

MINUTES OF NEGOTIATION
BETWEEN THE REPUBLIC OF ARMENIA AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank")
REGARDING THE THIRD DEVELOPMENT POLICY FINANCING

1. Delegations from the Bank ("Bank Delegation") and the Republic of Armenia ("Borrower Delegation") met on Tuesday, November 10, 2015 at the World Bank office in Yerevan to negotiate the Third Development Policy Financing (DPF-3), a proposed loan of \$50 million. One of the co-Task Team Leaders, Senior Counsel and Senior Financial Officer participated in the negotiations by video conference from the World Bank's Headquarters in Washington DC. The composition of each delegation is provided in Attachment 1.
2. The following points were discussed and agreements were reached.
3. The Borrower's delegation and the Bank delegation discussed and agreed on: (i) the draft Loan Agreement (LA) between the Borrower and the Bank dated November 9, 2015 attached to these Minutes of Negotiations as Attachment 2; (ii) the Letter of Development Policy attached to these Minutes of Negotiations as Attachment 3, (iii) the Scope and Content of the Proposed Operation, the Operation's Policy Matrix, and the Key Outcomes, Monitoring and Results Framework attached to these Minutes of Negotiations as Attachment 4.

Draft LA dated November 9, 2015

4. Regarding Schedules 1, Sections 1, LA Actions Taken Under the Program, the delegations discussed the status of the operation's prior actions. The Bank delegation has been provided with the evidences for the prior actions #1 to #10 and have reviewed and confirmed that the prior actions have been fulfilled by the Borrower. A few points of clarifications were made regarding the evidences provided: (i) In the particular case of evidences for prior action 6, the Borrower's delegation informed the Bank that the publication in the Official Gazette of these evidences was expected to take place in the next few days; (ii) In the case of Finance Minister's Orders No 392-A and 389-A (related to prior action # 8) dated June 15, 2015 and Economy Minister's Order No 856-A (related to prior action #5) dated June 29, 2015 it was confirmed that these Decrees were issued but are not subject to publication, due to the nature of their subject matter, according to the Law on Legal Acts enacted on April 03, 2002, and (iii) in the case of evidence for prior action # 1, it was clarified that the draft Tax Code was not published in the Official Gazette, but in the www.e-gov.am; and (iv) the Borrower requested to change all references to "the Borrower's Decree" to be replaced with the "Government's

Decree” due to the particular name given to the Decrees issued by the executive branch and to avoid confusion with other particular decrees that could be issued by individual line ministries.

5. The Borrower committed to furnish to the Bank the pending documentary evidences for the prior actions #6 and #11 after the Parliament approval and duly publication in the official Gazette the approved Law on Notification and the legislative packages on consolidated supervision of Banks and financial institutions (expected in the next few days).
6. Effectiveness Conditions. The LA will become effective upon the Borrower’s submission to the Bank of the legal opinion regarding their legal validity to the Borrower.
7. Fiduciary and Disbursement Arrangements. The Bank representatives explained the disbursement procedures, which were agreed with the Borrower’s delegation. Upon approval of the Loan and notification by the Bank of effectiveness, the Borrower will submit a withdrawal application. The Bank will deposit the proceeds of the Loan, after deducting the front-end fee from the proceeds of the Loan, in the Borrower’s US\$ account at the Central Bank of Armenia (CBA). Upon the deposit of the Loan proceeds, the Ministry of Finance’s (MoF) Treasury Single Account (TSA) will be credited with the Dram equivalent at the official exchange rate, as reflected in the Law on State Budget for the year in which the disbursement is made. The proceeds of the Loan deposited in at the TSA with CBA will be available to finance budget expenditures. The Bank requires confirmation that the full amount of the Loan proceeds reach the Borrower’s US\$ account at the CBA and is credited to the Borrower’s TSA. Within 30 days of the CBA account being credited, the Government will provide confirmation to the Bank that the amount of the Loan has been credited to the MoF’s account at the CBA that is available to finance budget expenditures. The confirmation will include: (a) the dates, amounts, names, and numbers of the Borrower’s US\$ account in which the amount has been deposited; and (b) that it has been credited to the account of the Government available to finance budget expenditures (indicating the dates, amounts, names, and numbers of the Borrower’s Dram account to which the amount has been credited and the exchange rate used). If the Bank determines at any time that any amount of the Loan was used to make a payment for an Excluded Expenditure, as defined in the Loan Agreement, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

The Letter of Development Policy

8. The Borrower’s delegation submitted to the Bank a draft Letter of Development Policy to be signed by the Prime Minister of Armenia no later than November 12, 2015 and to be

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included in the distribution of the program documents for the Board submission. The Bank agreed with the Letter of Development Policy and acknowledged that the letter accurately and faithfully reflects the Government's commitment to the policy program supported by the Operation.

The Program Document

9. The delegations agreed that the Program Document will be reviewed by different government agencies and any suggested changes will be communicated to the Bank within 3 days. The delegations confirmed that the content of the Policy Matrix, including prior actions, triggers and the Monitoring and Results Framework (Attachment 4) accurately reflect the agreements reached in the course of preparation of the Operation.

Disclosure of Information

10. Acknowledging the World Bank's Policy on Access to Information according to which the DPF-3 Program Document will be made available to the public, the Bank delegation requested the Borrower to provide its consent to such disclosure. The Borrower delegation indicated that the DPF-3 Program Document including legal agreements to be made publicly available only after the Bank Board approval. The Borrower delegation had no objection to making the signed Letter of Development Policy publicly available after the Operation has been approved by the Board of Directors as an Annex to the Program Document.
11. The delegations agreed to meet the Conditions of Board Presentation to allow the timely circulation of the operation's documents to the Bank's Board of Executive Directors: (i) formal approval by the Borrower of the negotiated LA, and these agreed minutes.
12. Statutory Committee. According to Article III, Section 4 (iii) of International Bank for Reconstruction and Development (IBRD) Articles of Agreement and Article V, Section I (d) of International Development Association (IDA) Articles of Agreement, an operation proposed to be financed or guaranteed by IBRD/IDA shall be accompanied by a report/recommendation ("Statutory Committee report") to be issued by a competent committee ("Statutory Committee") whose members shall include an expert selected by the Governor representing the member in whose territories the operation in question is located. The Governor representing Republic of Armenia on the IBRD and IDA Boards of Governors agreed, by a letter dated October 27th, 2014, that the official designated and authorized by the Government of Armenia to represent Armenia in the negotiations shall be considered to be Armenia expert on the Statutory Committee, and that said official's signature of the signed Minutes of Negotiations for such IBRD/IDA financing shall be deemed to constitute the signature of the Statutory Committee report. The parties acknowledged the above designation with respect to the financing for this Project.

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13. **Financing Terms.** The proposed Loan for the Third Development Policy Financing (DPF-3) in the amount of US\$50 million will be on IBRD terms with a Flexible Loan denominated in US Dollars. The front-end fee is equal to 25 basis points and shall be financed out of the proceeds of the Loan. The signed Worksheet for Loan Choices is attached as Attachment 5 to these Minutes and Attachment 6 for the repayment schedule for the Loan.
14. **Board Date.** The presentation of this Loan to the Bank's Board for approval is tentatively scheduled for early December 2015, pending internal authorization. The Borrower's delegation expressed its strong preference to keep said Board date for early December 2015 to fill the budgetary financing gap of this fiscal year, which ends on December 31, 2015. Should the Board date change, the repayment schedule would be adjusted accordingly.
15. **Closing Date.** Closing Date will be November 30, 2016.
16. **Signing of Legal Documents:** prior to signing the LA, the Bank will need to receive from the Borrower a letter appointing a representative to execute and deliver in its name and on behalf of the Borrower the LA and related documents.

Signed

For the Negotiations Team of the Bank



Gohar Gyulumyan
World Bank Senior Economist
Co-Task Team Leader of DPF-3

Date November 13, 2015



Naoko Kojo
Senior Economist
Co-Task Team Leader of DPF-3

Date November 12, 2015

For the Negotiations Team of the Republic of Armenia



Vache Gabrielyan

Vice Prime Minister
Minister of Internal Economic Integration
and Reforms,
Republic of Armenia

Date November 10, 2015