Loan Agreement

(Additional Financing for Social Investment and Local Development 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 seventeen million nine hundred thousand Euros, (EUR 17,900,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to provide additional financing for 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 May 15 and November 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, through MTAI, shall ensure that the Project is carried out 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Event of Suspension consists of the following, namely, that the Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to perform any of its obligations under this Agreement.

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 Conditions of Effectiveness consist of the following:
   (a) The Implementation Agreement has been signed in a manner acceptable to the Bank.
   (b) The Operational Manual has been adopted in a manner acceptable to the Bank.

5.02. The Effectiveness Deadline is the date one hundred and eighty (180) days after the Signature Date.

5.03. Any amendment to this Agreement shall be executed by agreement of the parties hereto in accordance with the provisions of Section 10.02 of the General Conditions. Such amendment shall become effective as set forth in the amending agreement.

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
   1 Melik-Adamyan Street
   Yerevan 0010
   Republic of Armenia; and

(b) the Borrower’s Electronic Address is:

   Facsimile: +37411800132
   E-mail: 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 1-202-477-6391 sbossoutrot@worldbank.org
64145(MCI)
AGREED as of the Signature Date.

REPUBLIC OF ARMENIA

By

Authorized Representative

Name: Atom Yajughazyan
Title: Minister of Finance
Date: April 21, 2020

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Sylvie K. Bossoutrot
Title: Country Manager for Armenia
Date: April 21, 2020
The objective of the Project is to improve quality and use of, and access to, community and inter-community infrastructure.

The Project consists of the following parts:

Part A: Support to Socio-Economic Development and Capacity Building at Local Level

1. Carrying out community micro-projects ("Microprojects"), with the assistance of Project Implementation Committees ("PICs"), including, *inter-alia*: (i) the construction, renovation, rehabilitation, and/or expansion of key social infrastructure covering education, health, and social services (such as schools, kindergartens, health clinics, community based centers, gymnasiums, and playgrounds); (ii) the installation/rehabilitation of water supply and sanitation systems; (iii) the execution of minor irrigation and rural electrification works; and (iv) the installation of energy efficiency solutions for public infrastructure.

2. Providing: (i) technical assistance to ensure proper design, and supervision of Microprojects; and (ii) institutional and financial capacity building at community level.

3. Providing furniture and equipment for infrastructure investments benefited by Microprojects, such as rehabilitated schools, kindergartens and community centers; as well as for other social infrastructure in accordance with criteria set forth in the Operational Manual.

Part B: Support to Intercommunity Social and Economic Development Initiatives

1. Supporting the Borrower’s territorial reform, through the carrying out of innovative development initiatives ("Subprojects"), involving consolidated communities.

2. Providing: (i) technical assistance to ensure proper design and supervision of Subprojects; and (ii) institutional and financial capacity building at the community level.

3. Providing furniture and equipment for infrastructure investments benefited by Subprojects.

Part C: Institutional Strengthening and Project Management

Providing institutional support, capacity building (including fund-raising capacity), assessments, evaluations and technical assistance for Project management, fiduciary oversight (including Project audits), safeguards oversight, including the provision of Training, and Operating Costs, required therefor.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Implementation Agreement and Institutional arrangements

1. For purposes of implementing the Project, and if applicable, as determined by the Bank, the Borrower, through MTAI, shall make the proceeds of the Loan available to the entity responsible for carrying out the Project, under an implementation agreement between the Borrower and said entity, under terms and conditions satisfactory to the Bank ("Implementation Agreement").

2. The Borrower shall exercise its rights and carry out its obligations under the Implementation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive, or fail to enforce the Implementation Agreement or any of its provisions.

B. Safeguards

1. The Borrower shall ensure that the Project is carried out with due regard to appropriate health, safety, social, and environmental standards and in accordance with the ESMF, ESMP, RPF and RAPs. The Borrower shall ensure that the following measures are taken:

   (a) If any activities included in the Project, pursuant to the ESMF, require the carrying out of an ESMP, no works for such activities shall be procured unless and until:

      (i) an ESMP for such activities has been: (A) prepared, in a manner satisfactory to the Bank and in accordance with the ESMF; (B) publicly disclosed and discussed with local stakeholders as required by the ESMF; and (C) included into the bidding documents (in a manner acceptable to the Bank); and

   (b) If any activities involving Subprojects under Part B.1 of the Project would, pursuant to the RPF, require the carrying out of a RAP, no works for such activities shall be procured unless and until:

      (i) a RAP for such activities has been: (A) prepared in a manner satisfactory to the Bank and in accordance with the requirements of the RPF; and (B) disclosed as required by the RPF; and

      (ii) (A) all measures required to be taken under said RAP prior to the initiation of any works for said activities have been taken, including, without limitation to the above, providing funds for Resettlement compensation and assistance when and if required under a RAP; (B) a report, in form and substance satisfactory to the Bank, on the status of compliance with the
requirements of said RAP has been prepared and furnished to the Bank; and (C) the Bank has confirmed that said activities may be commenced.

(c) The Borrower shall ensure that the Project activities are carried out in accordance with the pertinent ESMP and RAP (in respect of Subprojects), as applicable.

(d) Except as the Bank shall otherwise agree, the Borrower shall ensure that none of the provisions of the ESMF, ESMP, RPF and RAPs is abrogated, amended, repealed, suspended or waived without prior approval in writing by the Bank. In case of any inconsistencies between the provisions of the ESMF, ESMP, RPF and RAPs and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring Reporting and Evaluation

The Borrower 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.

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, goods and consultants’ services under Part A of the Project.</td>
<td>4,480,000</td>
<td>72.15%</td>
</tr>
<tr>
<td>(2) Works, goods and consultants’ services under Part B of the Project.</td>
<td>12,530,250</td>
<td>75%</td>
</tr>
<tr>
<td>(3) Goods, consultants’ services (including for Project audits) and Training under Part C of the Project</td>
<td>186,000</td>
<td>72.45%</td>
</tr>
<tr>
<td>(4) Operating Costs under Part C of the Project</td>
<td>659,000</td>
<td>30%</td>
</tr>
</tbody>
</table>
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 June 30, 2023.
## 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").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15</td>
<td>4.55 %</td>
</tr>
<tr>
<td>Beginning November 15, 2034 through November 15, 2044</td>
<td></td>
</tr>
<tr>
<td>On May 15, 2045</td>
<td>4.45 %</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 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. “Eligible Beneficiary” means inter-alia, any community, municipality, marz, community-based organization, local council, and school board that qualifies as such in accordance with criteria set forth in the Operational Manual to benefit under a Microproject or a Subproject.

4. “ESMP(s)” means any site-specific Environmental and Social Management Plan(s) to be prepared and adopted by entity responsible for carrying out the Project pursuant to Section I.B.1.(a) of Schedule 2 to this Agreement, in accordance with the Operational Manual and the ESMF, all satisfactory to the Bank, defining, inter-alia: (i) specific measures to manage potential environmental risks and mitigate; (ii) reduce and/or offset adverse environmental impacts associated with the implementation of activities under the Project; and (iii) monitoring and reporting arrangements to ensure proper implementation of activities and regular feedback on compliance with its terms; as the same may be amended and supplemented from time to time with the Bank’s prior written approval.

5. “ESMF” means the Environmental and Social Management Framework, acceptable to the Bank, dated January 2020, prepared and adopted by the entity responsible for carrying out the Project, disclosed on January 16, 2020 and in the Bank’s external website on January 17, 2020, and referred to in Section I.B.1.(a) (i) of Schedule 2 to this Agreement, and satisfactory to the Bank, describing the rules, guidelines and procedures to assess environmental impacts of the Project’s activities and defining measures to reduce, mitigate or offset adverse environmental impacts and enhance the positive impacts of the Project’s activities, as the same shall be amended from time to time with the prior approval of the Bank.


7. “Implementation Agreement” means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the entity responsible for carrying out the Project.

9. “Microproject” means any specific community-based investment/activity referred to in Part A.1 of the Project that qualifies to be financed in accordance with criteria set forth in the Operational Manual.

10. “MTAI” means the Borrower’s Ministry of Territorial Administration and Infrastructure or any successor thereto.

11. “Operating Costs” means the expenses incurred for the incremental expenses on account of Project implementation and monitoring, including: office equipment, utilities, office supplies, communications, printing and publication, translation and interpretation expenses, local travel and per diems, vehicle insurance and inspection, office and vehicle maintenance and repair, and the portion of the staff salaries and pertinent costs of their health insurance premiums which are incremental to the Project, as determined by the Bank (excluding any salaries for the Borrower’s civil servants) and other reasonable and necessary activities directly related to Project implementation, management and monitoring as may be agreed upon with the Bank in an annual basis.

12. “Operational Manual” means the manual containing details on Project implementation, as the same may be amended from time to time with the agreement of the Bank.


14. “Project Implementing Committees” or “PICs” means the selected community-based organization representing the pertinent Eligible Beneficiary in respect of any given Microproject and assisting the entity responsible for carrying out the Project in the implementation of said Microproject.

15. “RAP/s” means any site-specific resettlement action plan to be prepared by entity responsible for carrying out the Project in accordance with the RPF and approved by the Bank, pursuant to Section I. B.1 (b) of Schedule 2 to this Agreement.

16. “Resettlement” means the involuntary taking of land resulting in: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

17. “RPF” means the resettlement policy framework acceptable to the Bank, dated January 2020, prepared and adopted by the entity responsible for carrying out the Project, disclosed on January 16, 2020, and in the Bank’s external web site on January 20, 2020, and referred to in Section I. B.1. (b) of Schedule 2 to this Agreement, defining the modalities for Resettlement and compensation of the affected persons and providing guidance for the preparation and implementation of RAPs under the Project, if required.

18. “Subproject” means any specific activity to benefit consolidated communities referred to in Part B.1 of the Project, which meets the criteria set forth in the Operational Manual.
19. “Training” means expenses incurred by entity responsible for carrying out the Project in connection with carrying out training activities under the Project including travel costs and per diem for local trainees and trainers, study tours and workshops, rental of training facilities, equipment and materials and related supplies, based on annual budgets, all as agreed with the Bank.

20. “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.