

**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on a no-  
objection basis on 1 May 2024<sup>1</sup>

**ARMENIA**

**SYUNIK CUSTOMS AND LOGISTICS CENTRE**

*[Redacted in line with the EBRD's Access to Information Policy]*

*[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]*

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<sup>1</sup> As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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## ABBREVIATIONS / CURRENCY CONVERSIONS

AESR	Annual Environmental and Social Reports
CBA	Central Bank of Armenia
CO <sub>2</sub>	Carbon Dioxide
E&S	Environmental and Social
EBRD	European Bank for Reconstruction and Development
EIRR	Economic Internal Rate of Return
EHS	Environmental, health and safety
E&S	Environmental and Social
ESD	Environmental and Social Department
ESDD	Environmental and Social Due Diligence
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
FIDIC	International Federation of Consulting Engineers
GBVH	Gender-based violence and harassment
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse Gas
HR	Human Resources
IFI	International Financial Institutions
jMDB	Joint Multilateral Development Banks
LEED	Leadership in Energy and Environmental Design
MoF	Ministry of Finance
NDC	Nationally Determined Contributions
PA	Paris Agreement
PIU	Project Implementation Unit
PPR	Procurement Policies and Rules
PV	Photovoltaic
SA	Special Account
SDGs	Sustainable Development Goals
SPP	Shared Socioeconomic Pathway
SRC	State Revenue Committee of Armenia
TC	Technical Cooperation
TI	Transition Impact
US	United States of America
VAT	Value Added Tax

## CURRENCY CONVERSION

EUR / USD	2022	2023
Annual average	1.05	1.08

## **PRESIDENT'S RECOMMENDATION**

This recommendation and the attached Report concerning an operation in favour of the Republic of Armenia (the “Borrower”) are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan of up to EUR 10.0 million. The operation will enable the Borrower to finance the construction of a Customs and Logistics Centre in the Syunik region of Armenia (the “Project”). The Project is proposed to be co-financed with an investment grant in the amount of EUR 2 million from the EBRD Shareholder Special Fund (“SSF”) Work Plan 2023-2024.

The expected transition impact of the Project is Green, as the Syunik Customs and Logistics Centre building is expected to be one of the first Green certified administrative buildings in Armenia and Inclusive, as it will support labour market integration of refugees by helping refugees in Armenia to obtain the skills and certification needed to become qualified candidates for employment in the customs and logistics sector. The Project is Gender SMART through the development of a dedicated training on prevention and mitigation of gender-based violence and harassment and mapping of services available for refugees. The Project is one of the EU’s Global Gateway flagship projects for 2024, as well as part of the EU Flagship Initiatives for Armenia under the EU’s Economic and Investment Plan.

Pre-signing TC support for this operation has been provided by the SSF. Post-signing TCs to assist with the Project implementation, Green certification and Integration Programme for Refugees are proposed to be funded by an international donor and/or the SSF.

I am satisfied that the operation is consistent with the Bank’s Strategy for Armenia, the Transport Sector Strategy, the Green Economy Transition Approach 2021-2025, the Equal Opportunity Strategy, the Strategy for the Promotion of Gender Equality, the EBRD’s response for Armenia’s Refugee Crisis and with the Agreement Establishing the Bank.

I recommend that the Board approve, on a no-objection basis, the proposed loan and the SSF investment grant of EUR 2 million from the Work Plan 2023-2024, substantially on the terms of the attached Report.

**Odile Renaud-Basso**

## BOARD DECISION SHEET

ARMENIA - SYUNIK CUSTOMS AND LOGISTICS CENTRE - DTM 54703	
<b>Transaction / Board Decision</b>	<p>Board approval<sup>2</sup> is sought for a sovereign loan of up to EUR 10 million in favour of the Republic of Armenia to construct a Customs and Logistics Centre in the Syunik region of Armenia.</p> <p>Board approval is also sought for the investment grant of EUR 2 million from the SSF Work Plan 2023-2024.</p>
<b>Client</b>	<p>The Borrower is the Republic of Armenia, represented by the Ministry of Finance (the “MoF”). The Implementing Agency is the State Revenue Committee (the “SRC” or the “Client”).</p>
<b>Main Elements of the Proposal</b>	<p><u>Transition impact</u></p> <p><i>Green:</i> The Syunik Customs and Logistics Centre building is expected to be one of the first Green administrative buildings in Armenia to receive at least LEED Silver or equivalent internationally recognised certification.</p> <p><i>Inclusive:</i> The Project will support labour market integration of refugees in Armenia through a training programme structured to enable refugees to obtain the skills and certifications needed to become qualified candidates for employment in the SRC’s centres.</p> <p><u>Additionality</u></p> <p><i>Financing structure:</i> The Bank offers long-term financing for an infrastructure project, which is not available from other commercial banks in Armenia.</p> <p><i>Standard-setting:</i> The Project will achieve compliance with an internationally recognised Green building scheme and will be one of the first green administrative buildings in the country.</p> <p><i>Gender SMART:</i> The Project will support the SRC to introduce a training programme on prevention and mitigation of gender-based violence and harassment risks for refugees and local population.</p> <p><u>Sound banking</u></p> <p>Sovereign loan. The Bank’s Standard Terms and Conditions apply. [REDACTED].</p>
<b>Key Risks</b>	<p><i>Borrower’s creditworthiness:</i> moderate. The country’s sovereign credit rating stands at BB- with Stable outlook from Fitch, BB- with Stable outlook from S&amp;P and Ba3 with Stable outlook from Moody’s.</p> <p><i>Implementation risk:</i> Considering a relatively novel nature of the proposed investment and [REDACTED], the Bank’s assessment of the implementation risk is high. A comprehensive TC package is included to facilitate the Project implementation and to improve the SRC’s procurement and implementation capacity. The Bank’s Procurement Policies &amp; Rules (“PPR”) will apply for procurement of goods and services for the Project.</p>
<b>Strategic Fit Summary</b>	<p>The Project is aligned with the Bank’s Transport Sector Strategy, the Bank’s Country Strategy for Armenia; the Green Economy Transition Approach 2021-2025, the Equal Opportunity Strategy, the Strategy for the Promotion of Gender Equality, the EU Flagship Initiative No. 4 on Building Resilience in the Southern Regions of Armenia under EU’s Economic and Investment Plan; and the EBRD’s response for Armenia’s Refugee Crisis. It is the EU’s Global Gateway flagship project for 2024.</p>

<sup>2</sup> Article 27 of the AEB provides the basis for this decision.

## ADDITIONAL SUMMARY TERMS FACTSHEET

<b>EBRD Transaction</b>	A sovereign loan of EUR 10.0 million to be provided to the Republic of Armenia to finance the construction of a Customs and Logistics Centre (“CLC”) in the Syunik region of Armenia. The Project is proposed to be co-financed by an investment grant of up to EUR 2.0 million from the SSF Work Plan 2023-2024. [REDACTED].
<b>Existing Exposure</b>	<b>Sovereign exposure:</b> The total amount of sovereign portfolio stands at EUR 69.2 million as of February 2024 [REDACTED]: (DTM numbers: 39815, 40718, 41356, 43253, 43826, 46172, 46437, 46540, 46736, 50310, 51749).
<b>Maturity / Exit / Repayment</b>	Fifteen-year maturity [REDACTED].
<b>Potential AMI eligible financing</b>	None.
<b>Use of Proceeds - Description</b>	<p>The CLC is expected to include an administrative building with a service hall, storage, unloading and inspection buildings, a weighing and preliminary inspection building for cargo vehicles, and auxiliary buildings, a parking lot and respective equipment, such as X-ray inspection devices.</p> <p>The proposed EBRD loan will be used to finance (i) works, equipment, design and supervision and other related costs; and (ii) Front-End Commission.</p>
<b>Investment Plan</b>	[REDACTED]
<b>Financing Plan</b>	[REDACTED]
<b>Key Parties Involved</b>	<ul style="list-style-type: none"> <li>• Republic of Armenia represented by the MoF as the Borrower;</li> <li>• SRC as the Implementing Agency and the beneficiary of the Project.</li> </ul>
<b>Conditions to effectiveness / disbursement</b>	[REDACTED]
<b>Key Covenants</b>	[REDACTED]
<b>Security / Guarantees</b>	Sovereign loan.
<b>Other material agreements</b>	<ul style="list-style-type: none"> <li>• Loan Agreement between the Bank and the Borrower.</li> <li>• Grant Agreement between the Bank and the Borrower.</li> </ul>
<b>Associated Donor Funded TC and Blended Concessional Finance</b>	<p><b>A. Technical Cooperation (TC)</b></p> <p><i>Pre-signing:</i></p> <ul style="list-style-type: none"> <li>• <b>TC 1: Feasibility Study</b> covering two projects – Syunik CLC (DTM 54703) and Yerevan CLC (DTM 54835). The cost of the assignment is EUR 346,410, financed by the SSF.</li> </ul> <p><i>Post-signing:</i></p> <ul style="list-style-type: none"> <li>• <b>TC 2: Procurement Support</b> to assist the SRC with procurement and contracting of TC3 and TC4 to facilitate the implementation of the Project. The estimated cost of the assignment is [REDACTED] proposed to be financed by an international donor and/or the SSF.</li> <li>• <b>TC 3: Green Certification Advisory Support</b> [REDACTED] to assist the SRC with the implementation of relevant measures to receive Green Building LEED certification. The estimated cost of the assignment is [REDACTED] proposed to be financed by an international donor and/or the SSF.</li> <li>• <b>TC 4: Project Implementation Support</b> assignment will include: (i) support with the preparation of technical design; (ii) procurement support; (iii) assistance in project management and reporting; (iv) construction supervision acting as the FIDIC Engineer; and (v)</li> </ul>

	<p>Environmental and Social Action Plan (“ESAP”) implementation support. [REDACTED]</p> <ul style="list-style-type: none"> <li>• <b>TC 5: Integration Programme for Refugees</b> will support refugees in obtaining the skills and certifications needed to become eligible to enrol in Armenia’s SRC’s customs and tax office certified training and become qualified candidates for employment. The estimated cost of the assignment is [REDACTED]proposed to be financed by an international donor and/or the SSF.</li> </ul> <p><i>Client contributions:</i> The SRC will provide financial contribution to the Project by co-financing services of the Project Implementation Support consultant (TC 4) [REDACTED]from the EBRD loan proceeds. In addition, The SRC will be responsible for paying all Value Added Tax (“VAT”) and other indirect taxes that are applied to TC assignments to be procured and contracted by the SRC as a parallel cost-sharing contribution to the Project (VAT is levied at 20 per cent in Armenia).</p> <p><b>B. Blended Concessional Finance</b></p> <p>The Project is proposed to be co-financed by an investment grant of EUR 2 million from the SSF Work Plan 2023-2024. Please refer to Section 6.3 and Annex 4 for further details and the investment grant fiche.</p>
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[REDACTED]

## **INVESTMENT PROPOSAL SUMMARY**

### **1. STRATEGIC FIT AND KEY ISSUES**

#### **1.1 STRATEGIC CONTEXT**

Armenia is a landlocked country located in the Caucasus region. The country shares borders with Georgia, Iran, Turkey, and Azerbaijan. Due to historic and ongoing geopolitical disputes, there are no open borders between Armenia and Turkey or Azerbaijan at present. As such land-based freight enters and exits Armenia solely via four operating border crossing points: three border crossing points on the northern border with Georgia (Bavra, Gogavan and Bagratashen) and one border crossing point in the south (close to the southern town of Meghri) where land border with Iran is only around 40 kilometres long.

Recent growth of the Armenian economy as well as increased trade volumes, create demand for efficient and effective customs clearance services. The Syunik CLC will provide essential capacity to absorb increasing demand generated by private sector players in the medium- and long-term horizons. The Syunik CLC is expected to increase efficiency and transparency of customs operations, improve the quality and introduce time reductions required for customs clearance services through providing the infrastructure necessary for the application of the “One Stop Shop / Single Window” concept. Given the intrinsic nature of the “One Stop Shop / Single Window” concept of trade facilitation, all of these measures are dedicated to support development of private sector and economy, in general, leading to time and cost efficiencies for local companies and individuals.

As part of the SRC’s 2020-2024 Strategic Plan for the Development, the Client has committed to upgrade its infrastructure to enable automation of all core processes of customs procedures. This shall ensure promotion of foreign trade, improvement of the customs administration, delivering digitised and high-quality services, and improving the efficiency of customs control. Recent achievements made by the SRC include certain improvements to trade facilitation and automation of customs procedures, as well as implementation of a Single Window environment in Armenia. This has been achieved via collaboration with different international and bilateral partner agencies, such as EU, World Customs Organisation, United Nations Development Programme (UNDP), French Development Agency (AFD), etc. The Project is part of the Mid-Term Expenditures Framework of the Government of Armenia and the Government’s regional development priorities.

The Syunik CLC, along with a similar project under preparation – Yerevan Customs and Logistics Centre, is targeted to be one of the first two public buildings to have achieved green building certification, namely LEED certification. Certification through reputable certification schemes, such as LEED, ensures that new buildings are designed and constructed according to a low carbon trajectory. Hence, according to the joint Multilateral Development Banks (“jMDB”) aligned list and the buildings sectoral guidance in the EBRD Paris Agreement (“PA”) alignment methodology, the Project is assessed as aligned with the PA mitigation goals. This makes the Project consistent with



the Bank’s Green Economy Transition Approach 2021-2025 and its “green buildings” thematic area aim to “accelerate the decarbonisation of buildings”.

The Project is part of the EBRD’s Refugee Crisis Response initiative and is designed to support labour market integration for refugees within the territory of Armenia. Through a TC, the Project will support up to 150 refugees in obtaining the skills and certifications needed to become qualified candidates for employment in both public and private sectors. Hence, the Project is aligned with the Equality of Opportunity Strategy and the Strategy for the Promotion of Gender Equality.

The Project is consistent with the Bank’s Transport Sector Strategy as it (i) improves the intra-regional, regional and international connectivity. Moreover, the Project is aligned with the Bank’s Country Strategy for Armenia as it addresses the key identified issues of “*internal connectivity and cross-border integration*”.

The Project is aligned with the EU Flagship Initiatives for Armenia under the EU’s Economic and Investment Plan, namely Flagship No.4 “*Building Resilience in the Southern Regions of Armenia*”. In addition, it is part of EU’s Global Gateway flagship projects for 2024.

This Project is also consistent with Armenia’s updated Nationally Determined Contributions (“NDCs”) under the PA, by promoting ‘green buildings’ principles; in fact, energy use is amongst the sectors contributing to the NDC’s mitigation contribution. The Project also contributes to a host of UN Sustainable Development Goals (“SDG”), namely: *SDG 5: Gender Equality*, *SDG 8: Decent work and economic growth*, *SDG 13: Climate Action*, and *SDG 17: Partnerships for the SDGs*.

## 1.2 TRANSITION IMPACT

### Primary Quality: Green

Obj. No.	Objective	Details
1.1	<i>The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance exceeds 50%.</i>	The Project will finance the construction of sustainably certified building. Investments in new buildings achieving adequate levels of certification are eligible for 100 per cent GET share. However, proceeds dedicated to the purchase of equipment are not assessed GET eligible, therefore, the Project’s GET share is 78 per cent.
1.2	<i>The project introduces green products or technologies which are innovative at the client-level, and which meet a higher GET Handbook defined environmental standard applied in other countries of operation than the national threshold.</i>	The Project will result in the Syunik CLC being one of the first two government buildings in the country to achieve Green Building LEED certification.

### Secondary Quality: Inclusive

Obj. No.	Objective	Details
2.1	<i>FUTURE OF WORK: The Project improved the quality, productivity and sustainability of work, expanding the horizons for human capital with demonstrably high need and outstanding effectiveness.</i>	<p>In September 2023, a swift influx of 102,000 ethnic Armenians arrived to Syunik and other parts of Armenia, constituting approximately 3 percent of the country's population. This sudden surge of refugees presents numerous challenges for Armenia, notably in terms of economic inclusion. Among those affected were 150 customs and tax services workers (30 per cent women and 70 per cent men), whose employment and livelihoods were abruptly disrupted by the conflict.</p> <p>In response, the State Revenue Committee of Armenia, initiated efforts to provide new employment opportunities for these displaced individuals by considering them for roles as tax and customs officers within Armenia. However, a skills assessment revealed significant gaps in English language and basic digital skills, preventing these refugees from enrolling in the SRC's Centre and obtaining the necessary certifications from the SRC's Training Centre for employment.</p> <p>To address this issue, support human capital development, and broaden access to economic opportunities for all displaced workers, the Project, through Technical Cooperation, will support refugees in acquiring the skills and certifications required to become eligible for enrolment in Armenia's SRC's customs and tax office certified training programmes, thus making them qualified candidates for employment. The TC will cater to up to 150 individuals and will involve two main components: i) English language training (B1 level) tailored to the refugees' proficiency levels, and ii) Digital skills for the workplace, encompassing Microsoft Office suite training, essential computer skills, and proficiency in online communication tools. These trainings will be conducted in collaboration with the SRC Training Centre in Yerevan, utilizing a hybrid format to accommodate different learning needs, location and preferences.</p>
2.2	<i>FUTURE OF WORK: The Project delivers inclusive business policies, practices or standards at the client level with verifiable commitment within 1-2 distinct behavioural change areas</i>	<p>The Project will support the SRC to introduce the newly developed English language and digital skill training programmes to the SRC's Training Centre's curriculum. This will allow the Client to continue offering such trainings to individuals (refugees and local population) aiming to enrol in Armenia's SRC's customs and tax office certified training programme but lack the pre-qualifications for registration and employment.</p>

**Delivery risks:** The risk for both Green and Inclusive qualities is mainly related to the Client's ability to implement the Project on time and in line with the requirements agreed with the Bank. These risks are mitigated by providing support of the international consultants to the SRC's PIU, as well as Green Certification Advisory. The Bank will contract consultants to implement the training programme for refugees.

### 1.3 ADDITIONALITY

Identified triggers	Description
A subsequent/consecutive transaction with the same client/group either with the same use of proceeds or in the same destination country (repeat transaction)	The Project can be considered as a repeat transaction with the same client (the SRC). EBRD provided a sovereign loan in the amount of up to EUR 10.6 million for the Meghri Border Crossing Point Modernisation Project.
Additionality sources	Evidence of additionality sources
<p><b>Financing structure</b> EBRD offers financing that is not available in the market from commercial sources on reasonable <b>terms and conditions</b>, e.g. a longer grace period than the market average, restricted foreign currency financing etc. Such financing is necessary to structure the Project. EBRD offers a <b>tenor</b>, which is longer than available to the client in the market on reasonable terms and conditions. EBRD investment is needed to <b>close the funding gap</b>. At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them.</p>	The EBRD loan offers a 15-year tenor [REDACTED]. Long-term financing required for infrastructure projects in Armenia continues to be available predominantly from the IFIs. Local commercial banks are unable to provide loans of the required tenor for a project of this kind.
<p><b>Risk Mitigation</b> The EBRD's long-term relationship with a client encourages the client to take on more risk and/or finance, enabling outcomes such as innovation or expansion into new markets. The EBRD helps the client to mitigate <b>carbon transition risks</b> and to take climate action, such as to move along a low carbon transition pathway.</p>	The Project involves Green certification of public buildings. The Project will contribute to the climate change mitigation by delivering primary energy savings of at least 104 GJ/year and reducing GHG emissions by at least 6 tCO <sub>2</sub> e/year (20 per cent reduction compared to baseline, based on LEED Silver certification requirements), improve indoor air quality, reduce operation expenses, and mitigate risks of climate related disruptions. Without the Bank's participation, higher environmental standards are unlikely to be achieved.
<p><b>Standard-setting: helping projects and clients achieve higher standards</b> The Client seeks the EBRD's <b>expertise on higher environmental standards</b>, above 'business as usual'. Client seeks/makes use of EBRD expertise over <b>energy and resource efficiency and climate resilience</b> financing via provision of energy and climate audits, minimum performance standards of technologies, climate-related strategies and policies,</p>	<p>EBRD transition impact, environmental and social related conditionalities go far beyond what commercial funding sources would require, including procurement procedures, reform component and a clear link to the green economy. The Project will leverage the results achieved through the EBRD's previous projects with the SRC.</p> <p>The Project is targeting to achieve green building certification at an adequate level. The Syunik CLC is expected to be one of the first Green administrative buildings in Armenia.</p>

<p>monitoring, reporting and verification (MRV) systems etc.</p> <p>The Client seeks the EBRD's expertise on the <b>best international procurement standards</b> including the use of <b>internationally recognised forms of contract</b>.</p> <p>Gender SMART: Client seeks/makes use of EBRD expertise on <b>higher gender standards and/or equal opportunities action plans</b>.</p>	<p>Application of the EBRD PPR with the support of the Bank will facilitate the structuring and implementation of the Project.</p> <p>Conflict and displacement heighten the risk for women and girls to face gender-based violence and harassment ("GBVH"). From the estimated 102,000 refugees, 52 per cent are women and 28 per cent are children. The Project will support labour market integration for 150 refugees, 30 per cent of which will be women. In addition, the Project will enable the SRC to develop and implement a training programme on prevention and mitigation of GBVH, with a focus on specific risks for refugee populations and on how refugees can access services available in the country.</p>
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#### 1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
<i>Project specific risks</i>		
Fiscal/Macro-economic risk	Medium / Medium	Armenia's public debt to GDP stood at 46.7 percent in 2022. Authorities are committed to fiscal consolidation and to the medium-term fiscal goal of debt sustainability, which according to Fiscal Rule is to hold central government debt to GDP below 60 per cent. Fitch expects public debt to stabilise at around 44.6 per cent of GDP in 2023-25, below its pre-pandemic level and well below the BB rating peer median.
Cost over-run risk	High / Medium	The Project costs have been estimated by an independent consultant as part of the feasibility study completed in February 2024 and are up to date. However, due to a long-term construction period of three years and remote location of the Project future cost escalation is possible. Appropriate level of contingencies is included in total investment cost to mitigate cost overrun risks.
Implementation risk	High / Medium	Following assessment of the procurement and implementation capacity of the SRC, it is proposed that the Client's PIU will be supported by an experienced project implementation support consultant who will have experience in carrying out procurement and contract administration in line with IFI requirements. The internationally recognised forms of contract for construction works (FIDIC) will be used and the works will be supervised by an experienced international consultant. Please refer to Annex 3 for more details on the Project implementation and procurement arrangements.
<i>External risks</i>		
FX risk	Medium / Medium	[REDACTED]

## 2. MEASURING / MONITORING SUCCESS

*Primary Quality: Green*

<b>Obj. No.</b>	<b>Monitoring indicator</b>	<b>Details</b>	<b>Baseline</b>	<b>Target</b>	<b>Due date</b>
1.1	CO2e emissions reduced (tonnes/year)	The Project will result in minimum 20 per cent energy reductions compared to modelled similar building constructed in accordance with minimum energy performance requirements of Armenia. [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	New or updated GET technology or product leading to energy efficiency introduced [Covenanted]	The buildings will be one of the first two sustainably constructed public buildings in Armenia, which will include energy efficiency and renewable energy measures in line with the requirements of LEED certification.	[REDACTED]	[REDACTED]	[REDACTED]

***Secondary Quality: Inclusive***

<b>Obj. No.</b>	<b>Monitoring indicator</b>	<b>Details</b>	<b>Baseline</b>	<b>Target</b>	<b>Due date</b>
2.1	Number of individuals enhancing their skills as a result of training [Donor TC]	The scope of work of TC consultants will include delivering hybrid trainings to prepare refugees with skills and competencies required to enrol in the SRC's customs and tax officers training. This includes delivery of training in: a) English language (B1 level) trainings catered to the level of refugees; and b) digital skills for the workplace, including Microsoft Office suite training, digital literacy courses covering essential computer skills and online communication tools. Up to 150 refugees, will receive English and digital skills training to obtain the skills necessarily to enrol in the SRC's Customs and Tax Officers certified training.	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Number of workers redeployed (others) [Donor TC]	Employment [REDACTED] of refugees, previously employed in the customs services, preserved.	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Practices of the relevant stakeholder improved (skills development) [Donor TC]	The Project will support the SRC to introduce the newly developed English language and digital skill training programmes to the SRC's Training Centre's curriculum. This will allow the Client to continue offering such trainings to individuals (refugees and local population) aiming to enrol in	[REDACTED]	[REDACTED]	[REDACTED]

		Armenia's SRC's customs and tax office certified training programme but lack the pre-qualifications for registration and employment.			
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### Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Gender SMART	Tailored training programme developed and implemented [Donor TC]	The TC will also support the Client to develop and implement a training programme on prevention and mitigation of GBVH, with a focus on specific risks for refugee populations and on how refugees can access services available in the country.	[REDACTED]	[REDACTED]	[REDACTED]
Advisory & Policy Indicators	Number of individuals with improved access to services (others)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## 3. KEY PARTIES

The Borrower is the Republic of Armenia, represented by the Ministry of Finance. The Implementing Agency for the Project is the SRC. The SRC is a regulating body, established under Armenian law, to regulate tax services, customs regulations and customs services in Armenia. As part of its mission, the SRC ensures the collection of income controlled by the tax body of the Government of Armenia. As part of customs services, it also ensures the economic security via customs administration and control. The SRC has been the member of the Intra-European Organisation of Tax Administrations since 2010. It is a budgetary organisation and relies on financing from the state budget.

## 4. MARKET CONTEXT

Import and export of freight cargo in Armenia is dominated by road-based transport, accounting for over 80 per cent of all trade by volume of the country. [REDACTED].

Goods that enter and exit the country are processed and warehoused almost exclusively at five regional customs centres, which serve the central, north, south, east, and west regions of the country. For the southern region, the customs headquarters is located in the Syunik region, close to the town of Sisian.



[REDACTED]. The customs site is currently operating at capacity with parking of ca 60 trucks at any one time. [REDACTED]. Capacity constraints at the site mean that some trucks choose to bypass Syunik and travel to Yerevan to clear customs before travelling to their final destination, which adds additional travel time and distance onto the journey. Furthermore, some existing facilities experience significant overloading at key times, and as such any growth of demand will further exacerbate congestion and overloading, and further capacity will be required. Therefore, an expanded and modernised site in Syunik as proposed under this Project would address this issue. The utilisation of high-quality scanning and inspection equipment will significantly reduce the existing practices for time consuming, manual handling of cargo. [REDACTED].

## **5. FINANCIAL / ECONOMIC ANALYSIS**

### **5.1 SOVEREIGN ASSESSMENT**

[REDACTED]

### **5.2 ECONOMIC ANALYSIS**

[REDACTED]

### **5.3 PROJECTED PROFITABILITY FOR THE BANK**

[REDACTED]

## **6. OTHER KEY CONSIDERATIONS**

### **6.1 ENVIRONMENT**

The Project has been categorised B in accordance with the Bank's Environmental and Social Policy 2019. An Environmental and social due diligence ("ESDD") has been undertaken by the independent environmental and social consultants based on a review of the SRC's corporate management systems, review of relevant information provided by the SRC and a site visit. The ESDD confirmed that the Project will have limited environmental and social impacts which will be mitigated by a number of measures established in the ESAP.

The investigations identified that construction of the new CLC will have adverse impacts associated to the construction activities and include impacts to water quality, air quality, noise and vibration levels and waste management. However, most of these impacts are expected to be site specific, limited to construction phase only and addressed through appropriate mitigation measures in the ESAP.

The Project implementation is limited to the brownfield area and no sensitive ecological receptors or protected zones will be affected. In addition, it is anticipated that the Project will not have significant adverse social impacts to local communities or other Project affected parties, nor will the Project require the acquisition of lands or result in involuntary resettlement or economic displacement. All land areas needed for the Project already belongs to the state, with no private users occupying the area.

The ESDD identified that the SRC will need to develop a system to manage their environmental, health and safety ("EHS"), fire safety of the buildings, and other issues and all requirements were provided in the ESAP that has been developed for the SRC

and approved to structure the Project to comply with national regulations and EBRD's Performance Requirements (PRs). The Project will not involve construction or maintenance of the detention facility of any kind on or near the Project site. The ESAP, the implementation of which will be covenanted in the legal agreement, addresses the necessary improvements in the SRC's Environmental and Social ("E&S") and human resources ("HR") management systems and capacity as well as improvements in managing construction activities so as to avoid, minimise and mitigate the potential adverse E&S impacts of the Project. The SRC will assign the community liaison officer to manage the implementation of Stakeholder Engagement Plan and grievance handling.

The Project will be monitored in terms of its environmental and social performance and implementation of the ESAP through annual E&S reports and site visits when deemed necessary.

## **6.2 INTEGRITY**

In conjunction with OCCO, integrity (including sanctions) due diligence was undertaken on the SRC, its senior management and key officials [REDACTED].

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

## **6.3 OTHER ISSUES**

### ***Concessional Finance***

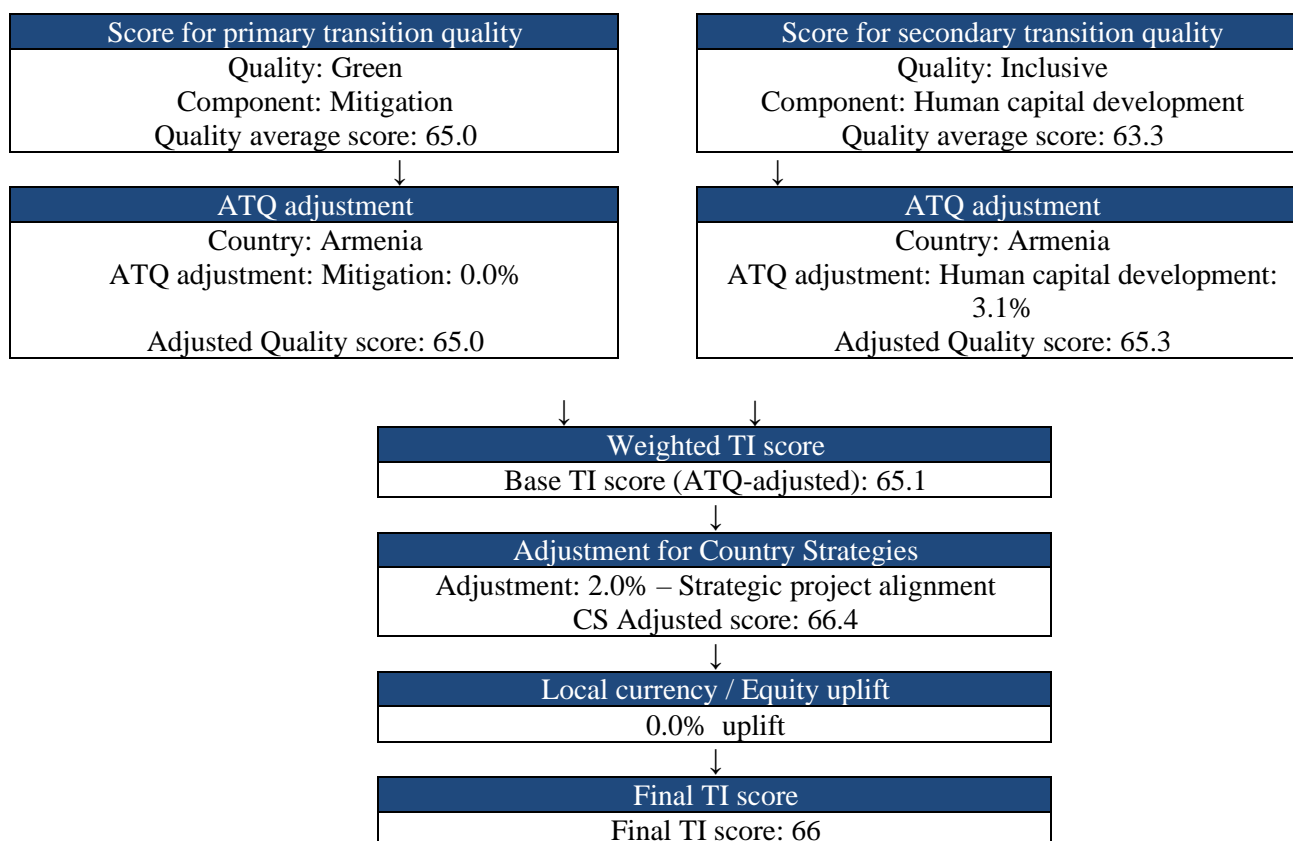
The Project will be co-financed by a EUR 2 million investment grant from the SSF Work Plan 2023-2024. The Project will be one of the first state owned buildings in the country constructed in accordance with the sustainable practices with public access. The Client will pioneer implementation of technologies with low market penetration, which creates both early mover and environmental externalities. The use of concessional finance will enable the implementation of higher standards, which, in turn, is expected to catalyse further investments in green public buildings. Please refer to Annex 4 for the SSF Fiche for Co-Investment Grant.



## **ANNEXES TO OPERATION REPORT**

ANNEX 1	Transition Impact Scoring Chart
ANNEX 2	Green Assessments
ANNEX 3	Project Implementation
ANNEX 4	SSF Fiche for Co-investment Grant

## ANNEX 1 – TRANSITION IMPACT SCORING CHART



## ANNEX 2 – GREEN ASSESSMENTS

### SUMMARY

- The Project is a sovereign loan to Armenia for the design and construction of a new customs and logistics centre in Syunik.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 78 per cent **GET.**

[REDACTED].

### PARIS ALIGNMENT ASSESSMENT

#### Direct finance projects

##### *Alignment with the mitigation goals of Paris Agreement - General screening*

The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The Project's activity is included in the 'MDBs' aligned list' under the category buildings.
- There are no activities included in the 'non-aligned list'.
- Applicable additional or specific conditions associated with the 'aligned' project/economic activity have been met: the Project will achieve green building certification of at least LEED Silver (or equivalent).

##### *Alignment with the adaptation goals of Paris Agreement*

The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. All material physical climate risks have been addressed through the integration of both design (structural) and operational (non-structural) physical climate risks mitigation measures; implementation of such measures is required under the ESAP.

### GET ATTRIBUTION

The Project is attributed 78 per cent GET. This share has been calculated in line with the guidance for new buildings outside of the EU: the building will achieve Green building certification of at least LEED Silver or equivalent, thus making the Project eligible for GET climate and environment. The proceeds dedicated to the purchase of equipment are not eligible for GET.

The expected impacts of the transaction are primary energy savings (and related GHG emissions savings) of at least 20 per cent compared to baseline, based on the minimum performance level required by LEED Silver. The baseline is defined as a new building complying with the minimum energy performance requirements in Armenia as per applicable regulations. [REDACTED].

## ANNEX 3 – PROJECT IMPLEMENTATION

### Procurement classification – *Public (sovereign)*

[REDACTED]

This would be the second project with the Client. Carrying out procurement and managing implementation of works contracts is not part of the Client's usual business [REDACTED]. To mitigate the risk and ensure compliance with the PPR and other Bank's policies, the Project envisages a comprehensive procurement and implementation support consultancy services programme.

#### Contracts risk assessment

- *Moderate High*

[REDACTED]

The assigned risk is based on the relative complexity of the proposed works contract [REDACTED] The designs would need to incorporate the technology and specifications suitable for the Syunik CLC to achieve green building certification upon completion, which adds to the complexity of the works. The prequalification for the works contract shall ensure the Client would receive good quality technical proposals from experienced contractors deemed capable of performing the contract satisfactorily, thus reasonably expected to manage contractual risks efficiently.

The support of experienced consultants will ensure that designs and technical specifications are suitable for open tendering, including allowing and assessing possible alternatives, and that any issues that may arise and that any procurement and contractual issues that may arise are addressed in a professional and timely manner in accordance with contract conditions and the Bank's requirements.

Finalisation of the designs by the consultant will also ensure Bank's environmental, social, health and safety requirements are incorporated. [REDACTED].

#### Project implementation arrangements

A PIU will be established within the SRC and will have overall responsibility for the implementation of the Project. At all times the PIU and contract management teams will have access to in-house technical, environmental, financial etc. experts, as necessary. The PIU will be supported by the Project Implementation Support consultant financed from the TC donor and loan funds. The Consultant will assist the Client to finalise technical designs for the works and specifications [REDACTED] prepare procurement documents and carry out procurement, as well as act as a FIDIC Engineer/Project Manager. [REDACTED].

#### Procurement arrangements:

The Project is classified as public sector for procurement purposes. All contracts to be financed out of proceeds of the Bank's loan, TC grant funds and an investment grant will be procured via open tendering in accordance with the PPR, with the exception of the Special Account Auditor services that will be procured via direct contracting procedure. The auditor shall be acceptable to the Bank and, thus, can only be selected from the shortlist of companies confirmed by the Bank.

All contracts will be subject to prior review by the Bank. [REDACTED]

**ANNEX 4 – SSF FICHE FOR CO-INVESTMENT GRANT**  
[REDACTED]