Loan Agreement

(Education Improvement Project)

between

REPUBLIC OF ARMENIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 23, 2014
LOAN NUMBER 8342-AM

LOAN AGREEMENT

Agreement dated May 23, 2014, between the REPUBLIC OF ARMENIA ("Borrower") and the 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a loan in an amount equivalent to fifteen million United States Dollars ($15,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("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 IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are March 15 and September 15 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through the Ministry of Education and Science (hereinafter, "MoES") in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to
make withdrawals thereunder, except only the effectiveness of the Loan Agreement have been fulfilled; and

(b) The Operational Manual, satisfactory to the Bank, has been adopted by the Borrower.

4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is the Minister of Finance of the Borrower.

5.02. The Borrower’s Address is:

Ministry of Finance
1 Melik-Adamyan Street
Yerevan 0010
Republic of Armenia

Facsimile:
374 60700358

5.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD Telex: 248423(MCI) or 1-202-477-6391
Facsimile: 64145(MCI)
AGREED at Yerevan, Armenia, as of the day and year first above written.

REPUBLIC OF ARMENIA

By

Authorized Representative

Name: Gagik Khachatryan
Title: Minister of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Jean-Michel Haggi
Title: Armenia Country Manager
SCHEDULE 1

Project Description

The objectives of the Project are to improve school readiness of children entering primary education, improve physical conditions and the availability of educational resources in upper secondary schools, and support improved quality and relevance in higher education institutions of the Borrower.

The Project consists of the following components:

Part A: Enhancing the Quality of General Education

Provision of support to enhance the quality of general education through:

1. Promoting school readiness and equal opportunities at the start of general education with a focus on vulnerable populations through: (i) the carrying out of a study on pre-school education micro-projects; (ii) evaluation and selection of community-based Pre-school Micro-projects, and provision of competitive Sub-grants to Pre-school Micro-project Beneficiaries for the Micro-projects' implementation; (iii) dissemination activities and training for community leaders, members, parents and representatives of potential service providers; (iv) provision of technical assistance for the implementation of the Micro-projects; and (v) monitoring and evaluation of the impact of the micro-projects. The subgrants extended to communities will support refurbishment of classrooms, purchase of equipment and furniture, provision of pedagogical materials and teacher training.

2. Carrying out a set of activities aimed at improving upper secondary schools, including, inter-alia: (i) the rehabilitation and refurbishment of selected high schools; and (ii) the provision of contextualized digital learning materials, necessary information and communication technologies equipment such as up to date computers and other e-materials, and school furniture to all high schools.

3. Improving data collection and the monitoring of the education system performance through: (i) the development of an Information Communication Technology (ICT) education strategy for the National Center for Educational Technology (NACET); (ii) the rehabilitation and refurbishment of the NACET's facilities; (iii) the provision of hardware and software platforms needed to run Education Management Information Systems (EMIs); (iv) the establishment of technical service mechanisms for the maintenance of hardware and software in Armenian schools; (v) training of NACET staff on management, planning, and monitoring and evaluation; (vi) training teachers and non-teaching staff of schools, universities and vocational education and training institutions on the integration of ICT into teaching and learning processes as well as training of
users of EMIS in schools and institutions; and (vii) financing the participation fees for subsequent editions of the International Trends in Mathematics and Science Studies (TIMSS).

4. Supporting further improvements in the quality of education through curriculum revisions by bringing the National Curriculum Framework for grades 1-12 into conformity with the requirements of the Borrower’s Law on General Education and State General Education Standard, including: (i) the provision of technical assistance to develop conceptual approaches for the revision of general education subject standards and syllabuses; (ii) creation of various working groups for: (a) the revision of subject standards and syllabuses for primary, basic, secondary general and specialized education; and (b) the development of a module on short-term training courses to raise awareness of teachers on changes in syllabuses and standards; (iii) revisions and improvement of subject standards and syllabuses for primary, basic, secondary general and specialized education as needed; and (iv) training courses for textbook authors.

Part B: Mainstreaming of the Competitive Innovation Fund (CIF) for Higher Education Institutions into full implementation

Supporting the institutionalization and roll-out of the Competitive Innovation Fund program for higher education institutions (HEI) through, inter-alia: (i) updating the CIF’s operational processes and procedures; (ii) the evaluation and selection of CIF Sub-projects, and provision of CIF Sub-grants to CIF Sub-project Beneficiaries for the CIF Sub-projects’ implementation; (iii) the monitoring of the fund’s implementation process, including surveys of grant recipients and potential applicants and private sector partners; (iv) tapping private-sector and international potential donors to bolster the fund’s sustainability; and (v) improving the capacity of HEIs managerial and other relevant staff members on project management skills, procurement, project monitoring, and evaluation issues.

Part C: Project Management, Monitoring and Evaluation

Provision of financing and support for the effective functioning of the Center for Education Project (CEP) as the implementation unit within the MoES, including inter alia: the hiring of necessary core staff, monitoring and evaluation studies and audits, assessments and evaluation of the implementation of Pre-school Micro-projects and CIF Sub-projects, Project coordination, seminars and workshops, financial management, communication outreach, procurement, application of environmental and social safeguards, technical assistance and training of relevant staff in the areas of procurement, disbursements, information technology, project management and others.
Section I. Implementation Arrangements

A. Institutional Arrangements

1. Project Implementation Unit:

In order to ensure proper and efficient implementation of the Project, the Borrower shall maintain, at all times during Project implementation, the Center for Education Project as the Project Implementation Unit (PIU) within MoES, with a mandate, staffing and other resources satisfactory to the Bank. To this end, the PIU shall be: (a) comprised of qualified and competent staff in adequate numbers, including a core group of technical, administrative, and support staff; and (b) responsible for day to day Project coordination and implementation, including: (i) decision making for the selection of the Pre-school Micro-projects and CIF Sub-projects; (ii) carrying out Project financial management and procurement activities all satisfactory to the Bank; (iii) ensuring compliance with Safeguard Instruments for Project activities; and (iv) monitoring and evaluating Project activities and preparing Project progress reports and monitoring and evaluation reports. Not later than sixty (60) days after the Effective Date, the PIU shall hire and thereafter maintain, at all times during Project implementation or as agreed with the Bank, an environmental specialist, whose qualifications, experience, and terms of reference shall be acceptable to the Bank.

2. Project Operational Manual:

The Borrower shall prepare, in accordance with terms of reference acceptable to the Bank, and furnish to the Bank, a proposed implementation manual for the Project containing detailed: (a) implementation of general activities as well as the requirements, criteria, and decision making processes for the selection of the Pre-school Micro-projects and CIF Sub-projects and their respective financing; and (b) administrative, procurement, financial management, accounting; monitoring and evaluation procedures and arrangements for the Project. Such Operational Manual, which will include specific annexes related to the Pre-school Micro-projects and CIF Sub-projects, shall be adopted by the Borrower after said manual is approved by the Bank.

3. The Borrower shall carry out the Project in accordance with the Operational Manual; and shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned manual, or any provision thereof, without the prior written agreement of the Bank.
4. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Operational Manual and those of the Loan Agreement, the provisions of the Loan Agreement shall prevail.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Pre-school Micro-projects and CIF Sub-projects

1. The Borrower shall: (a) appraise, review, approve, and monitor the Pre-school Micro-projects and CIF Sub-projects; and (b) make Micro-project Sub-grants and CIF Sub-project Sub-grants to selected Beneficiaries, all in accordance with the provisions of this Section I.C.

2. The Borrower shall ensure that the Micro-project Sub-grants and CIF Sub-project Sub-grants are made to Beneficiaries in accordance with eligibility criteria and procedures set forth in the Operational Manual and in this Section I.C.

3. Except as the Bank may otherwise agree in writing, no proposed Micro-project and/or Sub-project shall be eligible for financing under Part A.1.(ii) and/or Part B of the Project unless the Borrower has determined the proposed Micro-project and/or Sub-project satisfies the following eligibility criteria and such additional criteria as may be specified in the Operational Manual:

   (a) the proposed Micro-project or Sub-project is economically, financially and technically feasible, environmentally sound, and to be carried out by eligible Beneficiaries in selected areas of the Borrower’s territory;

   (b) the proposed Micro-project or Sub-project consists of specific development activities under Part A.1.(ii) or Part B of the Project, respectively, and further elaborated in the Operational Manual and complies with all applicable laws and regulations of the Borrower;

   (c) the proposed Micro-project or Sub-project satisfies the eligibility criteria for safeguards specified in the Operational Manual and is in compliance with the provisions of the safeguard frameworks and other safeguards documents required; and

   (d) if, on the basis of the environmental screening conducted for the Micro-project or Sub-project pursuant to the Operational Manual, an EMP shall be required, such EMP shall have been prepared pursuant to the EMF and shall have been approved by the Bank.
4. The Borrower shall make available from the proceeds of the Loan each Sub-grant to a Beneficiary to finance Micro-projects or Sub-projects under Part A.1 (ii) or Part B of the Project, respectively, under a Sub-grant Agreement with the respective Beneficiary on terms and conditions approved by the Bank and outlined in the Operational Manual, which shall include the following:

(a) The Sub-grant shall be made on a grant basis.

(b) The Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant, or (ii) obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement.

(c) The Borrower shall require each Beneficiary to:

(i) carry out its Micro-project or Sub-project, as applicable, with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower;

(ii) provide, promptly as needed, the resources required for the purpose;

(iii) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of this Agreement;

(iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Micro-project or Sub-project, as applicable, and the achievement of its objectives;

(v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Micro-project or Sub-project; and (B) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the
Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;

(vi) enable the Borrower and the Bank to inspect the Micro-project or Sub-project, its operation and any relevant records and documents; and

(vii) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

5. The Borrower shall exercise its rights under each Sub-grant 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 or waive any Sub-grant Agreement or any of its provisions.

D. Safeguards

The Borrower shall ensure that the Project is carried out in accordance with the Environmental Management Framework (EMF) and site-specific Environmental Management Plans (EMPs), as the case may be. The Borrower, through MoES, shall ensure that said EMPs will be prepared in a manner satisfactory to the Bank and in accordance with the Operational Manual and the EMF.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:
Procurement Method

(a) National Competitive Bidding of the Borrower may be used for procurement of goods, works and non-consulting services for the Project, provided that the following provisions are complied with:

(i) entities in which the Republic of Armenia owns a majority shareholding shall not be invited to participate in tenders for the Government unless they are and can be shown to be legally and financially autonomous and operate under commercial law;

(ii) post-qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders;

(iii) joint venture partners shall be jointly and severally liable for their obligations;

(iv) estimated contract prices shall not be advertised;

(v) no bids shall be rejected at bid opening;

(vi) no bids shall be rejected solely because they exceed the estimated price. Bids can be cancelled and new bids invited, only if the conditions of clause 2.61 of the Procurement Guidelines are met;

(vii) all bid evaluation criteria shall be quantifiable in monetary terms or expressed as a pass/fail criteria; and

(viii) advance Bank’s approval is required for any modifications in the contract scope/conditions during implementation.

(b) Shopping

c) Direct Contracting

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality and Cost-based Selection, may be used for
procurement of consultants’ services for those contracts which are specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Fixed-Budget Selection</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants Qualification</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 through 5.4 of the Consultants Guidelines for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. **Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

A. **General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants' services,</td>
<td>14,962,500</td>
<td>80%</td>
</tr>
<tr>
<td>Training, Incremental Operating Costs and Sub-grants under the Project.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>37,500</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in</td>
</tr>
<tr>
<td></td>
<td></td>
<td>accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>15,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is September 30, 2019.
SCHEDULE 3

Amortization Schedule

1. 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"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15</td>
<td></td>
</tr>
<tr>
<td>Beginning March 15, 2024 through March 15, 2038</td>
<td>3.33%</td>
</tr>
<tr>
<td>On September 15, 2038</td>
<td>3.43%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Definitions


2. “Beneficiary” means either a community-based Pre-school Micro-project Beneficiary or a CIF Sub-project Beneficiary; and “Beneficiaries” means, more than one community-based Pre-school Micro-project Beneficiary and/or CIF Sub-project Beneficiary.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “CIF” means the “Competitive Innovation Fund”, a fund established pursuant to the Borrower’s Resolution No. 47-43 dated December 1, 2011, operated and administered by MoES, the objective of which is to stimulate innovation, develop strategic plans in higher education and higher education institutions’ quality enhancement.

5. “CIF Sub-grants” means a grant to finance reasonable costs of goods, works, services, Training, and Incremental Operating Costs required by a CIF Sub-project to be carried out by a CIF Beneficiary under Part B of the Project.

6. “CIF Sub-project” or “Sub-project” means the specific development project to be carried out by a CIF Sub-project Beneficiary under Part B of the Project.

7. “CIF Sub-project Beneficiary” means a selected higher education institution (HEI) that receives Sub-grants to finance CIF Sub-projects under Part B of the Project, selected in accordance with eligibility criteria and procedures set forth in the Operational Manual.


9. “EMF” means the Environmental Management Framework, dated December 2, 2013, prepared and adopted by the Borrower, disclosed on December 4, 2013, and in the Bank’s InfoShop on December 11, 2013 referred to in Section I.D 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.

10. "EMP(s)" means the site-specific Environmental Management Plan(s) to be prepared and adopted by the Borrower pursuant to Section I.D of Schedule 2 to this Agreement, in accordance with the Operational Manual and the EMF, all satisfactory to the Bank, wherein defining specific details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under the Project, together with an environmental and social baseline for each site, details of the relevant environmental legislative framework, adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, 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.

11. “Financing Agreement” means the agreement between the Borrower and the International Development Association for the Project, of the same date as this Agreement, as such agreement may be amended from time to time. “Financing Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.


13. “Incremental Operating Costs” shall mean the expenses incurred by the Borrower or the PIU for the incremental expenses on account of Project implementation, management, monitoring, including utilities, supplies, communications, maintenance costs, advertising expenses, travel and per diems for employees of the PIU, participation fees for TIMSS, salaries and statutory contributions of support staff, but not including salaries of officials or employees of the Borrower’s civil service, as well as any contributions by these officials or employees to any social fund.


15. “National Center of Education Technology” or “NACET” means center established pursuant to the Borrower’s Resolution No.408-N dated March 11, 2004, which provides ICT services and manages statistics from all educational institutions in Armenia, including Vocational Education and Training and Higher Education Institutions, except for pre-schools.

16. “Operational Manual” means the Borrower’s manual to be adopted by the Borrower, describing procedures for the implementation of the Project (including
annexes related to the Pre-school Micro-projects and CIF Sub-projects), consistent with the provisions of this Agreement and with the national laws and regulations of the Borrower, including procedures governing administrative, procurement, accounting, financial management, monitoring and evaluation arrangements for the Project; as the same may be amended from time to time with the agreement of the Bank.

17. "Project Implementation Unit" or "PIU" means the Center for Education Project ("CEP") established within the MoES of the Borrower.

18. "Pre-school Micro-project" or "Micro-project" means the specific development project to be carried out by a community-based Micro-project Beneficiary under Part A.1 (ii) of the Project.

19. "Pre-school Micro-project Beneficiary" means a selected community-based group or entity that receives Sub-grants to finance Pre-school Micro-projects under Part A.1 (ii) of the Project, selected in accordance with eligibility criteria and procedures set forth in the Operational Manual.

20. "Pre-school Micro-project Sub-grant" means a grant to finance reasonable costs of goods, works, services, training, and operating costs of a community-based Micro-project to be carried out by a community-based Micro-project Beneficiary under Part A.1 (ii) of the Project.


22. "Procurement Plan" means the Borrower's procurement plan for the Project, dated January 30, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

23. "Sub-grant(s)" means financing under Part A.1 (ii) and Part B of the Project referred to in Schedule 1 to this Agreement, for Micro-projects and CIF Sub-projects selected and approved in accordance with Section I.C of Schedule 2 to this Agreement and the Operational Manual.

24. "Sub-grant Agreement" means each agreement entered into between the Borrower and a Beneficiary, pursuant to which a Sub-grant shall be made by the Borrower, to such Beneficiary, for a Micro-project or a Sub-project.
25. "Training" means the expenses incurred by the Borrower or the PIU in connection with study tours, training courses, seminars, workshops and other training-related activities under the Project including travel costs and per diem for participants, trainers and trainees, trainers’ fees, rental of training facilities, preparation and reproduction of training materials and other activities incidental to the preparation and implementation of training activities.