MEMORANDUM OF UNDERSTANDING
BETWEEN
THE UNITED NATIONS DEVELOPMENT PROGRAMME
AND
REPUBLIC OF ARMENIA
REGARDING THE MILLENIUM DEVELOPMENT GOALS CARBON FACILITY

This Memorandum of Understanding (“MoU”) is made between the UNITED NATIONS DEVELOPMENT PROGRAMME (“UNDP”), a subsidiary organ of the UNITED NATIONS, an international organization established by treaty, with offices at 304 East 45th Street, New York, New York 10017, USA and the Republic of Armenia (“Host Country”) (UNDP and the Host Country are referred to collectively as the “Parties”).

WHEREAS UNDP is providing specific technical assistance support to the Host Country through project development services described herein within the framework of the Standard Basic Assistance Agreement (the “SBAA”) concluded between the Host Country and UNDP on 8 March 1995;

WHEREAS the Host Country is a non-Annex I Party to the United Nations Framework Convention on Climate Change (“UNFCCC”), has ratified the Kyoto Protocol to the UNFCCC and is eligible to host projects under the Clean Development Mechanism (“CDM”) described in Article 12 of the Kyoto Protocol;

WHEREAS the Host Country has nominated the Ministry of Nature Protection to act as the Host Country's Designated National Authority (“DNA”) for the purposes of the CDM and expressed an interest to voluntarily participate in CDM activities;

WHEREAS UNDP seeks to apply the CDM to facilitate the participation of economies in transition in greenhouse gases ("GHG") emission reduction projects;

WHEREAS UNDP recognizes the potential for emission reduction projects to contribute to sustainable development and to the achievement of the Millennium Development Goals (“MDGs”) and intends to support such projects and related initiatives as part of its broader activities addressing the developmental challenges and opportunities of climate change;

WHEREAS UNDP has established the MDG Carbon Facility (the “Facility”) to provide, in collaboration with Fortis Bank (“Fortis”), a complementary CDM project development services package;

WHEREAS the Host Country will facilitate the development and facilitation of CDM projects and UNDP will offer technical assistance to the Host Country by providing project development services in respect of individual CDM projects in the Host Country for the benefit of the Host Country;

WHEREAS UNDP’s activities will contribute to the achievement of the outcome regarding Energy Efficiency and Environmental Sustainability under the Country Program Action Plan (the “CPAP”) agreed between UNDP and the Host Country;
WHEREAS activities under this MoU will be carried out on the basis of the MDG Carbon Facility global project document and will be in accordance with all applicable regulations, rules and directives of UNDP;

NOW, THEREFORE, the Parties reach the following understanding:

Article I
Purpose

1.1 The purpose of this MoU is to provide a non-exclusive framework of cooperation between the Parties to facilitate the development and implementation of GHG emission reduction activities in the Host Country under CDM.

Article II
Areas of Cooperation

2.1 The Host Country will facilitate the development and implementation of CDM projects by:

- supporting entities that will operate potential CDM projects (each a "Project Proponent") in the Host Country by making information available on rules and modalities relating to CDM activities, particularly those relevant to CDM project review and approval procedures and criteria in the Host Country;
- reviewing and granting DNA approval for CDM projects subject to and in accordance with article 12 of the Kyoto Protocol and all national requirements for such projects and established procedures of the Host Country; and
- collecting and sharing information about (i) the potential for GHG emissions reduction project activities in the Host Country, and (ii) CDM projects which are being developed.

2.2 UNDP will provide technical assistance support services to the Host Country to facilitate the development and implementation of CDM projects through the Facility. In particular, UNDP will:

- Conduct preparatory activities, including determining a potential CDM project's commercial, technical and regulatory viability and its capacity to contribute to sustainable development and to the MDGs; and
- Provide project development services to CDM Project Proponents during the CDM regulatory process and assist in establishing the emission reduction project’s monitoring system.

2.3 Fortis will provide carbon banking services, including the purchase, management and marketing of carbon credits produced by CDM projects.
Article III
Modalities of Cooperation

3.1 The Parties will, within their respective competences and capacities, on a continuous basis exchange relevant information regarding the current status and potential of CDM project development in the Host Country and consult on matters of common interest which in their opinion are likely to lead to mutual collaboration.

3.2 The Facility’s services will be provided for the benefit of the Host Country in two phases:

(a) **Phase I**: preparatory activities, including due diligence, to determine the commercial, technical and regulatory viability of a prospective emission reduction project. UNDP’s performance of preparatory activities on behalf of the Host Country will be governed by this MoU, and Memorandum of Understanding which will be entered into between UNDP and the Project Proponent ("Project Proponent MOU"). During Phase I, no fees will be applied by either UNDP or Fortis.

(b) **Phase II**: project development services and carbon banking services will be performed in respect of those emission reduction projects which satisfy the Facility’s due diligence process. UNDP’s performance of project development services for the Host Country will be governed by this MoU and a Service Agreement between UNDP and the Project Proponent. More specifically, the project development services will include, but are not limited to:

- Assisting with the preparation of CDM project documentation, including the Project Design Document;
- Arranging and paying for validation by a Designated Operational Entity ("DOE") of CDM projects;
- Assisting with the development of a quantification, monitoring and reporting plan;
- Providing support in the implementation of a monitoring system and performing oversight of project monitoring;
- Arranging and paying for verification by a DOE for the first issuance of carbon credits; and
- Carbon banking services, including the purchase, management and marketing of carbon credits by Fortis and the provision of advance payments into an escrow account for the reimbursement of costs that UNDP incurs in providing project development services.

3.3 UNDP will be reimbursed for the costs it incurs in providing the project development services, applying a flat fee on a cost recovery basis ("Cost Recovery Fee"). The Cost Recovery Fee will be applied in Phase II. The Host Country agrees that Fortis will advance anticipated proceeds from the sale of each CDM project’s carbon credits into an escrow account and that, in accordance with the Service Agreement, each Project Proponent will authorize the release of the Cost-Recovery
Fee to UNDP from the escrow account for the services provided in respect of the CDM project and for the benefit of the Host Country.

Article IV
Contracting with Project Proponents

4.1 In order to implement the specific activities envisioned hereunder, UNDP shall conclude a Project Proponent MOU, governing preparatory activities, and a Service Agreement, governing project development services, with the Project Proponent of each CDM project in the Host Country, which shall specify the activities UNDP is to perform and any costs or expenses relating to the activities and how they are to be borne by the parties to each agreement.

4.2 During the term of this MoU, the Host Country authorizes UNDP to conclude the following agreements with Project Proponents, including private entities, in the Host Country:

(a) Project Proponent MOUs for the purpose of UNDP performing its preparatory activities; and
(b) Service Agreements for the purpose of UNDP providing project development services.

4.3 Upon UNDP executing a Project Proponent MOU or Service Agreement with a Project Proponent in the Host Country, UNDP will provide written notice to the Host Country of the agreement type, the Project Proponent and the date upon which the agreement was executed.

4.4 For the avoidance of doubt, the Host Country authorizations in this clause 4 solely concern authorization of UNDP to enter into agreements with a Project Proponent in the Host Country in relation to the Facility, and such authorizations are not intended in any way to replace or constitute any approval required for a Project under the rules and modalities relating to the CDM, and any other approval requirements of the Host Country, including the Letter of Approval issued by its DNA.
Article V
References to this MoU

5.1 For the purpose of recognizing and acknowledging that Phase I and Phase II of the Facility's services are pursuant to this MoU and will be provided for the benefit of the Host Country, each of the following will refer explicitly to this MoU:

(a) UNDP will make reference to this MoU:
   (i) In Phase I, in each Project Proponent MOU entered into between UNDP and the Project Proponent in the Host Country; and
   (ii) In Phase II, in each Service Agreement entered into between UNDP and the Project Proponent in the Host Country;

(b) The Host Country will make reference to this MoU:
   (i) In Phase I, in each Letter of No Objection which is issued to the Project Proponent as part of the Host Country's existing CDM approval procedures administered by its DNA; and
   (ii) In Phase II, in each Letter of Approval which is issued to the Project Proponent as part of the Host Country's existing CDM approval procedures administered by its DNA.

Article VI
Termination, Amendment

6.1 The proposed cooperation under this MoU is non-exclusive and this MoU shall terminate as follows:

(a) Upon completion, one (1) month after both Parties fulfill all of their obligations under this MoU. In this case, UNDP will provide written notice to the Host Country that its technical assistance support services have been completed; or

(b) After consultations have taken place between the two Parties, two (2) months after either Party provides notice in writing to the other Party of its intention to terminate.

6.2 The Parties agree that, upon termination of this MoU, any Project Proponent MOU, Service Agreement or project cooperation agreements will continue in force until each agreement is terminated according to its terms, and the Host Country acknowledges that UNDP may have rights and obligations under such agreements that continue after termination of this MOU.

6.3 Any modification and amendment to the present Memorandum shall be made with the initiative and mutual consent of the Parties. The modification and amendment shall be formulated by separate Protocol which shall enter into force in accordance with procedure provided for the entering into force of this Memorandum of Understanding and will constitute its integral part.
Article VII
Settlement of Disputes

7.1 Any dispute between the UNDP and the Host Country arising out of or relating to this MoU which is not settled by negotiation shall be resolved in accordance with the provisions of the SBAA.

Article VIII
Notices and Addresses

8.1 Any notice or request required or permitted to be given or made under this MoU shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall have been delivered by hand, certified mail, overnight courier, telex, or cable to the Party to which it is required to be given or made at the address specified below or such other address as shall be hereafter notified.

For UNDP: Ms. Consuelo Vidal
14, Petros Adamyan Street
Yerevan, 0010, Armenia

For Host Country: Mr. Aram Harutyunyan
Minister of Nature Protection of the Republic of Armenia
3 Government bldg., Republic square
Yerevan, 0010 Armenia

Article IX
Miscellaneous

9.1 This MoU comprises the complete understanding of the Parties in respect of the subject matter of this MoU and supersedes all prior agreements relating to the same subject matter. The invalidity or unenforceability of any provision of this MoU shall not affect the validity or enforceability of any other provision of the MoU.

9.2 Neither Party shall be an agent, representative or joint partner of the other Party. Neither Party shall enter into any contract or commitment on behalf of the other Party.

9.3 Each Party shall be responsible for its acts and omissions in connection with this MoU and its implementation.

9.4 The Parties agree that signature of this MoU will not constitute any binding commitment by UNDP to support, or by the Host Country to host, any specific CDM project activity.

9.5 The Host Country warrants that the provision of project development services by UNDP with regard to a CDM project located in the Host Country does not
constitute under Host Country law the purchase or sale of, an offer to sell, or the solicitation of an offer to buy, securities in the CDM project.

9.6 The Host Country releases UNDP from any liability which may arise under any securities laws of the Host Country in relation to the Facility or the provision of project development services by UNDP with regard to a CDM project located in the Host Country.

Article X
Entry into Force

10.1 This Memorandum shall enter into force on the date of receipt of the last notification given by the Parties through diplomatic channels on completion of national legislative procedures necessary for the entry into force of this MoU.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this MoU.

Done in the ........... city ........... on ............ in two originals, each in the English and Armenian languages, both texts being equally authentic. In case of divergence in the interpretation of the present Memorandum of Understanding the English text shall prevail.

For the Host Country: For UNDP:

Name: Aram Harutyunyan Name: Consuelo Vidal
Title: Minister of Nature Protection of the Republic of Armenia Title: Resident Representative
Yerevan, Armenia Yerevan, Armenia