
LOAN NUMBER 9021-AM

Loan Agreement

(Economic, Fiscal and Public Sector Governance Development Policy Loan)

between

REPUBLIC OF ARMENIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF ARMENIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of forty-five million eight hundred thousand Euros (EUR 45,800,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Borrower elects to apply the Automatic Rate Fixing Conversion to the Loan. Accordingly, without limitation upon the provisions of Article IV of the General Conditions and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to consecutive withdrawals from the Loan Account which in the aggregate equal or exceed ten (10) percent of the principal amount shall be converted from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- 2.06. The Payment Dates are June 15 and December 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

- 2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program; and
 - (b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Ministry of Finance
I Melik-Adamyán Street
Yerevan 0010
Republic of Armenia; and

(b) the Borrower's Electronic Address is:

| | |
|--------------|-----------------------|
| Facsimile: | E-mail: |
| +37411800132 | secretariat@minfin.am |

6.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

| | | |
|------------------------------|----------------|---------------------------|
| Telex: | Facsimile: | E-mail: |
| 248423(MCI) or 64145(MCI) | 1-202-477-6391 | sbossoutrot@worldbank.org |

AGREED as of the Signature Date.

REPUBLIC OF ARMENIA

By



Authorized Representative

Name: Atom Janjughazyan

Title: Minister of Finance

Date: November 22, 2019

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Sylvie Bossoutrot

Title: Country Manager

Date: November 22, 2019

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions Under the Program

- A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:
1. The Borrower, through the Prime Minister's office, has:
 - (a) established and staffed a RIA department, as evidenced by Decree No. 667, dated June 1, 2019 and Prime Minister Office's Order No 411-L, dated June 3, 2019 (published in the Borrower's official website www.e-gov.am on said date); and (b) adopted a concept note outlining the RIA broad principles including methodology, scope, and institutional mandate consistent with international good practices, as evidenced by Decree No. 1323, dated September 26, 2019 (published in the Borrower's official website www.e-gov.am on said date).
 2. The Borrower has: (a) amended the Government Decree No. 236 "On Adoption of the Methodology for Implementation of Customs Control", dated March 24, 2001, to allow risk-based management of truck scanning at border crossings, as evidenced by Decree No. 1327-N, dated October 3, 2019 (published in the Borrower's official website www.e-gov.am on said date); (b) through the State Revenue Committee, required advanced declaration submissions, as evidenced by Order No. 617-A, dated September 24, 2019; and (c) mandated the extension of the National Single Window System, as evidenced by the Prime Minister's Decree No. 1408-L, dated October 4, 2019 (published in the Borrower's official website www.e-gov.am on said date).
 3. The Borrower, through its Cabinet, has approved a draft bill of law to be submitted to the National Assembly, for approval thereof, to amend the Law on Protection of Economic Competition, to support the implementation of state aid including, *inter alia*, (a) the definition of state aid control; and (b) the establishment of reporting requirements for government agencies to submit information on state aid schemes and granted aid to a designated body in line with good international practice, as evidenced by Decree No. 1324, dated September 26, 2019 (published in the Borrower's official website www.e-gov.am on said date).
 4. The Borrower, through the State Revenue Committee, has started the implementation of the Tax Audit Case Management System, including full functionality for digitalized audit planning, random inspector assignment and replacing the State Revenue Committee's current audit system, as evidenced by SRC Chairman Order No. 633-A, dated October 2, 2019.
 5. The Borrower, through its Ministry of Economy, has established, staffed and budgeted for a Public Investment and PPP department to improve the efficiency and effectiveness of public investment and PPP schemes, as evidenced by the Prime Minister's Decree No. 658-L, dated June 1, 2019 (published in the Borrower's official website www.e-gov.am on said date) and the Ministry of Economy's Ministerial Order No. 476-A, dated July 1, 2019 (published in the Borrower's official website www.e-gov.am on said date).

6. The Borrower: (a) through its Cabinet, has approved the Borrower's anti-corruption strategy and action plan, which sets up the institutional architecture and mechanisms for strengthening the fight against corruption; and (b) has launched an electronic platform for anonymous whistleblower accessible to public servants and the public, as evidenced by Decree No. 1332-N, dated October 3, 2019 (published in the Borrower's official website www.e-gov.am on said date) and Decree No. 500-N, dated May 2, 2019, respectively (published in the Borrower's official website www.e-gov.am on said date).
7. The Borrower: (a) through its Cabinet, has approved the Borrower's judicial strategy and action plan, which sets up the institutional architecture and mechanisms for judicial reforms and (b) has established a fast-track-procedure for small claims, as evidenced by Decree No. 1441-L, dated October 10, 2019 (published in the Borrower's official website www.e-gov.am on said date) and Law No. AL-102-N, dated July 11, 2019, respectively (duly published in the Borrower's Official Gazette on July 17, 2019).
8. The Borrower, through its Cabinet, has approved draft amendments to be submitted to the National Assembly, for approval thereof, to modify a Package of Laws to merge different civil service regimes and extend the performance management system to a larger part of the civil service, as evidenced by Decree No. 1164-A, dated August 29, 2019 (published in the Borrower's official website www.e-gov.am on said date).

Section II. Availability of Loan Proceeds

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

| Allocations | Amount of the Loan (expressed in Euros) |
|-------------------------------|------------------------------------------------|
| (1) Single Withdrawal Tranche | 45,800,000 |
| TOTAL AMOUNT | 45,800,000 |

- C. Withdrawal Tranche Release Conditions.**

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.

D. Deposit of Loan Amounts.

The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Armenian Dram equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Audit. Upon the Bank's request, the Borrower shall:

1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;
2. furnish to the Bank as soon as available, but in any case not later than four months after the date of the Bank's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Bank; and
3. furnish to the Bank such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Bank shall reasonably request.

F. Closing Date. The Closing Date is December 31, 2020.

SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

Level Principal Repayments

| Principal Payment Date | Installment Share |
|-------------------------------------------------------------------------------------|--------------------------|
| On each June 15 and December 15 Beginning June 15, 2034 through June 15, 2044 | 4.55 % |
| On December 15, 2044 | 4.45 % |

APPENDIX

Section I. Definitions

1. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018.
2. “Law on Protection of Economic Competition” means Law No. HO-112, dated November 6, 2000.
3. “National Single Window System” means the Borrower’s electronic platform that allows for the submission of information to fulfill regulatory requirements between import and export operators and government authorities.
4. “Package of Laws” means the Borrower’s laws referred to in the Borrower’s Decree No. 1164-A, dated August 29, 2019.
5. “PPP” means public-private partnership.
6. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated October 22, 2019, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
7. “RIA” means regulatory impact analysis.
8. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
9. “Tax Audit Case Management System” means a Borrower’s comprehensive e-system which supports the increase of the efficiency and transparency of the audit process.