
**LOAN NUMBER 9658-AM
GCEF TF NUMBER TF0C4961**

Financing Agreement

(Second Green, Resilient and Inclusive Development Policy Operation)

between

REPUBLIC OF ARMENIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

FINANCING 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).

WHEREAS (A) having satisfied itself as to the feasibility and priority of the Program that aimed to support the Borrower to promote green, resilient and inclusive development in Armenia, by fostering climate change mitigation and adaptation, improving the regulatory framework for environmental management, enhancing equity and promoting human capital development, and strengthening the anti-corruption framework and justice sector efficiency;

(B) following an international effort to provide development support to countries most affected by refugees, funding from the Global Concessional Financing Facility was received by the Bank for purposes of providing concessionality to this Agreement;

(C) under the terms of a Financial Procedures Arrangement with the Trustee of the Global Concessional Financing Facility dated August 10, 2016, the Bank has agreed to provide a concessional contribution to the Borrower (the Concessional Portion of the Financing as hereinafter defined) as part of an integrated financing under the terms of this Agreement (the Financing as hereinafter defined); and

(D) furthermore, 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.

NOW THEREFORE, the Borrower and the Bank 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 — FINANCING

- 2.01. The Bank agrees to provide financing to the Borrower (“Financing”), consisting of the following:

- (a) a loan in an amount of ninety-two million three hundred thousand Euros (EUR 92,300,000) (“Loan”), as such amount may be converted from time to time through a Currency Conversion; and
 - (b) a concessional contribution in an amount of sixteen million Dollars (USD 16,000,000) (“Concessional Portion of the Financing”).
- 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 Variable 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 EUR 9,230,000 shall be converted from the initial Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread 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 1 and December 1 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 the actions specified in Section I of Schedule 1 to this Agreement;

- (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
- (c) without limitation upon paragraph (a) and (b) 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 one hundred and twenty (120) 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
Melik-Adamian St. 1
Yerevan 0010
Republic of Armenia; and

(b) the Borrower's Electronic Address is:

Facsimile:

+374-11-800132

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:

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF ARMENIA

By

Hon. Vahe Hovhannisyan

Authorized Representative

Name: Hon. Vahe Hovhannisyan

Title: Minister of Finance

Date: 23-May-2024

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Carolin Geginat

Authorized Representative

Name: Carolin Geginat

Title: Country Manager Armenia

Date: 22-May-2024

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions taken under the Program

Actions Taken under the Program: The actions taken by the Borrower under the Program include the following:

1. To strengthen climate-resilience and energy efficiency in buildings and infrastructure, the Borrower, through its Committee of Urban Development, has approved new construction norms through Order 31-N dated December 22, 2022 for ensuring energy efficiency of buildings and establishing energy efficiency assessment indicators.
2. To implement the new framework for monitoring air pollution, the Borrower, through its Cabinet: (a) has issued Government Decree 23-N on January 4, 2024 governing the procedures related to registering, summarizing, analyzing and archiving information concerning state inventory and recording emissions of pollutant substances into the ambient air; and (b) has issued Government Decree 32-N on January 4, 2024 approving the procedures for developing draft emission value limits of pollutant substances into the ambient air and authorizing, rejecting and revoking emissions permits for legal entities and individuals engaged in business activities that have submitted draft emission value limits.
3. To implement the new environmental impact assessment framework, the Borrower, through its Cabinet: (a) has adopted Government Decree 2343-N dated December 28, 2023 to improve clarity and transparency on the procedure of public notification and hearings; and (b) has adopted Government Decree 2294-N dated December 21, 2023 on strategic environmental assessment (SEA) that regulates the procedure of SEA and identifies the scope and reporting requirements of SEA.
4. To support the needs of the new vulnerable group of refugees from Nagorno-Karabakh, the Borrower: (a) through its Cabinet has approved Government Decree 1864-N dated October 26, 2023 providing temporary protection status to such group for a year; and (b) through its Cabinet has approved Government Decree 1756-L dated October 12, 2023 extending support for refugee teachers, including female teachers, to work in Armenia to support human capital development and employment.
5. To support the implementation of the new competency-based curriculum, the Borrower, through the MoESCS, has issued Ministerial Order 50-A/2 dated January 16, 2024, revising the national student assessment framework for tracking and using learning outcomes to monitor and improve the education system.

6. To improve and sustain the quality of medical services, the Borrower: (b) has approved on May 24, 2023, an amendment to Law HO-193 dated May 30, 2001 on licensing to move from termless licensing to five-year term licensing, and (ii) through the MoH has issued a Ministerial Order 2068-L dated April 25, 2023, updating the existing contracting mechanism, including performance-based additional payments that incentivize improved primary health care (PHC) access (use of preventive and pre-hospitalization visits) and increase PHC doctors' reimbursement rates.
7. To improve the quality of policy making, the Borrower, through its Cabinet, has approved the regulatory impact assessment (RIA) methodology through Government Decree 2053-L dated November 23, 2023 to assess the regulatory impact applicable to the five sectors covered by the RIA (economic, including business and competition, social, health, environment and public finance).
8. To implement its Anti-Corruption Strategy, the Borrower: (a) through its Cabinet, has adopted Government Decrees 1135-N and 1148-N dated June 7, 2023 to operationalize the Law on Whistleblowing System; and (b) through the Corruption Prevention Commission (CPC) has issued Decree N01-N dated December 22, 2023 approving the creation of a gift register for public officials, which will be made public, and approving procedures for managing the gift register.

Section II. Availability of Financing Proceeds

- A. **General.** The Borrower may withdraw the proceeds of the Financing 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 Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Loan (expressed in Euros)	Amount of the Concessional Portion of the Financing Allocated (expressed in Dollars)
(1) Single Withdrawal Tranche	92,300,000	16,000,000
TOTAL AMOUNT	92,300,000	16,000,000

C. Withdrawal Tranche Release Conditions

No withdrawal shall be made of the Single Withdrawal Tranche unless: (a) each withdrawal is made on a *pari passu* basis and at a eighty-six percent (86%) to fourteen percent (14%) ratio between the amount of the Loan allocated and the amount of the Concessional Portion of the Financing allocated; and (b) the Bank is satisfied: (i) with the Program being carried out by the Borrower; and (ii) with the adequacy of the Borrower's macroeconomic policy framework.

D. Deposit of Financing Amounts

The Borrower, within thirty (30) days after the withdrawal of the Financing from the Financing 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 Drains equivalent of the Financing 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. Closing Date. The Closing Date is March 31, 2025.

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 1 and December 1 Beginning June 1, 2032 through June 1, 2045	3.57%
On December 1, 2045	3.61%

APPENDIX

Section I. Definitions

1. “Anti-Corruption Strategy” means the Borrower’s Anti-Corruption Strategy for 2023-26, adopted on October 26, 2023.
2. “Committee of Urban Development” means the Borrower’s committee established pursuant to the Law HO-260-N, dated March 23, 2018.
3. “Corruption Prevention Commission” means the Borrower’s commission established pursuant to Law No. HO-96-N, dated November 20, 2019.
4. “Drams” means the Borrower’s lawful currency.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.
6. “Global Concessional Financing Facility” and “GCFF” each means the financing facility established with a focus on providing concessional financing to middle income countries most affected by the presence of large numbers of refugees, and referred to in the *Preamble* to this Agreement, as having contributed the Concessional Portion of the Financing for the Program.
7. “Government” means the Borrower’s Prime Minister, Deputy Prime Ministers and ministers.
8. “Law on Whistleblowing System” means the Borrower’s Law on Whistleblowing System enacted on January 1, 2018 and amended on December 7, 2022.
9. “MoESCS” means Borrower’s Ministry of Education, Science, Culture and Sport or any successor thereto.
10. “MoH” means the Ministry of Health, or any successor thereto.
11. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated January 12, 2024 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.

12. “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.
13. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Wherever used throughout the General Conditions (including the Appendix), the terms “*Loan Agreement*” and “*loan agreement*” are modified to read “*Financing Agreement*” and “*financing agreement*”, respectively; the terms “*Loan Parties*” and “*Loan Party*” are modified to read “*Financing Parties*” and “*Financing Party*”, respectively; the term “*Original Loan Currency*” is modified to read “*Original Financing Currency*”; and the term “*Substitute Loan Currency*” is modified to read “*Substitute Financing Currency*”. Furthermore, wherever used in Sections 2.01 to 2.04, 2.06, 3.08 (a), (b), and (d), 5.03 to 5.06, 7.01 to 7.03 (a) to (d), 7.04 (a), 7.05, 9.03 (b), including the titles thereof, the term “*Loan*” is modified to read “*Financing*”; the term “*Loan Account*” is modified to read “*Financing Account*”; the term “*Loan Currency*” is modified to read “*Financing Currency*”; and the term “*Unwithdrawn Loan Balance*” is modified to read “*Unwithdrawn Financing Balance*”.
3. In the Appendix, **Definitions**, the following new paragraphs are inserted with the following definitions of “Concessional Portion of the Financing”, “Financing”, “Financing Account”, “Financing Currency”, and the remaining paragraphs are renumbered accordingly:
4. “Concessional Portion of the Financing” means the portion of the Financing provided to the Borrower on a non-reimbursable basis in the Financing Agreement.”
5. “Financing” means the financing provided for in the Financing Agreement.”
6. “Financing Account” means, collectively, the Loan Account and the account opened by the Bank in its books in the name of the Borrower to which the amount of the Concessional Portion of the Financing is credited.”

7. “Financing Currency” means the Currency or Currencies in which the Loan and Concessional Portion of the Financing are dominated.”
8. “Unwithdrawn Financing Balance” means the amount of the Financing remaining unwithdrawn from the Financing Account from time to time.”
9. In the Appendix, **Definitions**, wherever used in the following definitions of the terms “Borrower”; “Closing Date”; “Financing Agreement”; “Original Financing Currency”; “Program”; and “Substitute Financing Currency”, the terms “*Loan*” and “*Loan Account*” are modified to read “*Financing*” and “*Financing Account*”, respectively.