

DISBURSEMENT AGREEMENT

BY AND AMONG

MILLENNIUM CHALLENGE CORPORATION

**THE MINISTRY OF FINANCE AND ECONOMY,
ON BEHALF OF THE GOVERNMENT OF THE REPUBLIC OF ARMENIA**

AND

MILLENNIUM CHALLENGE ACCOUNT - ARMENIA S.N.C.O.

Dated as of September 26, 2006

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DISBURSEMENT AGREEMENT

This DISBURSEMENT AGREEMENT (the “*Agreement*”), dated as of September 26, 2006, is made by and among the Millennium Challenge Corporation, a United States Government corporation (“*MCC*”); the Ministry of Finance and Economy (the “*Ministry*”), on behalf of the Government of the Republic of Armenia (the “*Government*”); and Millennium Challenge Account - Armenia S.N.C.O., a state non-commercial organization established in accordance with Government Resolution No. 487-N dated April 13, 2006, as amended by Government Resolution No. 1008-N dated July 6, 2006 (“*MCA-Armenia*”). MCC, the Ministry and MCA-Armenia are sometimes referred to herein individually as a “*Party*” and collectively as the “*Parties*.”

Capitalized terms used and defined in this Agreement shall have the meanings given to such terms herein. Schedule 2 to this Agreement lists the capitalized terms that are defined herein and the sections and subsections in which their respective definitions appear. Capitalized terms that are used but not defined herein shall have the meanings given such terms in that certain Millennium Challenge Compact by and between the United States of America, acting through MCC, and the Government, signed in Washington, D.C. on March 27, 2006 (the “*Compact*”).

RECITALS

WHEREAS, the Compact sets forth the general terms and conditions on which the United States, through MCC, will provide MCC Funding to the Government to use to implement the Program in the Republic of Armenia (“*Armenia*”) and achieve the Compact Goal and Objectives contemplated by the Compact;

WHEREAS, pursuant to Section 3.2 of the Compact and the Governance Agreement dated the date hereof among MCC, the Staff of the Government and MCA-Armenia, the Government has designated MCA-Armenia to assume and carry out certain governmental rights, responsibilities and duties under the Compact, including the execution, delivery and performance of this Agreement;

WHEREAS, it is a condition precedent to the Entry into Force that this Agreement be executed by the Parties;

WHEREAS, prior to the payment of any MCC Disbursement or Re-Disbursement, the Ministry and MCA-Armenia, on behalf of the Government, must satisfy, or cause or ensure the satisfaction of, the terms and conditions specified in this Agreement and certain other Supplemental Agreements; and

WHEREAS, the Parties wish to enter into this Agreement to further specify the terms and conditions on which MCC Disbursements and Re-Disbursements will be made in furtherance of the Compact;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the Parties hereby agree as follows:

ARTICLE I

DISBURSEMENTS

Section 1.1 Disbursements.

(a) MCC Disbursements.

(i) MCA-Armenia shall submit MCC Disbursement Requests, in the form attached hereto as Exhibit A, to MCC (and shall provide a copy thereof to the Principal Representative of the Government) for MCC Disbursements under the Compact. MCC Disbursement Requests may be made on a quarterly basis, or at such other interval as the Parties may otherwise agree from time to time, and shall be submitted to MCC no later than twenty (20) days (or such other period of time as agreed to by the Parties) prior to the commencement of the applicable Disbursement Period (defined below).

(ii) Upon receipt of an MCC Disbursement Request, MCC shall determine the appropriate amount of the MCC Disbursement for application during the subsequent quarter or such other period of time as agreed to by the Parties (the “**Disbursement Period**”), which disbursement, in whole or in part, shall be (1) calculated on the basis of, among other things, the progress under the Implementation Plan, (2) transferred in accordance with the cash requirements for each month of the Disbursement Period set forth in the Disbursement Request, and (3) subject to the satisfaction, waiver or deferral of applicable terms of and conditions to such MCC Disbursement in this Agreement. MCC reserves the right, in its sole discretion, to reduce the amount of any MCC Disbursement in accordance with Section 3.7(a) of this Agreement, Sections 2.1(a)(ii) and 2.2 (b) of the Compact or any other applicable provision of the Compact, this Agreement, or any other Supplemental Agreement between the Government or any Government Affiliate or Permitted Designee and MCC or between two or more of such parties (collectively, the “**Compact Documents**”).

(iii) MCC shall make each MCC Disbursement in U.S. Dollars to a Permitted Account pursuant to and in accordance with the procedures and requirements set forth in the Bank Agreement (or such other documentation establishing the Permitted Accounts). MCA-Armenia shall provide in writing to MCC the designated account number and wire transfer instructions for the Permitted Accounts (the “**Permitted Account Information**”) no later than ten (10) business days prior to the initial MCC Disbursement. In the event that any Permitted Account changes during the Compact Term or the Permitted Account Information with respect to such Permitted Account otherwise changes, MCA-Armenia shall provide in writing to MCC any modifications to such Permitted Account Information then on file with MCC as soon as practicable, but in no event later than ten (10) business days prior to the immediately succeeding MCC Disbursement.

(b) Re-Disbursements.

(i) Requests for payment of Re-Disbursements shall be submitted to the Fiscal Agent in the form and substance, and pursuant to the process required by the Fiscal

Agent in the Fiscal Agent Agreement, the Fiscal Accountability Plan, the Bank Agreement and any other relevant Compact Document.

(ii) MCA-Armenia shall ensure that the Fiscal Agent authorizes payment of, and the Bank pays from the applicable Permitted Account directly to the applicable party, any valid Re-Disbursement amount, in accordance with the procedures and requirements set forth in the Fiscal Agent Agreement, the Fiscal Accountability Plan, the Bank Agreement and any other relevant Compact Document.

(iii) Any Re-Disbursements shall be subject to the applicable terms and conditions for such Re-Disbursement set out in Sections 1.2 and 3.6 of this Agreement and in any other relevant Compact Document or other Supplemental Agreement.

Section 1.2 Limitations on Use of MCC Funding.

(a) MCA-Armenia shall ensure that the use or treatment of MCC Funding shall comply with the limitations on the use or treatment of MCC Funding set out in the Compact, including Section 2.3 therein.

(b) Unless the Parties otherwise agree in writing, no financial commitment involving MCC Funding shall be made, no obligation of MCC Funding shall be incurred, and no MCC Disbursement or Re-Disbursement shall be made or MCC Disbursement Request submitted, for an activity or expenditure, unless the expense is provided for in the Detailed Financial Plan and unless unencumbered funds exist in the balance of the Detailed Financial Plan for the relevant period.

Section 1.3 Working Capital. The initial Disbursement Request shall include funds in an amount equal to five hundred thousand U.S. Dollars (\$500,000) to serve as a minimum cash balance reserved for the Program (“**Working Capital**”). The funds shall be available exclusively for expenses included in the Detailed Budget but whose timing is earlier than originally projected and is not to be considered an amount available in addition to the Detailed Budgets. If at any time the Working Capital in the Permitted Accounts is below five hundred thousand U.S. Dollars (\$500,000), any subsequent MCC Disbursement Request may include a request for an amount equal to such shortfall for purposes of replenishing the Working Capital.

ARTICLE II REPRESENTATIONS

Section 2.1 Ministry Representations. The Ministry hereby provides, on behalf of itself and the Government, the following representations to MCC as of the Effective Date.

(a) Powers. The Ministry has the power and authority to execute, deliver and perform its obligations under this Agreement and each other agreement, certificate, or instrument contemplated hereby.

(b) Authorization; No Conflicts; No Other Approvals. The execution, delivery and performance by the Ministry of this Agreement and the transactions contemplated herein (i) have been duly authorized by all necessary action on the part of the Government and (ii) will not violate (1) any applicable law or regulation or (2) any obligation of the Government, any Government Affiliate, including the Ministry and MCA-Armenia. No other action, consent, approval, registration or filing with or any other action by any governmental authority is required in connection with the effectiveness of this Agreement or the execution and performance of this Agreement by the Ministry. This Agreement and the Compact are valid and binding agreements and legally enforceable obligations of the Government, including the Ministry.

(c) Government Assurances. The assurances in paragraphs (a) through (d) of Section 3.4 of the Compact are true, correct and complete in all material respects as if made by the Government herein.

(d) Government Contributions. The Government has contributed such cash or other resources or made such payments as required by Section 2.2, Section 2.3(e), Section 2.5, Section 3.9 and Section 5.8 of the Compact, Section 3(b) of Annex I of the Compact, Annex II of the Compact, or by any other relevant provision of any Compact Document.

Section 2.2 MCA-Armenia Representations. On behalf of itself and the Government, MCA-Armenia shall provide the following representations to MCC as of the Effective Date and as of the date of each MCC Disbursement (in such case, both immediately before and immediately after giving effect to the MCC Disbursement occurring on such date); provided that, with respect to each of the representations MCA-Armenia makes on behalf of the Government, MCA-Armenia shall confirm such representations with all necessary Government Affiliates prior to MCA-Armenia providing such representations to MCC.

(a) Powers; Authorization. MCA-Armenia is a state non-commercial organization established pursuant to Government Resolution No. 487-N dated April 13, 2006, as amended by Government Resolution 1008-N dated July 6, 2006, duly organized, validly existing and in good standing under the laws of Armenia. MCA-Armenia has the power and authority to execute, deliver and perform its obligations under this Agreement, the other Compact Documents and Supplemental Agreements to which it is or will be a party, and each other agreement, certificate, or instrument contemplated hereby and thereby. The execution, delivery and performance by MCA-Armenia of this Agreement, the Compact and the transactions contemplated herein and therein (i) have been duly authorized by all necessary action on the part of MCA-Armenia and the Government and (ii) will not violate (1) any applicable law or regulation or (2) any obligation of the Government, any Government Affiliate, including the Ministry and MCA-Armenia, or any other Permitted Designee. No other ratification, license, permit, consent, approval, sanction, disclosure, registration, consultation or filing with or any other authorization or other action by any governmental authority (collectively, the "Permits") is required in connection with the effectiveness of this Agreement or the Compact or the execution and performance by MCA-Armenia of this Agreement, the Compact, the Supplemental Agreements or the transactions contemplated herein or therein, except for such Permits as will be obtained in the ordinary course and as to which MCA-Armenia has no reason to believe will not

be granted in the ordinary course within a reasonable time after application therefor, without burdensome conditions, and prior to the time the same are required under applicable laws. This Agreement and the Compact are valid and binding agreements and legally enforceable obligations of the Government, including MCA-Armenia.

(b) No Liens. To the knowledge of MCA-Armenia, there are no liens or encumbrances of any kind on any Program Asset or Permitted Account.

(c) No Material Adverse Change. Since the date of the execution of the Compact, there has been no Material Adverse Change. For the purposes of this Agreement, “Material Adverse Change” shall mean: (i) a material breach or default of any assurance, representation, covenant or other obligation of the Government, any Government Affiliate (including MCA-Armenia) or any other Permitted Designee under any Compact Document or Supplemental Agreement; (ii) failure by the Government, any Government Affiliate (including MCA-Armenia), any other Permitted Designee and, to the knowledge of the MCA-Armenia, any Provider, to substantially comply with any term or condition set forth in the Compact Documents applicable to such party, including Section 2.3 of the Compact; (iii) a material adverse change in the Governing Documents, status or existence of MCA-Armenia; (iv) a material modification, amendment, alteration, rescission, termination or suspension of any Supplemental Agreement other than as disclosed in writing to, and approved where necessary by, MCC; and (v) an act, event, circumstance or omission that has occurred or is pending or threatened that has or reasonably could be expected to have a material adverse change in or material adverse effect on: (1) the business, ministries, departments, property, operations, management, or condition, financial or otherwise, of the Government or any Government Affiliate (including MCA-Armenia) or, to the knowledge of MCA-Armenia, any other Permitted Designee, insofar as it is relevant to all or any part of the Program or Compact, (2) the ability of the Government, any Government Affiliate (including MCA-Armenia) or any other Permitted Designee or, to the knowledge of MCA-Armenia, any Provider, to perform any of its obligations in furtherance of the Compact or under any Supplemental Agreement or to exercise any of its rights under the Compact or any Supplemental Agreement, (3) the validity or enforceability of the Compact or any Supplemental Agreement, (4) the Program, any MCC Funding, Accrued Interest, Program Asset or any Permitted Account; or (5) the likelihood of successful implementation of the Compact consistent with the terms of the Compact Documents.

(d) No Untrue Statements or Material Omissions. None of the representations and warranties made to MCC by the Government, any Government Affiliate (including MCA-Armenia), or any other Permitted Designee (and to the knowledge of MCA-Armenia, any other Provider), none of the assurances by the Government made to MCC in any Compact Document, and none of the statements contained in any agreement, report, financial statement, communication or other document furnished by or on behalf of the Government, any Government Affiliate (including MCA-Armenia), any other Permitted Designee or, to the knowledge of MCA-Armenia, any other Provider, to MCC in connection with any Compact Document (i) contains any untrue statement of material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading as of the time when made or

delivered or (ii) omits any fact known to the Government, any Government Affiliate (including MCA-Armenia), or any other Permitted Designee, that if disclosed would (1) alter in any material respect the information delivered or (2) likely have a material adverse effect on the ability of the Government, any Government Affiliate (including MCA-Armenia), any other Permitted Designee or other Provider to effectively implement, or ensure the effective implementation of, the Program or any Project or to otherwise carry out its responsibilities or obligations under or in furtherance of the Compact or any Supplemental Agreement.

(e) No Programmatic or Other Variance. MCA-Armenia is not aware of any fact or other information indicating that achievement of the Compact Goal and Objectives within the Compact Term, or satisfaction in a timely manner of the requirements of any component of the Implementation Plan or any Supplemental Agreement (including with respect to any conditions precedent for future MCC Disbursements) critical to the achievement of the Compact Goal and Objectives within such period of time, is unlikely.

ARTICLE III ***CONDITIONS PRECEDENT***

Section 3.1 Conditions Prior to Initial MCC Disbursement. Prior to, and as a condition precedent to, the initial MCC Disbursement the following conditions shall have been met to MCC's satisfaction:

(a) Delivery of a certificate, satisfactory to MCC, issued or procured by the Ministry evidencing (i) the tax exempt status of the MCC Funding and of MCA-Armenia and certifying that it has taken all actions as may be necessary for the implementation and administration of the Government's compliance with Section 2.3(e) of the Compact, (ii) the designation of a Ministry of Finance representative to serve as the liaison with other Government agencies in the administration of such tax exemptions and reimbursements and any other matters as may be necessary for the effective implementation of the Compact, and (iii) the exemption from value-added taxes ("**VAT**") of transactions involving MCC Funding, which exemption may be evidenced by attaching to such certificate a sample VAT certificate to be delivered by the Government in connection with each Re-Disbursement;

(b) Each Permit necessary or appropriate in connection with the due execution and delivery of this Agreement by MCA-Armenia and performance by MCA-Armenia of its obligations hereunder (and under any relevant Supplemental Agreement) in connection with the Project Activities to be funded by the initial MCC Disbursement has been obtained, was validly issued, remains in full force and effect, is non-appealable, and is on file in the offices of MCA-Armenia;

(c) The Permitted Accounts have been duly established at the Bank in accordance with the Bank Agreement, the Fiscal Agent Agreement, the Fiscal Accountability Plan and the Compact Documents;

(d) Each of the conditions precedent to Entry into Force as set forth in Section 4.1 of the Compact have been satisfied;

(e) Delivery of a certificate, in form and substance satisfactory to MCC, signed by the Chair of the Governing Council and the Chief Executive Officer of MCA-Armenia (an “*MCA-Armenia Certificate*”), certifying that attached thereto are true, accurate and complete copies of the following documents, in form and substance satisfactory to MCC, which MCC may post on its website or otherwise make publicly available (except that any posting or other publication of the Chief Executive Officer’s employment contract shall be subject to agreement between MCC and MCA-Armenia as to the manner and information included in such posting or publication), together with the following certifications as to such documents made by the Chair of the Governing Council and the Chief Executive Officer of MCA-Armenia:

(i) The Fiscal Agent Agreement, duly executed and delivered and in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(ii) The Bank Agreement, duly executed and delivered and in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(iii) The Governing Documents, each duly executed and delivered and in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind, and such other executed and delivered documents in full force and effect, and any amendments of any thereto, evidencing that MCA-Armenia is duly formed, organized and in good standing under the laws of Armenia and in accordance with the Compact and is authorized to perform those Government Responsibilities and any rights and other obligations and responsibilities of the Government as may be designated to be carried out by MCA-Armenia in the Compact Documents or in any other Supplemental Agreements;

(iv) The Implementing Entity Agreements proposed between MCA-Armenia and, respectively, (i) the Irrigation PIU, (ii) the ARD, (iii) the Outside Project Manager for the sub-activity to improve profitability of WUA member farmers under the Water-to-Market Activity and (iv) the National Statistical Service, shall in each case be either (1) duly executed and in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind, or (2) the subject of an Implementing Entity Agreement Term Sheet that sets forth the material terms and conditions expected to be included in due course in the related Implementing Entity Agreement;

(v) An employment agreement between the Chief Executive Officer and MCA-Armenia, duly approved by the Governing Council of MCA-Armenia and MCC (attaching evidence thereof), executed and delivered and in full force and effect as of the date of the initial MCC Disbursement;

(vi) The Financial Plan for the Program and each Project, which (A) includes the Multi-Year Financial Plan, the annual Detailed Financial Plan for Year 1, and the quarterly Detailed Financial Plan for Quarter 1 of Year 1 (noting that for purposes of this Agreement (x) each "Year" shall commence on October 1 and end on the following September 30, provided, however, that Year 1 shall commence on the date of Entry into Force and end on

September 30, 2007, and (y) as provided in Section 3.3(a), Quarter 1 shall commence on the date of Entry into Force and end on December 31, 2006), (B) is approved by MCC and is duly adopted by MCA-Armenia (attaching evidence thereof), and (C) is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(vii) An interim Fiscal Accountability Plan, which is approved by MCC and is duly adopted by MCA-Armenia (attaching evidence thereof), and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(viii) An interim Procurement Plan, which is approved by MCC and is duly adopted by MCA Armenia (attaching evidence thereof), and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(ix) (A) The most recently adopted annual national budget and any amendments or revisions thereto, (B) the comprehensive budget for each entity related to the Program reflecting funding from all sources, including the annual national budget, extra-budgetary or off-budget funds, state-owned enterprises that conduct activities for a public purpose and donors, to ensure the establishment of a baseline for allocation of domestic resources, as excerpted from the RA 2006 Budget, and (C) a report of actual expenditures of all resources for each entity related to the Program, as excerpted from the RA 2005 State Financial Report;

(x) The incumbency and specimen signatures of the Chair of the Governing Council and the Chief Executive Officer of MCA-Armenia, as of the date of the initial MCC Disbursement; and

(xi) Such other documents regarding the formation, organization and staffing of MCA-Armenia as MCC requests;

(f) An opinion of counsel to MCA-Armenia addressed to MCC in form and substance acceptable to MCC; and

(g) A certificate satisfactory to MCC in form and substance, signed by a duly authorized representative of the Fiscal Agent (a "Fiscal Agent Certificate"), certifying that: (i) the execution, delivery and performance by the Fiscal Agent under the Fiscal Agent Agreement, the Bank Agreement and any other agreement entered into or to be entered into by the Fiscal Agent in furtherance of the Compact has been duly authorized by the Fiscal Agent and that performance thereof is a legal, valid and binding obligation of the Fiscal Agent, (ii) the Permitted Accounts are each duly established in accordance with the Compact (each requiring at least two signatures for instructions), the Fiscal Agent has been given sole signatory authority on each Permitted Account, and the Fiscal Agent has designated at least two representatives as signatories on each such account, and (iii) as of the date of the Fiscal Agent Certificate, the Fiscal Agent has engaged and has in place in Armenia the relevant staff designated to perform the services required under the Fiscal Agent Agreement, the Bank Agreement and any other agreement entered into or to be entered into by the Fiscal Agent in furtherance of the Compact.

Section 3.2 Deliveries Prior to Each MCC Disbursement. Prior to, and as condition precedent to, each MCC Disbursement, MCA-Armenia shall deliver the following documents to MCC (and shall provide a copy thereof to the Principal Representative of the Government), in form and substance satisfactory to MCC:

(a) MCC Disbursement Request. A completed MCC Disbursement Request, in the form attached hereto as Exhibit A and otherwise satisfactory to MCC in content, signed by the Chief Executive Officer of MCA-Armenia and, with respect to certain sections, the Fiscal Agent, and certified by the Chair of the Governing Council, and including the information required therein and the following supporting documentation, each of which shall be in form and substance satisfactory to MCC:

(i) Implementation Plan. Each of the following component documents of the Implementation Plan, to the extent that MCA-Armenia has not previously provided such documents in their most current form to MCC:

(1) A Detailed Financial Plan for the next four 3-month (quarterly) periods and each 12-month period thereafter (except that the final period may be less than 12-months) for the remainder of the Compact Term, with a description and justification, by each activity, of what will be accomplished with the MCC Funding being requested during such Disbursement Period;

(2) The Work Plan(s) for each activity to be funded during the Disbursement Period with the MCC Disbursement to be covered by such MCC Disbursement Request;

(3) Prior to initial adoption of the Procurement Plan as provided in Schedule 1, the interim Procurement Plan and any modifications thereto and on or after initial adoption of the Procurement Plan as provided in Schedule 1, the Procurement Plan and any modifications thereto;

(4) Any other component documents of the Implementation Plan for the Disbursement Period to be covered by such MCC Disbursement Request;

(5) Any proposed modification (together with a justification) to the Multi-Year Financial Plan, Detailed Financial Plan, Program and Project Work Plans, M&E Plan or other component documents of the Implementation Plan that is necessary or appropriate to accurately reflect the proposed implementation of the Program or to satisfy in a timely manner the requirements of any component of the Implementation Plan or any Compact Document (and if MCC approves such modification, the applicable component of the Implementation Plan shall be modified in writing to reflect the approved modification); and

(6) Any proposed waiver or deferral (together with a justification) of any condition precedent to the MCC Disbursement and Re-Disbursements in the Disbursement Period to which such MCC Disbursement Request applies (whether such conditions precedent are set forth in this Agreement or another document) (and if MCC approves

such waiver or deferral, the document where such condition precedent is specified shall be modified in writing to reflect the approved waiver or deferral.

(ii) Management Discussion and Analysis. Other than with respect to the first two quarterly MCC Disbursements following the Entry into Force, one or more reports approved by the Governing Council of MCA-Armenia that (1) compare the actual results or outputs of any Re-Disbursements made in the second most recent Disbursement Period to the Work Plans, M&E Plan, and any other component of the Implementation Plan relevant to such Disbursement Period and for the year to date, and (2) satisfy any other reporting requirements related to MCC Disbursements or otherwise required under any Compact Document.

(iii) Technical Audit Reports. The reports of any technical (including environmental) auditors engaged by MCA-Armenia for any Project Activity.

(b) MCA-Armenia Certificate. An MCA-Armenia Certificate, dated as of the date of such MCC Disbursement Request, and satisfactory to MCC in form and substance, certifying that, other than as specifically provided therein:

(i) Attached thereto is a true, correct and complete copy of the resolution duly adopted by the Governing Council of MCA-Armenia authorizing the execution and delivery of the MCC Disbursement Request to MCC;

(ii) Immediately before and after giving effect to such MCC Disbursement, (1) all of the representations made by MCA-Armenia in Section 2.2 are true, correct and complete in all material respects as though made on the date of such MCC Disbursement Request and on the date of such MCC Disbursement and (2) no default or breach of any representation or assurance, covenant, obligation or responsibility has occurred and is continuing under (A) this Agreement, (B) the other Compact Documents, (C) the Supplemental Agreements to which it is a party or (D) to the knowledge of MCA-Armenia, under any other Supplemental Agreement;

(iii) The expenditure for each of the items included in the MCC Disbursement Request is provided for in the Financial Plan (as modified from time to time pursuant to the Governing Documents and delivered to MCC), and unencumbered funds exist in the balance of the Financial Plan for each such expenditure;

(iv) Attached thereto is a true, correct and complete copy of each Supplemental Agreement, including all amendments thereto, to which the Government, any Government Affiliate, including MCA-Armenia, and any other Permitted Designee has become a party since the Entry into Force or since the previous MCC Disbursement Request, whichever is later, and which has not been previously provided to MCC;

(v) The documents attached to such MCA- Armenia Certificate, and all Supplemental Agreements, documents and Permits previously provided by MCC, have not been modified, rescinded or amended and are in full force and effect;

(vi) Attached thereto is a true, correct and complete list of all Permits that are necessary or appropriate in connection with the performance by MCA-Armenia of its obligations under any Compact Document or Supplemental Agreement during the Disbursement Period covered by such MCC Disbursement Request, and MCA-Armenia shall certify that it has obtained, or caused to be obtained, each Permit on that list and that each such Permit is on file in the offices of MCA-Armenia, is validly issued, is non-appealable and is in full force and effect;

(vii) Activities to be funded with the MCC Funding being requested by such MCC Disbursement Request will not violate any applicable law, regulation or obligation of MCA-Armenia, including Section 2.3 of the Compact, and, on the date of such MCC Disbursement Request and immediately before and after giving effect to such MCC Disbursement, the MCC Funding, Accrued Interest, or Program Assets have been or will be strictly used or applied in accordance with this Agreement, the Compact and all Supplemental Agreements;

(viii) As of the date of such MCC Disbursement Request, and immediately before and after giving effect to such MCC Disbursement, there are no liens or encumbrances of any kind on any Program Asset or on any Permitted Account (including any amounts held therein);

(ix) MCA-Armenia has maintained since the last MCC Disbursement a standard of thirty (30) days to pay valid invoices and has delivered or caused to be delivered to MCC satisfactory evidence of such prompt payment (provided, that this condition shall not apply to the initial MCC Disbursement);

(x) MCA-Armenia is in compliance with its obligation to post on the MCA-Armenia Website an updated Procurement Plan, as approved by MCC, that forecasts the procurement activities under the Program for at least the upcoming six-month period;

(xi) All notices of procurement actions have been posted on the MCA-Armenia Website in accordance with the Procurement Guidelines;

(xii) All reports (including financial reports) and other documents have been posted on the MCA-Armenia Website as required by Annex I of the Compact;

(xiii) The Government has obtained, or has caused to be obtained, to MCC's satisfaction, the insurance required (both in form and substance) under Section 3.9 of the Compact and Section 3(d)(ii)(6) of Annex I of the Compact in connection with the Disbursement Period or the activities to be performed or funded during the Disbursement Period covered by such MCC Disbursement Request (and attaching evidence thereof); and

(xiv) All of the conditions set forth in clauses (j) through (m) of Section 3.5 are true, complete and correct as of the date of such MCC Disbursement.

(c) Fiscal Agent Certificate. A Fiscal Agent Certificate, satisfactory to MCC in form and substance, dated as of the date of such MCC Disbursement Request, certifying: (i)

that all of the representations made by the Fiscal Agent in Section 4.1 of the Fiscal Agent Agreement are true, correct and complete in all material respects as though made on the date of such MCC Disbursement Request and on the date of such MCC Disbursement; (ii) that the financial information regarding the Permitted Account(s) and the statements of cash expenditures contained in the MCC Disbursement Request are true, correct and complete; (iii) that all Interest on deposit in the Permitted Accounts as of the end of the preceding quarter has been returned to the account designated by MCC; and (iv) as to such other matters or other certifications as may be required by the Fiscal Agent Agreement or other relevant Supplemental Agreement.

(d) Audit Report. If required by the Audit Plan (as described in Section 3.8(d)(iii) of the Compact) in respect of such Disbursement Period, an audit report, in accordance with the Compact and the Audit Plan.

(e) Procurement Certificate. A certificate of MCA-Armenia, signed by a duly authorized representative of MCA-Armenia, dated as of the date of such MCC Disbursement Request, certifying that MCA-Armenia is in compliance with its obligations under the Procurement Agreement and the Procurement Plan (or the interim Procurement Plan, to the extent a Procurement Certificate is delivered prior to initial adoption of a Procurement Plan as provided in Schedule 1 hereto).

(f) Other Documents. Such other documents as MCC may reasonably require or request from time to time.

Section 3.3 Deliveries Every Six Months. MCA-Armenia shall deliver, or cause the delivery of, the following documents to MCC every six months, or at such other times as the parties may agree. Each such document shall be delivered in form and substance satisfactory to MCC, attached to an MCA-Armenia Certificate certifying that such document is true, correct and complete in all material respects, the timely delivery of which shall be a condition precedent to any MCC Disbursement for the such six month (or otherwise agreed) period:

(a) A performance review report on compliance with the Environmental Guidelines (as amended from time to time) and environmental and social safeguards described in the Compact and any relevant Supplemental Agreement (Quarter 4 in Years 1 through 5 and also Quarter 2 in Years 2 through 5, noting that "*Quarter*" refers to calendar quarters, with, in each Year, Quarter 1 commencing on October 1, Quarter 2 commencing on January 1, Quarter 3 commencing on April 1, and Quarter 4 commencing on July 1, provided, however, that, in Year 1, Quarter 1 shall commence on the date of Entry into Force and end on December 31, 2006);

(b) A financial audit report in accordance with the Compact and Audit Plan for each prior six (6) month period (or such other period required by the Audit Plan) ending on June 30 or December 31 of each calendar year through the end of the Compact Term. Upon MCC's request, MCA-Armenia shall ensure simultaneous delivery by the Auditor of the audit report to MCA-Armenia, MCC and the Inspector General;

(c) A performance review report on compliance with the Fiscal Accountability Plan for the period covered by the financial audit; and

(d) A performance review report on compliance with the Procurement Guidelines for the period covered by the financial audit.

Section 3.4 Deliveries Every Twelve Months. MCA-Armenia shall deliver, or cause the delivery of, the following documents to MCC every twelve month period, or at such other times as the parties may agree. Each such document shall be delivered in form and substance satisfactory to MCC, attached to an MCA-Armenia Certificate certifying that such documents are true, correct and complete in all material respects, the timely delivery of which shall be a condition precedent to any MCC Disbursement during such twelve month period:

(a) (i) Certified copies of Governing Council minutes and resolutions and other charter documents adopted in the prior twelve months (or such period as the parties may agree), (ii) certified copies of any Stakeholders' Committee minutes or material communications in the prior twelve months (or such period as the parties may agree), (iii) evidence MCA-Armenia is in good standing in Armenia and (iv) certified copies evidencing the adoption of any modifications to the Governing Documents mutually agreed upon by the Parties (each of (i) through (iv) of this clause (a) to be submitted within 30 days of the end of each calendar year);

(b) (i) The most recently adopted annual national budget and any amendments or revisions thereto, (ii) the comprehensive budget for each entity related to the Program reflecting funding from all sources, including the annual national budget, extra-budgetary or off-budget funds, state-owned enterprises that conduct activities for a public purpose and donors, to ensure the establishment of a baseline for allocation of domestic resources and (iii) a report of actual expenditures of all resources for each entity related to the Program (each of (i) through (iii) of this clause (b) to be submitted within ten (10) days after the adoption of the law approving the execution of the state budget);

(c) Evidence that the Government has reflected the financial activity of the Program in the budget documents of Armenia on a multi-year basis (submitted within 30 days of the end of each calendar year);

(d) Evidence of the fulfillment of all applicable requirements under the M&E Plan, including any data quality reviews (Quarter 1, Years 2-5);

(e) Certification of review and approval of the M&E Plan by the Governing Council (Quarter 1, Years 2-5); and

(f) The detailed quarterly break-out of the conditions precedent and any other modifications or adjustments to the conditions precedent as referred to in Section 3.8.

Section 3.5 Other Conditions Precedent to MCC Disbursements. Prior to, and as a condition precedent to, any MCC Disbursement, MCA-Armenia shall satisfy, as MCC determines in its sole discretion, any conditions relevant to such MCC Disbursement as set forth in: (a) Schedule 1 (Additional Conditions Precedent) attached hereto; (b) any component document of the Implementation Plan; and (c) each of the following conditions; provided that paragraphs (c) through (h) shall not apply to the initial MCC Disbursement:

(a) There has been no material negative finding in any Audit report delivered under Section 3.3;

(b) The conditions to which MCA-Armenia has certified in the MCA-Armenia Certificate under Section 3.2(b) have been satisfied and are true and correct as of the date of such MCC Disbursement;

(c) There has been satisfactory progress on the Work Plans for any relevant Projects or Project Activities related to such MCC Disbursement, including actual compliance with any additional conditions precedent to such disbursement set forth therein and substantial compliance with the other requirements of such Work Plans, including any applicable reporting requirements for the relevant Disbursement Period;

(d) There has been (i) satisfactory progress on the M&E Plan for the Program, relevant Project or Project Activity and (ii) substantial compliance with the requirements of such M&E Plan (including the targets set forth therein (except for the targets specified in Schedule 1 to this Agreement, which shall require compliance to the extent specified in Schedule 1) and any applicable reporting requirements set forth therein for the relevant Disbursement Period);

(e) Prior to initial adoption of the Procurement Plan as provided in Schedule 1, there has been satisfactory compliance with the interim Procurement Plan (including any modifications thereto) and following initial adoption of the Procurement Plan as provided in Schedule 1, there has been satisfactory compliance with such Procurement Plan (including any modifications thereto);

(f) There has been satisfactory compliance with the Audit Plan for the relevant Disbursement Period;

(g) MCA-Armenia has provided a satisfactory written response to any audit findings that have been issued prior to thirty (30) days before the date of the MCC Disbursement Request;

(h) The Government has funded any environmental mitigation costs not already included in the Detailed Financial Plan;

(i) MCA-Armenia has delivered to MCC any reports required under the Compact Documents, including Section 3.12 of the Compact, and any other reports specified under any other Supplemental Agreement;

(j) No event, circumstance or condition that constitutes a Material Adverse Change shall have occurred and be continuing in its effects;

(k) (i) Any Taxes paid in connection with the Program during the immediately preceding quarter have been reimbursed by the Government in full in accordance with Section 2.3(e) of the Compact and (ii) all Accrued Interest on deposit in the Permitted Accounts as of the end of the preceding quarter has been returned to the account designated by MCC;

(l) The Government has satisfied in full all of its payment obligations, including any insurance, indemnification or other obligations, and has made all contributions of resources owed by the Government under the Compact Documents;

(m) MCA-Armenia has notified MCC of any modification, rescission, termination or suspension of any document and of any modification to any statement contained in any certificate delivered with or at the time of such MCC Disbursement Request such that if any such certification as to such document or statement were delivered as of the date of such MCC Disbursement, it would be true, complete and correct; and

(n) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, MCC Funding in accordance with Section 5.4 (b) of the Compact.

Section 3.6 Conditions Precedent to Re-Disbursements. Prior to, and as condition precedent to, any Re-Disbursement: (a) the Fiscal Agent shall have received adequate documentary evidence of, any necessary approvals for such Re-Disbursement as provided in the Compact, the Governing Documents, the Procurement Agreement, the Fiscal Accountability Plan and in any other applicable Supplemental Agreement; (b) all relevant conditions for such Re-Disbursement as provided in this Agreement, including in Section 1.2 and Schedule 1, any other Compact Document, the Implementation Plan or in any applicable Supplemental Agreement, shall have been satisfied; and (c) the Fiscal Agent shall have received all documents required in connection with such Re-Disbursement under the Fiscal Agent Agreement, the Fiscal Accountability Plan and any other Supplemental Agreement.

Section 3.7 Failure to Satisfy Conditions Precedent; Deferral .

(a) MCC may reduce the amount of any MCC Disbursement by an amount equal to the amount requested for any Program activity (including administrative or monitoring and evaluation), Project, Project Activity, or sub-activity for which the relevant condition precedent(s) has not been satisfied, waived or deferred.

(b) In the event of failure to meet a condition precedent, MCC shall not have an obligation to make an MCC Disbursement unless such condition is waived by MCC or such failure is cured to the satisfaction of MCC. Any such waiver or acceptance of a cure shall be at MCC's sole discretion.

(c) Notwithstanding Section 3.7(b), MCC may defer all or part of a condition precedent rather than waive it, in which case the condition must be met by the expiration of the deferral period stated in the notice delivered by MCC to MCA-Armenia as a condition precedent to the next stated applicable MCC Disbursement, and in no event shall the condition be deemed waived.

Section 3.8 Annual Supplement to this Agreement. Sixty (60) days prior to each anniversary of the first Disbursement Period, the Parties shall agree in writing to a detailed quarterly breakdown of the conditions precedent and any other modifications or adjustments to the

conditions precedent for the next four quarters, and Schedule 1 shall be adjusted accordingly and replace the existing Schedule 1.

Section 3.9 Reports. Any report required as a condition precedent to an MCC Disbursement shall be provided to MCC in (a) form and substance acceptable to MCC and otherwise meeting the reporting specifications for such report and (b) a timely manner to afford reasonable and appropriate review of such reports, but in any event no later than thirty (30) days (or such other time as otherwise expressly agreed by the Parties) after the end of the time period covered by such report.

Section 3.10 Satisfaction of Conditions in Absence of Disbursement. The conditions precedent in Section 3.2 through 3.5 shall apply regardless of whether a Disbursement is requested by MCA-Armenia. In any quarter that MCA-Armenia does not request a Disbursement under this Agreement, MCA-Armenia shall nevertheless ensure that the applicable quarterly, semi-annual or annual conditions precedents are satisfied and shall present a complete Disbursement Request prior to the commencement of such quarter, including any reports required by any Compact Document.

ARTICLE IV GENERAL PROVISIONS

Section 4.1 Communications. Any notice, request, document or other communication required, permitted or submitted by a Party to another Party under this Agreement shall be (a) in writing, (b) in English, and (c) deemed duly given: (i) upon personal delivery to the Party or Parties to be notified; (ii) when sent by confirmed facsimile or electronic mail, if sent during normal business hours of the recipient Party or Parties, if not, then on the next business day; or (iii) two (2) business days after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt to the Party or Parties to be notified at the address indicated below, or at such other address as such Party may designate:

To MCC:

Millennium Challenge Corporation
Attention: Vice President, Department of Operations, with a copy to the General Counsel
875 Fifteenth Street, NW
Washington, DC 20005
United States of America
Tel: +1 (202) 521-3600
Fax: +1 (202) 521-3701
Email: VPOperations@mcc.gov (Vice President, Department of Operations);
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

with a copy to:

Millennium Challenge Corporation
Attention: Resident Country Director

Embassy of the United States of America
1 American Avenue
Yerevan, Armenia 375082
Tel: +374 (10) 46 47 00
Fax: +374 (10) 46 47 42
Email: RussinA@mcc.gov

To the Ministry, on behalf of the Government:

Ministry of Finance and Economy of the Republic of Armenia
Attention: Minister of Finance and Economy
Melik-Adamyan 1 str.
Yerevan, 375010
Republic of Armenia
Tel: +374 10 595304
Fax: +374 10 524282
Email: minister@mfe.am

To MCA-Armenia:

Millennium Challenge Account – Armenia S.N.C.O.
Attention: Mr. Ara Hovsepyan, Chief Executive Officer
1 Melik Adamyan Street
Yerevan, Armenia
Tel: + 374 10 595328
Fax: + 374 10 543170
Email: hovsepyana@mca.am

Section 4.2 Amendments. The Parties may amend this Agreement by entering into a written amendment to this Agreement signed by the Principal Representatives of the Parties.

Section 4.3 Publicity. Subject to Section 5.17 of the Compact, MCA-Armenia shall post, or cause to be posted, a copy of this Agreement and each MCC Disbursement Request on the MCA-Armenia Website and provide such other appropriate publicity to this Agreement that MCC requests.

Section 4.4 Nonwaiver of Remedies.

(a) The Parties agree that no delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach, default or noncompliance by another Party under this Agreement or any other Compact Document, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring.

(b) The Parties further agree that any waiver, permit, consent or approval of any kind or character on any Party's part of any breach, default or noncompliance under this Agreement or any other Compact Document or any waiver or deferral on such Party's part of any provisions or conditions of this Agreement or any other Compact Document must be in writing and shall be effective only to the extent specifically set forth in such writing.

(c) All remedies, either under this Agreement or any other Compact Document, by law or otherwise afforded to any Party, shall be cumulative and not alternative.

Section 4.5 Attachments. Any exhibit, schedule or other attachment expressly attached hereto (together, the "Attachments") is incorporated herein by reference and shall constitute an integral part of this Agreement.

Section 4.6 Inconsistencies. In the event of any conflict or inconsistency between this Agreement and the Compact, the terms of the Compact shall prevail. In the event of any conflict or inconsistency between this Agreement and any other Supplemental Agreement, the terms of this Agreement shall prevail.

Section 4.7 Headings. The Section and subsection headings used in this Agreement are included for convenience only and are not to be considered in construing or interpreting this Agreement.

Section 4.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under any applicable law, such provision(s) shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

Section 4.9 Interpretation. Any reference to the term "including" in this Agreement shall be deemed to mean "including without limitation" except as expressly provided otherwise. Any reference to "business days" shall mean any day that is not a Saturday, Sunday or other day on which financial institutions are closed for business in Washington, D.C and Yerevan, Armenia. Phrases such as "acceptable to," "to the satisfaction of", "at the discretion of" and phrases of similar import authorize and permit the relevant Party to approve, disapprove, act, or decline to act at such Party's sole discretion.

Section 4.10 Counterparts; Signatures. This Agreement may be executed in one or more counterpart signatures and, each when so executed and delivered, shall be effective for the purposes of binding the Parties hereto, but all such counterparts shall together constitute one and the same instrument. Except as the Parties may otherwise agree in writing from time to time, a signature delivered by facsimile or electronic mail in accordance with Section 4.1 shall be deemed an original signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying agreement, instrument or document on the basis of the signature's legal effect, validity or enforceability solely because it is in facsimile or electronic form. Such signature shall be accepted by the receiving Party as an original signature and shall be binding on the Party delivering such signature.

Section 4.11 Assignment. MCC may assign, delegate or contract its rights and obligations, in whole or in part, under this Agreement to any Affiliate, agent, or representative of MCC, to the full extent permitted by the laws of the United States of America, without the prior consent of the Ministry or MCA-Armenia. MCC shall provide written notice to the other Parties upon the effectiveness of such assignment, delegation or contract. Neither the Ministry nor MCA-Armenia may assign, delegate or contract its rights and obligations under this Agreement without the prior written consent of MCC. In accordance with Section 3.2(c) of the Compact, MCC hereby consents to the designation of the Ministry and MCA-Armenia to act on behalf of the Government in connection with this Agreement consistent with the Designated Rights and Responsibilities designated by the Government to the Ministry and to MCA-Armenia, respectively, on or before the date hereof, so long as such designation is not modified or revoked.

Section 4.12 Entire Agreement. This Agreement, including all Attachments, and all certificates, documents or agreements executed and delivered in connection with and in furtherance of this Agreement, when executed and delivered, shall constitute the entire agreement of the Parties with respect to the subject matter hereof, superseding and extinguishing all prior agreements, understandings and representations and warranties relating to the subject matter hereof.

Section 4.13 Termination; Suspension; Other Consequences; Survival.

(a) MCC may terminate this Agreement in its entirety by giving the other Parties thirty (30) days' written notice.

(b) Notwithstanding any other provision of this Agreement or any other Supplemental Agreement between MCC and the Government (or any Government Affiliate), MCC may suspend or terminate this Agreement, in whole or in part, and any obligation or sub-obligation related thereto, or suspend or withhold any MCC Disbursement or portion thereof, upon giving MCA-Armenia written notice, if MCC determines that:

(i) The Compact has expired or has been suspended or terminated in whole or in part in accordance with Section 5.4 of the Compact; provided, however, that this Agreement shall remain in effect for ninety (90) days following the termination or expiration of the Compact or such other period as may be determined by MCC in accordance with Section 4.19;

(ii) Any event that would be a basis for termination or suspension of the Compact or MCC Funding under Section 5.4 of the Compact has occurred; or

(iii) Any other event has occurred, or circumstance has arisen, which in the sole opinion of MCC, constitutes a Material Adverse Change.

(c) If MCC determines that any activity or failure to act violates, or may violate, Article II of the Compact, any provision of this Agreement or any other Compact Document, MCC may refuse to make any further MCC Disbursements for or conditioned upon such activity, and may take any action to prevent any Re-Disbursement related to such activity.

(d) Notwithstanding any expiration or termination of this Agreement, the following provisions of this Agreement shall survive: Article II (including any representations made pursuant to a Disbursement Request or MCC Disbursement), Sections 1.2, 4.1, 4.4, 4.6, 4.7, 4.8, 4.9, 4.13(b)-(d), 4.14, 4.15, 4.16, 4.17, 4.18, 4.19 and 4.20.

Section 4.14 MCC Status. The Parties recognize and agree that MCC is a United States government corporation and an instrumentality of the United States Government acting on its behalf in the implementation of the Compact. As such and pursuant to Section 5.5 of the Compact, MCC has no liability under this Agreement and is immune from any action or proceeding arising under or relating to this Agreement. The Ministry and MCA-Armenia each hereby waive and release (i) all claims against MCC related to any such liability and (ii) any rights to bring any proceeding against MCC in the courts or any other judicial or other body of Armenia or in any other jurisdiction. Nothing in this agreement shall be construed or interpreted as a waiver of any rights, privileges or immunities granted to MCC under the Compact.

Section 4.15 Representatives. For all purposes relevant to this Agreement, the Ministry shall be represented by the individual holding the position of, or acting as, the Minister of Finance and Economy (the “**Principal Ministry Representative**”), MCC shall be represented by the individual holding the position of, or acting as, Vice President, Department of Operations (the “**MCC Principal Representative**”) and MCA-Armenia shall be represented by the individual holding the position of, or acting as, Chief Executive Officer of MCA-Armenia (the “**MCA-Armenia Principal Representative**”) and together with the Principal Ministry Representative and the MCC Principal Representative, the “**Principal Representatives**”), each of whom, by written notice, may designate one or more additional representatives (each, an “**Additional Representative**”) for all purposes other than signing amendments to this Agreement. The names of the Principal Ministry Representative, the MCC Representative and the MCA-Armenia Principal Representative and any Additional Representatives of each shall be provided, with specimen signatures, to each of the other Parties pursuant to Section 4.2 and the Parties may accept as duly authorized any instrument signed by such representatives relating to the implementation of this Agreement, until receipt of written notice of revocation of their authority. MCC or the Government may change its Principal Representative under this Agreement to a new representative of equivalent or higher rank and seniority upon written notice to the other Parties, which notice shall include the specimen signature of such new Principal Representative.

Section 4.16 Information. MCC shall have the right to use any information or data provided in any MCC Disbursement Request or report provided to MCC for the purpose of satisfying MCC reporting requirements or in any other manner.

Section 4.17 Other Compact Document Requirements. The Ministry and MCA-Armenia shall comply with all applicable terms and conditions and fulfill all applicable Government Responsibilities in the other Compact Documents, including paragraphs (a), (b), (c), (d) and (f) of Section 3.8 of the Compact (which paragraphs are hereby incorporated by reference herein), and any other audit or reporting requirements.

Section 4.18 Consultation. Any Party may, at any time, request consultations relating to the interpretation or implementation of this Agreement between the Parties. Such consultations shall begin at the earliest possible date. The request for consultations shall designate a representative

for the requesting Party with the authority to enter consultations and the other Parties shall endeavor to designate a representative of equal or comparable rank. If such representatives are unable to resolve the matter within twenty (20) days from the commencement of the consultations then each Party shall forward the consultation to its respective Principal Representative or such other representative of comparable or higher rank. The consultations shall last no longer than forty-five (45) days from date of commencement. If the matter is not resolved within such time period, MCC may terminate this Agreement pursuant to Section 4.13(a). The Parties shall enter any such consultations guided by the principle of achieving the Compact Goal in a timely and cost-effective manner.

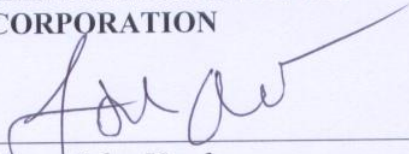
Section 4.19 Effective Date; Term. This Agreement shall (a) be effective on the later of (i) the date on which MCC receives notification of ratification of this Agreement under Armenian law and (ii) the date on which this Agreement is signed by all parties (the “Effective Date”) and (b) end one hundred twenty (120) days following the termination or expiration of the Compact; provided, however, that the term of this Agreement may be extended for a period that is longer than one hundred twenty (120) days following the termination or expiration of the Compact if MCC determines that Re-Disbursements related to obligations incurred prior to the expiration or termination of the Compact remain to be paid.

Section 4.20 International Agreement. The Parties agree and acknowledge that this Agreement is an international agreement entered into for the purposes of implementing the Compact.

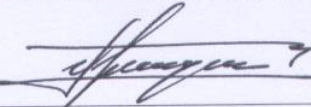
[Signature page begins on the next page.]

IN WITNESS WHEREOF, the Government acting through the Ministry, MCA-Armenia and MCC, each acting through its duly authorized representative, have caused this Agreement to be executed in their names and delivered as of the date first written above.

MILLENNIUM CHALLENGE CORPORATION

By: 
Name: John Hewko
Title: Vice President of Operations

MINISTRY OF FINANCE AND ECONOMY, ON BEHALF OF THE GOVERNMENT OF ARMENIA

By: 
Name: Vardan Khachatryan
Title: RA Minister of Finance and Economy

MILLENNIUM CHALLENGE ACCOUNT - ARMENIA, S.N.C.O.

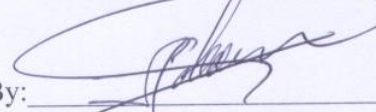
By: 
Name: Ara Hovsepyan
Title: CEO

EXHIBIT A
FORM OF MCC DISBURSEMENT REQUEST

Section 1. Request Summary

| Section 1. Request Summary | |
|--|---|
| Country | Republic of Armenia |
| Projects | |
| Compact Date/Entry into Force | March 27, 2006/[_____, 2006] |
| Compact Number (noted on exchange of letters required for Entry into Force) | |
| Accountable Entity | Millennium Challenge Account - Armenia S.N.C.O. ("MCA-Armenia") |
| Fiscal Agent | |
| Request Date | |
| Disbursement Period Beginning Date | |
| Disbursement Period End Date | |
| Disbursement Request Number | |
| Currency | US Dollars |
| Exchange Rate used to calculate U.S. Dollar equivalent of any local currency balance for purposes of this MCC Disbursement Request | |
| <p>A. Disbursement Request: The undersigned hereby requests the Millennium Challenge Corporation to disburse funds under the Compact as follows</p> | |
| 1. Cash requested from the Millennium Challenge Corporation (amount in USD): | [US\$] |
| 2. Amount requested in words (in USD): | [US Dollars] |
| <p>B. Compliance . The undersigned confirms that the MCC Disbursement requested hereby is in accordance with the terms and conditions set forth in the Compact, the Disbursement Agreement (as defined below) and each Compact Document (as defined in the Disbursement Agreement), including the limitations on the use or treatment of MCC Funding set out in Section 2.3 of the Compact.</p> | |
| <p>C. Authorization: The undersigned acknowledges that funds disbursed in accordance with this request will be deposited in a Permitted Account in accordance with the wiring instructions provided pursuant to Section I(a)(iii) of the Disbursement Agreement dated as of September 26, 2006 by and among the Ministry of Finance, on behalf of the Government of Armenia, the Millennium Challenge Corporation and MCA-Armenia (the "Disbursement Agreement").</p> | |

D. Certificates. Attached hereto are the certificates required under Article III of the Disbursement Agreement.

E. Definitions. Capitalized terms used herein shall have the meanings assigned to such terms in the Compact by and between the Government of the Republic of Armenia and the United States, acting through the Millennium Challenge Corporation, dated March 27, 2006 and entered into force on [____], 2006.

MCA- ARMENIA

By: _____

Name: _____

Title: _____

As Authorized Principal Representative of MCA-Armenia

Date: _____

Certified by the chair of the Governing Council of MCA-Armenia

By: _____

Name: _____

Date: _____

[_____], as the Fiscal Agent

By: _____

Name: _____

Date: _____

Signing only for the purposes of Section 2(B) through 2(F) and Sections 3-5 of this Request.

Wiring Instructions:

Section 2. Programmatic and Financial Progress Update

A. Program and Project Progress Reports required in the M&E Plan, Work Plans and other Components of the Implementation Plan

B. Total Program Financial Plan Adjustment Request Form

| | Original Program Multi-Year Financial Plan in Compact | Current Approved Multi-Year Financial Plan (From Sch. C) | Proposed Adjustments | | Proposed Adjusted Multi-Year Financial Plan 2+3-4 |
|-------------------------------|--|--|----------------------|---------------|--|
| Main Activity Sub-activity | 1 | 2 | Increase 3 | Decrease 4 | 5 |
| | | - | - | - | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | | - | - | - | - |
| | | | | | - |
| | | | | | - |
| | | - | - | - | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | | - | - | - | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| Grand Total | - | - | - | - | - |

EXHIBIT A-3

C. Summary of Financial Plan Adjustments to Date

| | (Date) | (Date) | (Date) | (Date) | (Date) |
|--------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|--|
| Main Activity | Original Program Multi-Year Financial Plan in Compact | Adjustment Reported/ Approved | Adjustment Reported/ Approved | Adjustment Reported/ Approved | Current Approved Multi-Year Financial Plan 1 +/- Adjustments |
| Sub-activity | 1 | 2 | 3 | 4, etc. | 5 |
| | | - | - | - | - |
| | | | | | |
| | | | | | |
| | | - | - | - | - |
| | | | | | |
| | | | | | |
| | | - | - | - | - |
| | | | | | |
| | | | | | |
| Grand Total | - | - | - | - | - |

D. Quarterly Financial Plan Adjustment Request Form

| | Current Approved Cumulative Quarterly Financial Plan Through Current Period | Proposed Adjustments to Cumulative Quarterly Financial Plan Through Next Period | | Proposed Cumulative Quarterly Financial Plan Through Next Period |
|--------------------|---|--|----------|--|
| Main Activity | | Increase | Decrease | 1+2-3 |
| Sub-activity | 1 | 2 | 3 | 4 |
| | - | - | - | - |
| | | | | |
| | | | | |
| | | | | |
| | - | - | - | - |
| | | | | |
| | | | | |
| | - | - | - | - |
| | | | | |
| | | | | |
| Grand Total | - | - | - | - |

E. Commitment and Expenditure Report

| | Cumulative Actual Re-disbursements as of the Beginning of the Current Period | Projected Re-disbursements for the Current Period | Projected Cumulative Re-disbursement Through the Current Period (1+2) | Projected Unliquidated Commitments as of the End of the Current Period | Projected Cum. Commitments and Re-disbursements-End of Current Period | Current Proposed Multi-year Financial Plan | Projected Balance Multi-year Financial Plan-End of Current Period (6-5) |
|----------------------|--|---|---|--|---|--|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Main Activity | | | | | | | |
| Sub-activity | - | - | - | - | - | - | - |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | - | - | - | - | - | - | - |
| | | | | | | | |
| | | | | | | | |
| | - | - | - | - | - | - | - |
| | | | | | | | |
| | | | | | | | |
| Grand Total | - | - | - | - | - | - | - |

| Section 3. Cash Reconciliation | Date | |
|--|-------------|---------------|
| 1. Cash Balance From Beginning of Current Period | | |
| 2. a. <i>Add: MCC Disbursement Received and Date Received</i> | | |
| 2. b. <i>Interest Earned and Received</i> | | |
| 2. c. <i>Amount and Source of Other Cash Received</i> | | |
| 3. Total Sources of Cash This Period, Lines 2.a + 2.b + 2.c | | - |
| 4. Total Cash Available, Lines 1 + 3 | | \$ - |
| 5. a. <i>Less: Total Program Re-Disbursements</i> | | |
| 5. b. <i>Interest Returned to the US Government</i> | | |
| 6. Total Uses of Cash This Period, Lines 5.a + 5.b | | - |
| 7. Cash Balance at End of Disbursement Period, Lines 4 - 6 | | \$ - |
| Section 4. Disbursement Request | | |
| 1. Total Forecasted Program Cash Requirements - Sch F, Col 2 | | |
| 2. Interest to be Returned to the US Government Next Period | | |
| 3. Working Capital Balance | | 500,000.00 |
| 4. Total, Lines 1 + 2 + 3 | | \$ 500,000.00 |
| 5. Cash Balance at End of Current Period - Section 3, Line 7 | | - |
| 6. Disbursement Request From MCC 4 - 5 | | \$ 500,000.00 |
| 7. a. <i>Cash requirements for 1st Month of Next Period</i> | | |
| 7. b. <i>Cash requirements for 2nd Month of Next Period (if necessary)</i> | | |
| 7. c. <i>Cash requirements for 3rd Month of Next Period (if necessary)</i> | | |
| Section 5. Interest Summary | | |
| 1. Cumulative Interest Earned and Received as of Beginning of Current Period | | |
| 2. Interest Earned and Received During the Current Period | | |
| 3. Total Interest and Earned as of End of This Period, Lines 1 + 2 | | \$ - |
| 4. Cumulative Interest Returned as of Beginning of Current Period | | |

| Section 6. Conditions Precedent (Including Expected Performance Milestones) | |
|--|---|
| Country | Republic of Armenia |
| Projects | |
| Compact Date/Entry of Force | March 27, 2006 / [_____, 2006] |
| Compact Number (noted on exchange of letters for entry into force of the Compact) | |
| Accountable Entity | Millennium Challenge Account – Armenia S.N.C.O. |
| Fiscal Agent | |
| Request Date | |
| Disbursement Period Beginning Date | |
| Disbursement Period End Date | |
| Disbursement Request Number | |
| Currency | US Dollars |
| Conditions Precedent and Key Milestones | |

SCHEDULE 1

ADDITIONAL CONDITIONS PRECEDENT

Except as otherwise expressly specified below, each document required as a condition precedent herein shall be in form and substance acceptable to MCC.

Disbursements in years 2-5 shall be subject to additional conditions precedent set forth in the Implementation Plan, the Compact Documents, any other Supplemental Agreement and any amendments to the Disbursement Agreement, including the annual supplements to this Schedule 1, as provided in Section 3.8. For purposes of the Disbursement Agreement, each quarter shall begin on the 1st day of each of January, April, July and October; provided that, the first quarter of Year 1 shall begin on the date of Entry into Force and shall end on **December 31, 2006.**

| Program, Project or Project Activity | Condition Precedent | Notes (including sequencing of condition precedent) | Implementation Period | | | | | | | |
|--|--|---|-----------------------|----|----|----|--------|--------|--------|--------|
| | | | Year 1 | | | | Year 2 | Year 3 | Year 4 | Year 5 |
| | | | Q1 | Q2 | Q3 | Q4 | | | | |
| Program Administration and all Projects | | | | | | | | | | |
| 1 | Chief Financial Officer, Procurement Officer, and General Counsel for MCA-Armenia are selected and approved by MCC and remain engaged, or in the event the position(s) are vacant, MCA-Armenia is actively recruiting for the position(s) | Prior to Initial Disbursement | | | | | | | | |
| 2 | MCA-Armenia has adopted a Fiscal Accountability Plan approved by MCC and such Fiscal Accountability Plan remains in full force and effect | Fiscal Accountability Plan must be adopted/approved by MCC within 60-days of Initial Disbursement | | | | | | | | |
| 3 | MCA-Armenia has adopted an Audit Plan approved by MCC and such Audit Plan is current and updated | Prior to each Disbursement beginning in Year 1 Q2 | | | | | | | | |
| 4 | MCA-Armenia has adopted a Procurement Plan approved by MCC and such Procurement Plan is current and updated | Prior to Year 1 Q2 Disbursement | | | | | | | | |
| All Projects and Project Activities | | | | | | | | | | |
| 5 | Monitoring and Evaluation Officer and Environmental and Social Impact Officer for MCA-Armenia are selected and approved by MCC and remain engaged, or in the event the position(s) are vacant, MCA-Armenia is actively recruiting for the position(s) | Prior to each Disbursement for any Project or Project Activity | | | | | | | | |
| 6 | MCA-Armenia has adopted an M&E Plan approved by MCC and such M&E Plan remains in full force and effect | Prior to each Disbursement for any Project or Project Activity | | | | | | | | |
| 7 | MCA-Armenia has adopted a bid challenge system approved by MCC and such system remains in full force and effect | Prior to each Disbursement for any Project or Project Activity beginning in Year 1 Q2 | | | | | | | | |
| 8 | MCA-Armenia has adopted procurement operations manual(s) approved by MCC and such manuals remain in full force and effect | Prior to each Disbursement for any Project or Project Activity beginning in Year 1 Q2 | | | | | | | | |
| 9 | MCA-Armenia has competitively selected a consultant to conduct annual data quality reviews | Prior to each Disbursement for any Project or Project Activity beginning in Year 2 Q2 | | | | | | | | |
| 10 | Evidence has been submitted to MCC that: (i) the national budget for the Integrated Survey of Living Standards (ISLS) has been approved for the forthcoming Armenian fiscal year in an amount at least equal to the prior fiscal year level, indexed to inflation; and (ii) the amount budgeted for the ISLS in the prior fiscal year has been expended for its intended purpose | Prior to the Disbursement for any Project or Project Activity occurring in the second quarter of each calendar year beginning in 2007 | | | | | | | | |
| Rural Road Rehabilitation Project | | | | | | | | | | |
| 11 | Rural Roads Project Officer has been selected and approved by MCC and remains engaged, or in the event the position is vacant, MCA-Armenia is actively recruiting for the position | Prior to each Disbursement for the Project Activity | | | | | | | | |
| 12 | MCA-Armenia has presented an annual plan for the repair and routine maintenance of the entire LLN which is acceptable to MCC | Prior to the Disbursement for the Project occurring in the second quarter of each calendar year beginning in 2007 | | | | | | | | |
| 13 | The Government has provided evidence of having defined and adopted into legislation the concept of a lifeline road network (LLN) of no less than 2,703 km of roads | Prior to initial disbursement for construction for the Project Activity | | | | | | | | |
| 14 | The Government has submitted a long-term routine and periodic maintenance plan for the entire road network by the end of the third year of the Compact Term | Prior to the first Disbursement for the Project in Y4 | | | | | | | | |
| 15 | Evidence submitted to MCC that (i) the national budget for routine maintenance for the maintainable road network has been approved for the forthcoming Armenian fiscal year at the levels stipulated in Compact Schedule 1, § 6(d) , (ii) the amounts budgeted for routine and periodic maintenance in the prior Armenian fiscal year have been expended for the intended purpose and (iii) that any shortfall in the road maintenance budget from the prior Armenian fiscal year has been made up in the budget of the current Armenian fiscal | Prior to the Disbursement for the Project occurring in the second quarter of each calendar year beginning in 2007 | | | | | | | | |

SCHEDULE 2

GLOSSARY

Capitalized terms used but not otherwise defined herein shall have the meanings given to such terms in the Compact. For purposes of this Agreement:

Page

“*Additional Representative*” shall have the meaning set forth in Section 4.15.

“*Agreement*” shall have the meaning set forth in the preamble hereto.

“*Armenia*” shall have the meaning set forth in the Recitals.

“*Attachments*” shall have the meaning set forth in Section 4.5.

“*Compact*” shall have the meaning set forth in the preamble hereto.

“*Compact Documents*” shall have the meaning set forth in Section 1.1(a)(ii).

“*Disbursement Period*” shall have the meaning set forth in Section 1.1(a)(ii).

“*Effective Date*” shall have the meaning set forth in Section 4.19.

“*Fiscal Agent Certificate*” shall have the meaning set forth in Section 3.1(g).

“*Government*” shall have the meaning set forth in the preamble hereto.

“*Material Adverse Change*” shall have the meaning set forth in Section 2.2(c).

“*MCA-Armenia*” shall have the meaning set forth in the preamble hereto.

“*MCA-Armenia Certificate*” shall have the meaning set forth in Section 3.1(e).

“*MCA-Armenia Principal Representative*” shall have the meaning set forth in Section 4.15.

“*MCC*” shall have the meaning set forth in the preamble hereto.

“*MCC Principal Representative*” shall have the meaning set forth in Section 4.15.

“*Ministry*” shall have the meaning set forth in the preamble hereto.

“*Party*” and “*Parties*” shall have the meanings set forth in the preamble hereto.

“*Permits*” shall have the meaning set forth in Section 2.2(a).

“*Principal Ministry Representative*” shall have the meaning set forth in Section 4.15.

“*Principal Representatives*” shall have the meaning set forth in Section 4.15.

“Permitted Account Information” shall have the meaning set forth in Section 1.1(a)(iii).

“Quarter” shall have the meaning set forth in Section 3.3(a).

“Working Capital” shall have the meaning set forth in Section 1.3.

“Working Capital Deposit Amount” shall have the meaning set forth in Section 1.3.

“Year” shall have the meaning set forth in Section 3.1(e)(vi).