Road Rehabilitation works	7,592,201			7,592,201
Installation of street rain receivers (520pcs)	154,231			154,231
Street Lighting Modernisation		1,806,237		1,806,237
Other auxilliary works (as per BoQ)	727,013			727,013
Project Management Contract (PIU support, detailed designs, technical supervision, road safety, E&S reporting, etc.)	750,000		750,000	1,500,000
Total	9,223,445	1,806,237	750,000	11,779,682
Required funds for Tranche C				11,779,682
Available funds, of which				8,309,685
EBRD loan				4,000,000
ESP grant				2,000,000
Savings				2,309,685
Financial Gap, to be covered by				3,469,997
EBRD Loan increase				2,719,997
TC grant (donor to be confirmed)				750,000