
LOAN NUMBER 9338-AM

Loan Agreement

(Fourth Public Sector Modernization Project)

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”). 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 — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of twenty-six million five hundred thousand Euros (€26,500,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 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 February 15 and August 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 — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through the Prime Minister’s Office in

accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Borrower, through the PSRC, has adopted the Project Operational Manual in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.
 - (b) The Borrower, through the PSRC, has selected up to six public services to be digitalized under Part 2.2 of the Project, and established their respective baseline values, all in a manner acceptable to the Bank.
- 4.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

Ministry of Finance
Government House
1 Melik-Adamian St. 1
Yerevan 0010
Republic of Armenia; and

- (b) the Borrower's Electronic Address is:

Telex:	E-mail:
374 11 800 156	secretariat@minfin.am

- 5.03. 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



Authorized Representative

Name: Pigran Khachatryan

Title: RA Minister of Finance

Date: 18 March, 2022

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Carolyn Geginat

Title: Country Manager

Date: 15/3/2022

SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency of and access to selected public services for businesses and citizens.

The Project consists of the following parts:

1. Modernization of the public administration

- 1.1. Improve the efficiency of the civil service administration through:
 - a. development and implementation of a model of a senior executive service based on international best practices;
 - b. enhancement of the Borrower's human resource management information system and processes; and
 - c. modernization of the civil service office through promoting leadership and data-driven decision making.
 - 1.2. Improve the efficiency and compliance of justice services and judicial processes through:
 - a. digitization of documents and business processes, through establishing an electronic archive and supporting digitizing key services; and
 - b. digitalization and integration of select justice services and judicial processes and procedures ensuring interoperability between systems.
 - 1.3. Support the modernization of systems of the new Ministry of Interior, through:
 - a. acquisition of software and hardware based on a review of the capacities and systems of the Police of the Republic of Armenia; and
 - b. digitalization and modernization of internal operations and capacity building, including development and implementation of a plan for the modernization of databases and services.
- #### **2. Digital service delivery**
- 2.1. Modernization of the tax and customs administration systems aimed at improving the efficiency of revenue mobilization through:

- a. enhancing and upgrading of a web-based taxpayer tax account system;
 - b. implementation of accessible tax services through multi-channel self-service applications;
 - c. upgrading of the e-invoicing system to a web-based version using modern information technology architecture, including the development of progressive web applications for desktop, tablet and mobile phone environments that enable self-service;
 - d. upgrading the tax self-declaration system by engineering a mobile application; and
 - e. digitalizing and modernizing the existing software and hardware computing systems.
- 2.2. Strengthening of central government service delivery through:
- a. digitalization of selected public services in the central government, including:
 - i. re-engineering of databases and reviewing of policies, regulations and business processes to promote long-term interoperability of data based on a common data document-based structure;
 - ii. roll-out of a coherent concept of national digital identity;
 - iii. enhancement of data processing and computational infrastructure; and
 - iv. development of progressive web applications for multi-channel mobile and desktop service delivery; and
 - b. strengthening of the Ministry of Labor and Social Affairs' capacity to respond to GBV/DV, through establishment of a hotline designated for handling GBV/DV-related calls, capacity building and training for staff, and carrying out a communications campaign.
- 2.3. Support of local governments through the piloting of activities related to re-engineering databases, data infrastructure and computing systems aimed at aligning business processes with central government agencies' business processes and digitalization of local public services, including:
- a. development of progressive web applications for multi-channels;

- b. implementation of modern digital infrastructure technologies, including the design of an early warning system to gather data enabling timely alerts of climate-related disasters and disseminate such information within municipalities; and
- c. digitalization of selected local public services including business process review of back-office processes with a mobile government approach to public service delivery.

3. Data management and digital infrastructure

- 3.1. Enhance the efficiency and security of digital infrastructure through:
 - a. preparation of a cloud readiness assessment and roadmap to inform policy on a hybrid cloud;
 - b. preparation of a data classification report to guide the policy on hosting government data on the Borrower's cloud and the public cloud;
 - c. development of a cloud assessment framework to screen, authorize and license cloud service providers suitable for hosting government data; and
 - d. technical assistance on the establishment of a disaster and climate change resilient data recovery center and backup sites.
- 3.2. Improve the resilience to cyber threats of the Borrower's digital infrastructure and assets through:
 - a. carrying out of a cybersecurity assessment of existing hardware and software in selected areas;
 - b. preparation of an institutional assessment of cybersecurity functions' coordination within the Borrower's agencies and institutions;
 - c. organization of knowledge exchanges on cybersecurity arrangements; and
 - d. technical assistance on strengthening data infrastructure, threat management and cybersecurity.
- 3.3. Improve the application of data science, machine learning and artificial intelligence in GovTech through:
 - a. technical assistance on the development of an integrated data fabric architecture concept for the whole-of-government approach to artificial intelligence;

- b. technical assistance on piloting artificial intelligence concepts in selected areas; and
- c. capacity building on artificial intelligence, including iterative innovation, research and development.

4. Project management

Support Project implementation, including but not limited to the provision of administrative support to PMG in relation to Project implementation, such as procurement, financial management, monitoring and evaluation, capacity building, Project management, coordination, and development of institutional capacity and absorption of the Project-supported reforms.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall maintain the Public Sector Reform Commission (“PSRC”), to be responsible for Project oversight, strategic guidance and interagency coordination, and other functions, including acting as Project steering committee, and approving the Project Operational Manual and key financial and procurement documents, as detailed in the Project Operational Manual. The PSRC shall be headed by the Borrower’s Deputy Prime Minister or the Chief of Staff of the Prime Minister, who will also be the Project Director.
2. Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower, through the Prime Minister’s Office (“PMO”), including the Deputy Prime Minister’s Office, shall carry out the Project in accordance with this Agreement and the Project Operational Manual, and for this purpose shall maintain at all times during Project implementation a Project Management Group (“PMG”), with terms of reference, functions, including fiduciary aspects, professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the Bank, as set forth in the Project Operational Manual, to be responsible for day-to-day Project implementation.
3. Not later than December 31, 2023, the Borrower, through the PMO, shall carry out a survey to measure the current citizen satisfaction on the performance of the selected up to six public services to be digitalized under Part 2.2 of the Project, in a manner acceptable to the Bank.

B. Project Operational Manual

1. The Borrower, through the PMO, shall prepare and, thereafter, carry out, the Project in accordance with an operational manual (“Project Operational Manual”), which shall contain detailed work flow, methods and procedures for the implementation of the Project, including but not limited to: (a) administration and coordination arrangements, including placement of necessary human resources for Project implementation; (b) performance indicators of the Project; (c) monitoring and evaluation; (d) financial management guidelines and procedures; (e) implementation modalities for each Part of the Project; (f) roles and responsibilities of various agencies and stakeholders in the implementation of the Project; and (g) Personal Data collection and processing in accordance with good international practice; and except as the Bank shall otherwise agree in writing, the

Borrower shall not amend or waive, or permit to be amended or waived any provision of the Project Operational Manual.

2. In case of conflict between the provisions of the Project Operational Manual and this Agreement, those of this Agreement shall prevail.

C. Environmental and Social Standards

1. The Borrower, through the PMO, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower, through the PMO, shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower, through the PMO, shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Borrower, through the PMO, shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and

- (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Borrower, through the PMO, shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

Section II. Project Monitoring, Reporting and Evaluation

- 1. The Borrower, through the PMO, shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.
- 2. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Bank, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Borrower shall ensure that such information, report or document does not include Personal Data.

Section III. Withdrawal of Loan Proceeds

A. General

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 Eligible Expenditures; and (b) pay the Front-end Fee; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (exclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Training and Workshops, and Operating Costs for the Project	26,433,750	100%
(2) Front-end Fee	66,250	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	26,500,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is March 31, 2028.

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 February 15 and August 15 Beginning February 15, 2037 through August 15, 2046	4.76%
On February 15, 2047	4.8%

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 Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated January 25, 2022, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
4. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.
5. “GBV/DV” means gender-based violence and/or domestic violence.
6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).

7. “GovTech” means is a whole-of-government approach to public sector modernization, which emphasizes the following aspects of public sector modernization: universally accessible citizen-centric public services, a whole-of-government approach to digital government transformation, and simple, efficient and transparent government systems.
8. “Ministry of Interior” means a ministry of the Borrower envisaged to be established by the Borrower as part of the Borrower’s Police Reform Strategy, or any predecessor or successor thereto acceptable to the Bank.
9. “Ministry of Labor and Social Affairs” means the Borrower’s Ministry of Labor and Social Affairs, or any successor thereto acceptable to the Bank.
10. “Operating Costs” means the reasonable costs incurred by the PMG, as shall have been approved by the Bank, for the incremental expenses incurred on account of Project implementation, including vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost (including accommodation, transportation and per diem) for Project staff for travel linked to the implementation of the Project, and salaries, health insurance and social benefits of contractual staff for the Project (but excluding salaries of officials of the Borrower’s civil service).
11. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
12. “PMG” or “Project Management Group” means the unit referred to under Section I.A.2 of Schedule 2 to this Agreement.
13. “PMO” or “Prime Minister’s Office” means the Borrower’s Prime Minister’s Office, or any successor thereto acceptable to the Bank.
14. “Police of the Republic of Armenia” means the Borrower’s police department, or any successor thereto acceptable to the Bank.
15. “Procurement Regulations” means, for purposes of paragraph 84 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.

16. "Project Operational Manual" means the manual referred to under Section I.B of Schedule 2 to this Agreement.
17. "PSRC" means the Public Sector Reform Commission established pursuant to the Prime Minister's Decree No. 544 dated September 3, 1999, or any successor thereto acceptable to the Bank.
18. "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.
19. "State Revenue Committee" means the Borrower's tax and customs authority, or any successor thereto acceptable to the Bank.
20. "Training and Workshops" means the reasonable costs, as shall have been approved by the Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consulting services).