
LOAN NUMBER 9709-AM

Loan Agreement

(Enabling Universal Health Coverage Program)

between

REPUBLIC OF ARMENIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN NUMBER 9709-AM

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date, between REPUBLIC OF ARMENIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). 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) constitute an integral 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 one hundred and two million Euros (EUR102,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”) to assist in financing the program described in Schedule 1 to this Agreement (“Program”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. 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.
- 2.06. The Payment Dates are January 15 and July 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the objectives of the Program. To this end, the Borrower shall carry out the Program through MoH in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consist of the following, namely that the Program has been modified and/or suspended so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to achieve the Program objectives.
- 4.02. The Additional Event of Acceleration consists of the following, namely that any 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 MoH has adopted the Program Operations Manual, acceptable to the Bank.
- 5.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Finance.
- 6.02. The Borrower's Address is:

Ministry of Finance of the Republic of Armenia
1 Melik-Adamyanyan St.
Yerevan 0010
Republic of Armenia
Facsimile:
+ 374- 11-800132

- 6.03. The Bank's Address is:

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

Telex:

248423(MCI) or
64145(MCI)

Facsimile:

1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF ARMENIA

By

Hon. Vahe Hovhannisyán

Authorized Representative

Name: Hon. Vahe Hovhannisyán

Title: Minister of Finance

Date: 25-Jul-2024

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Carolin Geginat

Authorized Representative

Name: Carolin Geginat

Title: Country Manager Armenia

Date: 25-Jul-2024

SCHEDULE 1

Program Description

The objectives of the Program are to improve the quality and utilization of primary health care, increase the efficiency of the Borrower's health spending, and reduce financial barriers to accessing health care.

The Program consists of the following selected set of activities grouped under the results areas set forth below:

Results Area 1: Improve Quality of Care

Improving the quality of PHC services to prevent, detect, and control the main NCDs that account for the highest disease burden in Armenia, through service delivery reforms, including, *inter alia*: (i) adjusting the current delivery model in PHC institutions; (ii) developing and implementing protocols of care for Selected NCDs at PHC and secondary care levels to facilitate coordinated and high quality of care and functional referral system; (iii) implementing Performance-based Contracts that include quality indicators in addition to quantity/coverage indicators and adjusted incentive amounts to consider inflation and reflect level of effort required; and (iv) developing and implementing a system of continuous professional development and certification of medical workers.

Results Area 2: Increase Efficiency of the Borrower's Health Spending

Increasing the efficiency of the Borrower's health spending by addressing critical cost drivers, particularly high spending on pharmaceuticals through reform measures, including, *inter alia*: (i) adopting and implementing reference pricing and enforcing the use of e-prescriptions; and (ii) strengthening institutional capacity to implement these reforms together with improving health information systems to enhance monitoring and enforcement.

Results Area 3: Reduce Financial Barriers to Accessing Health Care

Carrying out reform measures, including, *inter alia*: (i) increasing government funding for a UHI Program budget line; (ii) laying the operational and governance foundations through establishing an independent public purchasing entity and its management board to facilitate effective and efficient management of UHI funds and strategic purchasing of health services; and (iii) developing an assessment tool for the health benefits package costing and revision.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Institutions

1. The Borrower shall:
 - (a) vest the overall responsibility for the implementation of the Program with the Ministry of Health (“MoH”);
 - (b) establish by not later than one (1) month after the Effective Date, and thereafter maintain throughout the period of implementation of the Program, a Technical Working Group, with a mandate, composition, and resources satisfactory to the Bank, to be responsible for Program coordination and facilitation of Program implementation; and
 - (c) assign, through a Government decree, by not later than one (1) month after the Effective Date, unless agreed otherwise between the Bank and the Borrower, and maintain throughout the period of implementation of the Program, the Health Program Implementation Unit (“HPIU”), to be responsible for the implementation of the Program, with adequate staff and resources and under terms of reference acceptable to the Bank, to be responsible for carrying out the day-to-day coordination of the Program activities.
2. The Borrower shall ensure that no Participating Region is eligible for financing out of the proceeds of the Loan until and unless the Borrower through MoH has entered into a Participation Agreement acceptable to the Bank with each of the Participating Regions, to set out the specific requirements under the Program for the Participating Region to adhere to in carrying out the Program in its jurisdiction.

B. The Program Operations Manual

1. The Borrower through MoH shall adopt the Program Operations Manual acceptable to the Bank, and thereafter ensure that the Program is carried out in accordance with such manual, which shall set forth the institutional, administrative, financial, technical and operational guidelines and procedures for the implementation of the Program, as well as the agreed Program Action Plan, including, *inter alia*:
 - (a) the definition of Program activities and detailed Program Expenditures;

- (b) the environmental and social risk mitigation measures and documents for the Program;
 - (c) the financial management, auditing, and procurement protocols and standards applicable to the Program;
 - (d) the protocols for complying with the Anti-Corruption Guidelines;
 - (e) the Verification Protocols agreed with the Bank for evaluating the achievement of the DLIs and their respective DLRs;
 - (f) the grievance mechanism for the Program as well as its associated protocols and procedures for addressing and reporting on grievance complaints;
 - (g) monitoring and evaluation requirements, including verification systems for the Program; and
 - (h) any other technical and organizational arrangements and procedures as shall be required for the Program.
2. The Borrower shall not materially and/or substantially amend, revise, waive, abrogate or suspend any provision of the Program Operations Manual without the prior written consent of the Bank.
3. In the event of any inconsistency between the provisions of the Program Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

C. Independent Verification Agent

1. The Borrower shall:
- (a) appoint by not later than six (6) months after the Effective Date, and thereafter maintain at all time during the implementation of the Program, an independent verification agent with experience and qualifications and under terms of reference acceptable to the Bank (the “Independent Verification Agent”) to: (i) carry out the verification of the achievement of the DLIs/DLRs, as set forth in the table in Section IV A.2 of this Schedule; and (ii) recommend corresponding disbursements to be made, as applicable, pursuant to such Section; and
 - (b) (i) ensure that the Independent Verification Agent carries out the DLIs/DLRs’ verification process(es) in accordance with the Verification Protocols; and (ii) submit to the Bank the corresponding verification

reports in a timely manner and in form and substance satisfactory to the Bank.

D. Program Action Plan

1. For purposes of implementing the Program, the Borrower shall: (a) carry out the Program Action Plan agreed with the Bank, in accordance with the schedule set out in the said Program Action Plan, and in a manner and substance satisfactory to the Bank; and (b) maintain policies and procedures adequate to enable it to monitor and evaluate, in a manner and substance satisfactory to the Bank, the implementation of the said Program Action Plan.
2. The Borrower shall not materially and/or substantially amend, revise, waive, abrogate or suspend any provision of the Program Action Plan without the prior written consent of the Bank.
3. In the event of any inconsistency between the provisions of the Program Action Plan and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Excluded Activities

The Borrower shall ensure that the Program excludes any activities which:

1. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
2. involve the procurement of: (a) works, estimated to cost seventy-five million Dollars (\$75,000,000) equivalent or more per contract; (b) goods, estimated to cost fifty million Dollars (\$50,000,000) equivalent or more per contract; (c) non-consulting services, estimated to cost fifty million Dollars (\$50,000,000) equivalent or more per contract; or (d) consultants' services, estimated to cost twenty million Dollars (\$20,000,000) equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

Program Reports

The Borrower shall furnish to the Bank each Program Report not later than one (1) month after the end of each calendar semester, covering the calendar semester.

Section IV. Withdrawal of Loan Proceeds

A. General

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Program Expenditures (inclusive of Taxes), on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Borrower, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); and (b) pay the Front-end Fee; all as set forth in the table in paragraph 2 of this Part A.

3. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Loan to each Category:

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in EUR)	Disbursement Calculation Formula (as applicable)
(1) DLI #1: Performance-based Contracts implemented to improve the quality of PHC and hospital services.	DLR 1.1: Percentage of PHCCs and hospitals that have signed Performance-based Contracts for service quality improvement.	4,640,000	DLR 1.1: EUR2,320,000 upon achievement of 25% and thereafter EUR93,000 per one percentage point achieved, up to total allocation of EUR4,640,000.
	DLR 1.2: Percentage of PHCCs and hospitals that have received performance-based payments based on the signed Performance-based Contracts.	9,270,000	DLR 1.2: EUR4,640,000 upon achievement of 50% and thereafter EUR232,000 per percentage point achieved, up to total allocation of EUR9,270,000.
(2) DLI #2: Competence of nurses and family physicians in PHCCs	DLR 2.1: MoH has adopted in-service curriculum for nurses and family physicians based on	2,320,000	DLR 2.1: EUR2,320,000 upon achievement.

<p>improved, based on the updated in-service training curriculum.</p>	<p>new clinical protocols for Selected NCDs.</p> <p>DLR 2.2: Percentage of nurses and family physicians in PHC facilities who have been trained based on the updated in-service curriculum.</p> <p>DLR 2.3: Percentage of Type 2 diabetes cases that are diagnosed and treated according to clinical protocols by PHCC providers who have completed in-service training on the updated curriculum.</p>	<p>4,640,000</p> <p>9,270,000</p>	<p>DLR 2.2: EUR2,320,000 upon achievement of 25% and thereafter EUR93,000 per each percentage point achieved, up to total allocation of EUR4,640,000.</p> <p>DLR 2.3: EUR4,640,000 upon achievement of 50% and thereafter EUR464,000 per each percentage point achieved, up to total allocated amount of EUR9,270,000.</p>
<p>(3) DLI #3: Inpatient care and outpatient care use in hospitals reduced for ambulatory care sensitive conditions for Selected NCDs.</p>	<p>DLR 3.1: MoH has adopted clinical protocols that define care to be provided at PHC and hospital levels for Selected NCDs.</p> <p>DLR 3.2: Percentage of insured population of ages 35-68 who have visited a PHC facility for preventive purposes.</p> <p>DLR 3.3: Percentage of reduction is achieved in</p>	<p>4,640,000</p> <p>9,270,000</p> <p>4,640,000</p>	<p>DLR 3.1: Paid in full upon achievement.</p> <p>DLR 3.2: EUR4,640,000 upon achievement of 25% and thereafter EUR186,000 per each percentage point achieved, up to total allocated amount of EUR9,270,000.</p> <p>DLR 3.3:</p>

	inpatient and outpatient cases treated in hospitals for ambulatory care sensitive conditions for Selected NCDs relative to the Baseline.		EUR1,400,000 upon achievement of 3% relative to Baseline and thereafter EUR464,000 per one percentage point reduction achieved relative to Baseline, up to total allocated amount of US\$4,640,000. Baseline: 113,248
(4) DLI #4: Costs of prescribed medicines reduced	DLR 4.1: MoH has adopted reference pricing for publicly financed medicines.	2,320,000	DLR 4.1: Paid in full upon achievement.
	DLR 4.2: Percentage of prescriptions for publicly reimbursed out-patient medications on the MoH's essential medicines list that have been made through the e-prescription system.	4,640,000	DLR 4.2: EUR1,860,000 upon achievement of 70%, thereafter EUR280,000 per each percentage point achieved, up to total allocated amount of EUR4,640,000.
	DLR 4.3: Percentage of reduction is achieved on medicine spending out of current health expenditure relative to the Baseline.	9,270,000	DLR 4.3: EUR3,710,000 upon achieving 5% minimum and thereafter EUR794,755 per each percentage reduction achieved, up to total allocated amount of EUR9,270,000. Baseline: 30%.

(5) DLI #5: Stewardship and accountability for rollout of the UHI Program strengthened.	DLR 5.1: IPPE has been established in accordance with the Borrower's relevant legal framework and started operations as evidenced by IPPE's first quarter report approved by its Board covering, <i>inter alia</i> , IPPE's activities and financials.	4,640,000	DLR 5.1: Paid in full upon achievement.
	DLR 5.2: An independent auditor has issued an unqualified opinion following a performance and financial audit of the IPPE.	4,640,000	DLR 5.2: Paid in full upon achievement.
	DLR 5.3: IPPE's expenditure reserves to its total average annual expenditures ratio is maintained at, at least, 2%.	4,640,000	DLR 5.3: Paid in full upon achievement.
(6) DLI #6 Share of OOP payments as a proportion of current health expenditure reduced.	DLR 6.1: MoF has included a budget line for the UHI Program.	4,640,000	DLR 6.1: Paid in full upon achievement
	DLR 6.2: By December 31, 2025 the Borrower has approved: (a) the draft comprehensive health insurance law; and (b) the related sub-legislative acts.	2,330,000	DLR 6.2: Paid in full upon achievement
	DLR 6.3: MoF has disbursed the approved budget for the UHI Program based on a resource allocation formula approved by the government to cover cost-effective benefits package for target groups.	6,665,000	DLR 6.3 Paid in full upon achievement
	DLR 6.4: Percentage of reduction is achieved in OOP spending of current health expenditure relative to the Baseline.	9,270,000	DLR 6.4: EUR2,790,000 upon achievement of 5% relative to Baseline and thereafter EUR650,000. per

			percentage point reduction relative to Baseline, up to total allocation of EUR9,270,000. Baseline: 81.4 percent
(7) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.05 (b) of the General Conditions		255,000	
TOTAL AMOUNT		102,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed four million six hundred forty thousand Euros (EUR4,640,000) may be made on the basis of DLRs 6.1 achieved prior to this date, but on or after December 7, 2023; and
 - (b) for any DLR, until and unless the Borrower has furnished evidence satisfactory to the Bank that the DLRs set forth in the above table have been achieved. The evidence of the achievement of the DLRs shall be verified in accordance with the provisions of the Verification Protocols agreed with the Bank, and shall have been confirmed by the Independent Verification Agent (“IVA”).
2. Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw an amount not to exceed the equivalent of twenty-five million five hundred thousand Euros (EUR25,500,000) as an advance, provided, however, that

if in the opinion of the Bank the DLR(s) is not achieved by the Closing Date, the Borrower shall refund such advance to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amounts so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.

3. The Closing Date is September 30, 2029.

SCHEDULE 3

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 January 15 and July 15 Beginning July 15, 2039 through January 15, 2049	5%

APPENDIX

Definitions

1. “Anti-corruption Guidelines” means, for purposes of paragraph 6 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing,” dated February 1, 2012, and revised July 10, 2015.
2. “Baseline” means, in respect of any DLR, the corresponding figure or percentage set forth in the table in Section IV. A.2 of Schedule 2 to this Agreement.
3. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
4. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
5. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.
6. “Formula” means the measure for calculating disbursement against DLRs, as determined by the Bank in accordance with the table in Section IV.A.2 of Schedule 2 to this Agreement.
7. “Health Program Implementation Unit” or its abbreviation “HPIU” means the unit referred to in Section I.A.1(c) of Schedule 2 to this Agreement.
8. “IPPE” means the independent public purchasing entity to be established under DLR 5.1 for the purpose of managing the Universal Health Insurance Program and contracting health service providers, among other functions.
9. “IVA” or “Independent Verification Agent” means the third-party entity to be engaged by the MoH under terms of reference satisfactory to the Bank, for the purposes of the independent verification of DLRs and DLIs as described under Section I.C. of Schedule 2 of this Agreement.
10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Program-for-Results Financing”, dated December 14, 2018 (Last revised on July 15, 2023).

11. “MoF” means the Borrower’s Ministry of Finance or any successor thereto.
12. “MoH” means the Borrower’s Ministry of Health, or any successor thereto.
13. “NCDs” means non-communicable diseases.
14. “OOP” means out of pocket.
15. “Participation Agreement” means the agreement referred to in Section I.A.2 of Schedule 2 to this Agreement.
16. “Participating Regions” means the regions to participate in the Program as may be agreed upon between the Bank and the Borrower from time to time.
17. “Performance-based Contract” means the contract to be signed between the State Health Agency and a public or private health facility for the purposes of DLRs 1.1 and 1.2; and the “Performance-based Contracts” means the plural thereof.
18. “PHC” means primary health care.
19. “PHCCs” means primary health care centers.
20. “Prior Result” means the result achieved under Category 6.1 as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement and found acceptable by the Bank.
21. “Program” means the activities described in Schedule 1 to this Agreement, which are a subset of activities included under the “Borrower’s National Health Care Development Strategy”, approved pursuant the Borrower’s Decree No.174-L dated February 9, 2023.
22. “Program Action Plan” means the Borrower’s plan dated May 21, 2024 and referred to in Section I. D. of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Bank.
23. “Program Expenditures” means, for purposes of, *inter alia*, Section 2.03 and 7.04 of the General Conditions, those expenditures incurred by the Borrower under its budget codes 1099, 1188, 1200, 1202, 1207, Activity 11006 (or such other codes as may be notified to the Bank from time to time) and the expenditures financed out of the Loan proceeds, but excluding any expenditures associated with the Excluded Activities.
24. “Program Operations Manual” means the manual referred to in Section I. B. of Schedule 2 to this Agreement.

25. “Selected NCDs” means with respect to DLR 2.1, essential (primary) hypertension (international classification of disease (ICD) code I10), Type 2 Diabetes (ICD Code E11), and chronic obstructive pulmonary disease (ICD code J44) and with respect to DLRs 3.1 and 3.3, essential (primary) hypertension (ICD code I10), angina pectoris (ICD code I20), congestive heart failure (ICD Code I50), and chronic obstructive pulmonary disease (ICD code J44).
26. “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.
27. “State Health Agency” or “SHA” means the Borrower’s State Health Agency established on December 18, 1997 pursuant to the Government decree No. 593, or any successor thereto.
28. “Technical Working Group” means the Borrower’s group to be established pursuant to Section I.A.1(b) of Schedule 2 to this Agreement.
29. “UHI” means universal health insurance.
30. “Universal Health Insurance Program” or its abbreviation “UHI Program” means the Borrower’s universal health insurance program to be established, for the purpose of providing health insurance coverage based on an approved uniform basic benefits package to target groups in Armenia.
31. “Verification Protocols” means the protocols setting forth the actions and mechanisms required for verification of DLRs as agreed with the Bank, dated May 21, 2024 and referred to in Section I. C of Schedule 2 to this Agreement.