H. E. Gagik Khachatryan  
Minister of Finance  
Ministry of Finance  
1 Melik-Adamyan Street  
Republic Square  
Yerevan 0010  
Republic of Armenia

Re: Republic of Armenia  
E-Society and Innovation for Competitiveness Project  
Loan No. 7963-AM  
Amendment Letter to the Loan Agreement

Excellency:

We refer to the above-referenced Loan Agreement between the Republic of Armenia ("Borrower") and the International Bank for Reconstruction and Development ("Bank") dated January 26, 2011, as amended ("Loan Agreement"). We also refer to the letter from the Ministry of Finance to the Bank dated July 2, 2015, requesting a restructuring of the above-mentioned Project to introduce some changes related to the implementation details of the Seed and Early Stage Venture Fund and reallocation of proceeds among disbursement Categories of disbursement.

In view of the above and our recent discussions, the Bank proposes to amend the Loan Agreement as follows:

Accordingly, the Loan Agreement is amended to read as follows:

1. Paragraph 1(b) of Part B of the Project Description in Schedule 1 to the Loan Agreement is hereby amended and replaced in its entirety to read as follows:

   "(b) (i) Support for establishing of a Seed and Early Stage Venture Fund, including financing of the Venture Fund Operating Costs and Management Fees, and the establishment of Venture Fund Bylaws, and any other corporate arrangement needed for the operation of said Venture Fund;

   (b) (ii) financing of the Seed and Early Stage Venture Fund’s Sub-financing of Subprojects to carry out investments as outlined in the Seed and Venture Fund Operational Manual; and

   (b) (iii) financing of the Seed and Early State Venture Fund’s Equity Investments to carry out investments as outlined in the Subsidiary Finance Agreement."
2. Paragraph 2 under Section IV.A of Schedule 2 to the Loan Agreement is hereby deleted entirely and the subsequent paragraphs renumbered.

3. The table under paragraph now renumbered A.3 of Section IV of Schedule 2 to the Loan Agreement is hereby amended and replaced in its entirety to read as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (exclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services,</td>
<td>16,012,947.83</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Incremental Operating Costs for the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Sub-financing:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part A.1(b) of the Project (Nationwide Broadband Backbone and</td>
<td>0.00</td>
<td>100%</td>
</tr>
<tr>
<td>Government Network)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) under Part A.3 of the Project (Computer for All Program)</td>
<td>3,000,000.00</td>
<td>100%</td>
</tr>
<tr>
<td>(c) under Part B.1 (a) of the Project (Innovation Matching Grants)</td>
<td>1,200,000.00</td>
<td>100%</td>
</tr>
<tr>
<td>(d) Sub-financing of Sub-project, Venture Fund Operating Costs</td>
<td>820,938.61</td>
<td>50%</td>
</tr>
<tr>
<td>and Annual Management Fees under Part B.1 (b) (i) and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1 (b) (ii) of the Project (Seed and Early Stage Venture Fund)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d.2) for Equity Investments in the Venture Fund under Part B.1 (b)</td>
<td>2,179,061.39</td>
<td>50%</td>
</tr>
<tr>
<td>(iii) of the Project (Seed and Early Stage Venture Fund)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) for Front End Management Fee under Part B.1 (b) of the Project</td>
<td>300,000.00</td>
<td>100%</td>
</tr>
<tr>
<td>(Seed and Early Stage Venture Fund)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Consultants' services and Training</td>
<td>372,000.00</td>
<td>100%</td>
</tr>
<tr>
<td>under Part B.3 (a) (i) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Refund of the Preparation Advance</td>
<td>55,052.17</td>
<td>Amount payable pursuant to Section 2.07 (a) of the General Conditions</td>
</tr>
<tr>
<td>(5) Front-end Fee</td>
<td>60,000.00</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>24,000,000.00</td>
<td></td>
</tr>
</tbody>
</table>
4. Paragraph B.1(d) of Section IV of Schedule 2 to the Loan Agreement is hereby amended and replaced in its entirety to read as follows:

“(d) for payments made to finance Eligible Expenditures under Category (2) (d), unless the Seed and Early Stage Venture Fund Subsidiary Finance Agreement has been executed on behalf of the Borrower and the Seed and Early Stage Venture Fund, satisfactory to the Bank; and”

5. A new section “F” is added to Schedule 2 of the Loan Agreement to read as follows:

“F. Other Undertakings”

The Borrower shall, until the Loan is paid in full:

1. For purposes of implementation of Part B.1 (b) of the Project, the Borrower shall ensure that the Venture Fund has a strong and effective governance structure, oversight and fiduciary arrangements satisfactory to the Bank; including the public availability of the annual financial statements of the Venture Fund.

2. The Bank may: (i) conduct a financial management assessment of the Venture Fund prior to the Closing Date, to verify that the financial management arrangements in place continue to be acceptable to the Bank; (ii) conduct special audits of the Venture Fund if deemed necessary.

6. A new paragraph 1 is added to the Appendix to the Loan Agreement and subsequent paragraphs are renumbered, as follows:

“1. “Annual Management Fee” means the fee the Venture Fund shall pay annually to the Manager equivalent to a percentage of the committed capital, in accordance with Subsidiary Finance Agreement between the Borrower and the Seed and Early Stage Venture Fund.”

7. A new paragraph 12 is added to the Appendix to the Loan Agreement and subsequent paragraphs are renumbered, as follows:

“12. “Eligible Expenditures under Category (2) (d)” means, Sub-financing of Sub-projects, Management Fees and Venture Fund Operating Costs under sub-category 2 (d.1) and Equity Investments in the Seed and Early Stage Venture Fund under sub-category 2 (d.2).”

8. A new paragraph 13 is added to the Appendix to the Loan Agreement and subsequent paragraphs are renumbered, as follows:

“13. “Equity Investments” means the purchase of equity of the Seed and Early Stage Venture Fund by the Borrower in accordance with the Subsidiary Finance Agreement.”

9. A new paragraph 16 is added to the Appendix to the Loan Agreement and subsequent paragraphs are renumbered, as follows:
“16. “Front End Management Fee” means the fee the Venture Fund shall pay as a fixed amount to the Manager in accordance with the Subsidiary Finance Agreement between the Borrower and the Seed and Early Stage Venture Fund.”

10. The definition of “Management Fee” under renumbered paragraph 24 of the Appendix to the Loan Agreement, is hereby modified as follows:

“24. “Management Fee” means the expenditures related to the management of Venture Fund investments referred to under Part B.1(b) of the Project, including: (i) Annual Management Fee (a percentage of committed capital) and (ii) the Front End Management Fee.”

11. The definition of “Subsidiary Finance Agreement” under renumbered paragraph 35 of the Appendix to the Loan Agreement, is hereby modified as follows:

“35. “Subsidiary Finance Agreement” means the PFI Subsidiary Finance Agreement, the EIF Subsidiary Finance Agreement, or the Seed and Early Stage Venture Fund Subsidiary Finance Agreement (in which case, the Subsidiary Finance Agreement is also referred to as “Investment Agreement”) entered into between the Borrower and PFI, EIF or the Seed and Early Stage Venture Fund, respectively, pursuant to Section I.C.1. of Schedule 2 to this Agreement, as the same may be amended from time to time; and such terms includes all schedules to the respective Subsidiary Finance Agreement.”

12. A new paragraph 46 is added to the Appendix to the Loan Agreement, as follows:

“46. “Venture Fund Operating Costs” means incremental expenditures incurred by the Seed and Early Stage Venture Fund during the implementation of the Project, such as legal, accounting, valuation, audit and statutory filing fees and expenses, investment transactions expenses, and other expenses that may be agreed with the Bank during Project implementation and reflected in the Subsidiary Finance Agreement.”

All other terms and conditions of the Agreement remain in full force and effect.

Upon your confirmation, please return one fully executed original to us. The provisions set forth in this Amendment Letter shall become effective upon: (i) receipt by the Bank of one fully executed original of this Amendment Letter; (ii) receipt by the Bank of the notice of completion of internal approval procedures under the laws of the Borrower; and (iii) notification by the Bank to the Borrower of the Amendment Letter’s effectiveness.
Please also note that the Restructuring Paper dated August 07, 2015 a copy of which is enclosed herewith, will be disclosed on the Bank's external website as per the Bank's policy on Access to Information.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Country Manager

AGREED:

REPUBLIC OF ARMENIA

By: ________________________________

Authorized Representative

Title: Minister of Finance

Date: 14 October, 2015

Enclosure