Loan Agreement

(E-Society and Innovation for Competitiveness Project)

between

REPUBLIC OF ARMENIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 26, 2011
LOAN AGREEMENT

Agreement dated January 26, 2011, between REPUBLIC OF ARMENIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) 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, the amount of twenty four million Dollars ($24,000,000), 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the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 January 15 and July 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; and (ii) a change of the interest rate basis applicable to 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 from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread.

(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 MoE 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 — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following, namely, that any of the events specified in paragraphs (a) or (b) below shall have occurred and be continuing:
(a) any action has been taken for the dissolution, disestablishment or suspension of operations of the Seed and Early Stage Venture Fund.

(b) the Seed and Early Stage Venture Fund Bylaws have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the Seed and Early Stage Venture Fund to perform any of its functions in a manner acceptable to the Bank.

4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01 (a) or (b) of this Agreement occurs.

ARTICLE - V TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance.

6.02. The Borrower’s Address is:

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

Facsimile:

+374-10-524282

6.03. 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 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Yerevan, Republic of Armenia, as of the day and year first above written.

REPUBLIC OF ARMENIA

By /s/ Vache Gabrielyan

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Michel Happi

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to address constraints to competitive e-Society and enterprise innovation in the Republic of Armenia by strengthening the underlying infrastructure and enabling environment.

The Project consists of the following parts:

**Part A: E-Society Infrastructure Development**

1. **Nationwide Broadband Backbone and Government Network.** (a) Technical assistance to NCFA and training to develop a nationwide broadband backbone and government network; and (b) provision of Broadband Networks Financing to the Beneficiaries for development of nationwide broadband backbone and government network.

2. **Digital Citizen Program.** (a) Technical assistance to EKENG to support the establishment of the certification authority and support for independent testing and verification of the e-identification and certification authority systems; and (b) purchasing information technology goods and provision of services, Training and Incremental Operating Costs for establishing the certification authority.

3. **Computer for All Program.** (a) Establishment and operation of a credit facility by PFIs to finance the Computer for All Program Sub-projects submitted by the Beneficiaries; and (b) technical assistance to EIF, including Training and Incremental Operating Costs, to implement the Computer for All Program.

**Part B: Fostering Enterprise Innovation**

1. **Financial Support for Innovation in Knowledge and Technology-intensive Firms.**

(a) Provision of: (i) Ideas Generation Small Grants to Beneficiaries for developing business plan and proof of concepts for innovative ideas; and (ii) provision of Innovation Matching Grants Beneficiaries for product or processes adaptation, improvement and development, both in accordance with the rules and principles, eligibility criteria, selection procedures and implementation arrangements set forth in the Grants Operational Manual.

(b) (i) Support for establishing of a Seed and Early Stage Venture Fund, including financing of management team remuneration and establishing an innovation brokerage team, in a manner and on terms acceptable to the Bank (which shall include the
establishment of Venture Fund Bylaws, and any other corporate arrangement needed for the operation of the said fund); and

(ii) financing of the Seed and Early Stage Venture Fund Subprojects to carry out technology innovation investments.

2. **Gyumri Technology Center**. Provision of works, goods and consulting services, including Training and Incremental Operating Costs, for the establishment of a technology center in Gyumri to provide technology support and incubation services to local firms and entrepreneurs.

3. **Support to Information Technology/Knowledge-intensive Industry Development**. (a) (i) Establishment of an information technology (IT) sales force representation office for the information technology/knowledge-intensive industry; and (ii) provision of managerial secondments; and (b) provision of technical assistance and Training to firms in the IT/knowledge-intensive industry for skills development, certification and productivity improvement.

**Part C: Project Management**

Provision of technical assistance, goods, Training and Incremental Operating Costs to FFPMC, EKENG, EIF and NCFA and to assist in the Project implementation, including Project audit and technical audit of the Broadband Networks Beneficiaries, and financial management, monitoring and reporting.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Except as the Bank shall otherwise agree, the Borrower shall: (a) maintain, until the completion of the Project, the FFPMC, and ensure that the FFPMC functions at all times in a manner and with staffing and financial resources necessary and appropriate for the Project implementation, and satisfactory to the Bank; and (b) shall designate the FFPMC with the responsibility for the Project procurement, disbursement, financial management, monitoring and reporting, and implementation of internal financial controls, maintenance of Project accounts and preparation of Project Reports.

2. The Borrower shall maintain the Operational Procedures and shall duly perform all its obligations under it and shall not assign, amend, abrogate or waive the Operational Procedures without obtaining the prior approval of the Bank.

3. The Borrower shall, within one month after the Project effectiveness, establish a Project Steering Committee, consisting of the representatives from all entities involved in the Project implementation, and maintain it until completion of the Project which will provide policy guidance and coordination of the Project activities implementation.

4. Except as the Bank shall otherwise agree, the Borrower shall maintain, until the completion of the Project, the EKENG, EIF and NCFA and ensure that they function at all times in a manner and with staffing and financial resources necessary and appropriate for the Project implementation, and satisfactory to the Bank.

5. The Borrower shall, one year after the establishment of the Sales Force Representation Office, furnish to the Bank an evidence showing that a private sector co-financing is available for Part B.3 (a) (i) of the Project on the terms and conditions as set forth in the Sales Force Representation Office Operational Manual. In case said covenant is not met by the Borrower, the Bank has a right to suspend disbursement under Category (3) in the table of Section IV.4 of Schedule 2 to this Agreement.

B. Anti-Corruption

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

1. To facilitate the carrying out of Part A.1 (b) and 3 and Part B.1 (a) and (b) of the Project, the Borrower shall make a part of the proceeds of the Loan available to the NCFA or PFIs or EIF or the Seed and Early Stage Venture Fund, respectively, under subsidiary agreements to be entered into between the Borrower and the NCFA or each PFI or the EIF or the Seed and Early Stage Venture Fund, respectively, under terms and conditions approved by the Bank, including those set forth in the Operational Procedures (“Subsidiary Finance Agreement”) and Anti-Corruption Guidelines.

2. The Borrower shall exercise its rights under the Subsidiary Finance Agreements 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 the Subsidiary Finance Agreements or any of its provisions without prior approval of the Bank.

D. **Sub-financing (Broadband Networks Financing, Computer for All Program Sub-loan, Ideas Generation Grant, Innovation Matching Grant and Seed and Early Stage Venture Fund Sub-financing)**

1. The Borrower shall ensure that the NCFA or PFIs or the EIF or the Seed and Early Stage Venture Fund make Sub-financing to Beneficiaries in accordance with terms and conditions, eligibility criteria and procedures set forth in the Operational Procedures.

2. The Borrower shall ensure that the NCFA or PFIs or the EIF or the Seed and Early Stage Venture Fund, respectively, make each Sub-financing under a Sub-financing Agreement with each Beneficiary on terms and conditions set forth in the Operational Procedures, including the right to:

   (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-financing, or declare to be immediately due and payable all or any part of the amount of the Sub-financing then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the sub-financing agreement;

   (ii) require each Beneficiary to:

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

(B) procure the goods and works and to be financed out of the Sub-financing in accordance with the provisions of Section III of Schedule 2 to this Agreement;

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

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

E. Safeguards. The Borrower shall implement the Project in accordance with the provisions of the environmental framework which is an integral part of the Operational Procedures.

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 year, 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 of the Project.

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. The Borrower shall prepare and furnish to the Bank not later than forty five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, 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, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be: (i) furnished to the Bank not later than six months after the end of such period; and (ii) made publicly available in a timely fashion and in a manner acceptable to the Bank.

4. Without limitation to the provisions of Section II. B. 3 of this Schedule, the Borrower shall, one year after the first deposit into the Seed and Early Stage Venture Fund commercial account mentioned in Section IV.A.2 of this Schedule is made either by the Seed and Early Stage Venture Fund or the private investors, and every year thereafter, cause the Seed and Early Stage Venture Fund to carry out an annual independent external audit in accordance with consistently applied auditing standards and auditors acceptable to the Bank, with respect to the Seed and Early Stage Venture Fund financial statements in order to ensure the proper use of Loan Proceeds. The audited Venture Fund Financial Statements for each such period shall be: (i) furnished to the Bank not later than six months after the end of such period; and (ii) made publicly available in a timely fashion and in a manner acceptable to the Bank.
Section III.  Procurement

A.  General

1.  **Goods and Works.** All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B.  Particular Methods of Procurement of Goods and Works

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

2.  **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding of the Borrower may be used for procurement of goods and works for the Project, provided that the following provisions are complied with:</td>
</tr>
<tr>
<td>(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;</td>
</tr>
<tr>
<td>(ii) pre-qualification shall be conducted for large and complex works projects;</td>
</tr>
</tbody>
</table>
(iii) pre- and post-qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders;

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

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

(vi) bids can be cancelled and new bids invited, only if the conditions of clauses 2.61 and 2.64 of the Procurement Guidelines are met;

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

(viii) advance Bank approval is required for any substantial modifications in the contract scope/conditions during implementation; and

(ix) the Borrower shall use standard bidding documents satisfactory to the Bank.

(b) Shopping

(c) Direct Contracting

(d) Loans to Financial Intermediaries

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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.
### Procurement Method

<table>
<thead>
<tr>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Fixed Budget Selection</td>
</tr>
<tr>
<td>(b) Single Source Selection</td>
</tr>
<tr>
<td>(c) Consultant’s Qualifications</td>
</tr>
<tr>
<td>(d) Least Cost Selection</td>
</tr>
<tr>
<td>(e) Selection Based on Individual Consultants</td>
</tr>
<tr>
<td>(f) Selection of Consultants through Commercial Practices</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. Without limitation to the provisions of paragraph 1 of this Section, Section IV.B.1 (e) of this Schedule, and Section 2.04 of the General Conditions, and pursuant to the provisions of the Disbursement Letter:

   (a) the Bank may, upon the Borrower’s request, and presentation to the Bank of evidence acceptable to the Bank showing that: (i) the Seed and Early Stage Venture Fund has been created as provided in Part B.1 (b) of the Project; (ii) a financial management assessment of the Seed and Early Stage Venture Fund has been carried out in a manner acceptable to the Bank; and (iii) the manager for the Seed and Early Stage Venture Fund has been selected in a manner acceptable to the Bank, deposit into the Second Designated Account, an advance of the proceeds of the Loan up to an amount not to exceed $1,000,000 (the Authorized Advance) to finance Eligible Expenditures under Category (2) (d);

   (b) subsequent withdrawals of Authorized Advances to replenish the Second Designated Account, may be authorized by the Bank, provided that the
Borrower, through MoF, shall have furnished to the Bank: (i) a request or requests for deposit into the Second Designated Account of an amount or amounts which do not exceed the Authorized Advance or the total aggregate amount mentioned herein; and (ii) evidence, acceptable to the Bank, showing that the private investors have made contributions to the Seed and Early Stage Venture Fund in an amount equal to 100% of each amounts requested for a subsequent advance immediately preceding said replenishment, and that said amount has been deposited into a commercial account to be opened and maintained by the Seed and Early Stage Venture Fund in a financial institution acceptable to the Bank, and on terms and conditions acceptable to the Bank, for the exclusive use of financing of the Seed and Early Stage Venture Fund Subprojects. The total amount of Authorized Advances shall not exceed $3,000,000 in the aggregate; and

(c) the Borrower may withdraw, from time to time, from the Second Designated Account an amount equal to 100% of each amounts requested for a subsequent advance and deposit the same into the commercial account mentioned in (b) (ii) above for the exclusive use of financing the Seed and Early Stage Venture Fund Subprojects.

3. Notwithstanding the provisions of paragraphs 1 and 2 above, the Borrower, through the MoF, shall refund to the Bank, in a manner and on terms acceptable to the Bank, any amount of the Authorized Advances (mentioned in paragraph 2 above) not used to finance Eligible Expenditures under said Category (2) (d), or the use of which is not accounted for, or reported by, the Closing Date.

4. 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 (exclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants’ services, Training and Incremental Operating Costs for the Project</td>
<td>5,940,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Sub-financing:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under the Part A.1(b) of the</td>
<td>7,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (expressed in USD)</td>
<td>Percentage of Expenditures to be Financed (exclusive of taxes)</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>(b) under the Part A.3 of the Project (Computer for All Program)</td>
<td>3,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(c) under the Part B.1 (a) of the Project (Ideas Generation Grants and Innovation Matching Grants)</td>
<td>900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(d) for Sub-projects under Part B.1 (b) of the Project (Seed and Early Stage Venture Fund)</td>
<td>3,000,000</td>
<td>50%</td>
</tr>
<tr>
<td>(3) Consultants’ services and Training under the Part B.3 (a) (i) of the Project</td>
<td>600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Refund of the Preparation Advance</td>
<td>3,000,000</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</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</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:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $1,228,000 equivalent may be made for payments made prior to this date but on or after September 2, 2010 (but in no case more than one year prior to the
date of this Agreement) for Eligible Expenditures under the Category (1) in the table, provided that the pertinent obligations and/or conditions set forth in this Agreement, in respect of the relevant Eligible Expenditure, have been complied with or met;

(b) for payments made to finance the Broadband Networks Subprojects under Category (2) (a), unless: (i) the NCFA Subsidiary Finance Agreement has been executed on behalf of the Borrower and the NCFA, satisfactory to the Bank; (ii) the Broadband Networks Financing Operational Manual, satisfactory to the Bank, has been approved by the Borrower; and (iii) the relevant Beneficiary has met the criteria set forth in the Broadband Networks Operational Manual, which criteria shall include, *inter alia*, that the corresponding Broadband Networks Financing Agreement has been signed by the respective parties thereto;

(c) for payments made to finance the Computer for All Program Subproject under Category (2) (b), unless: (i) the PFI Subsidiary Finance Agreement has been executed on behalf of the Borrower and PFI/s, satisfactory to the Bank; (ii) the Computer for All Program Operational Manual, satisfactory to the Bank, has been approved by the Borrower; (iii) the Borrower has selected vendor/s in accordance with the procedures established in the said Manual; and (iv) the relevant Beneficiary has met the criteria set forth in the Computer for All Program Operational Manual, which criteria shall include, *inter alia*, that the corresponding Computer for All Program Sub-loan Agreement has been signed by the respective parties thereto;

(d) for payments made to finance any Ideas Generation Subproject or any Innovation Matching Subproject under Category (2) (c), unless: (i) the EIF Subsidiary Finance Agreement has been executed on behalf of the Borrower and the EIF, satisfactory to the Bank; (ii) the Grants Operational Manual, satisfactory to the Bank, has been approved by the Borrower; and (iii) the relevant Beneficiary has met the criteria set forth in the Grants Operational Manual, which criteria shall include, *inter alia*, that the corresponding Ideas Generation Grant Agreement or Innovation Matching Grant Agreement, respectively, has been signed by the respective parties thereto;

(e) for payments made to finance any Venture Fund Subproject under Category (2) (d), unless: (i) 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; (ii) the conditions/obligations referred to in Section IV.A 2 of this Schedule have been complied with, in a manner acceptable to the Bank;
(iii) the Seed and Early Stage Venture Fund Operational Manual, satisfactory to the Bank, has been approved by the management of the company; and (iv) the Beneficiary has met the criteria set forth in the Seed and Early Stage Venture Fund Operational Manual, which criteria shall include, *inter alia*, that the corresponding Venture Fund Sub-financing Agreement has been signed by the respective parties thereto; and

(f) for payments made under Category (3), unless: (i) an evidence is furnished to the Bank that a management company for the office has been selected on a competitive basis, satisfactory to the Bank; and (ii) the Sales Force Representation Office Operational Manual has been approved by the Borrower, through EIF, satisfactory to the Bank.

2. The Closing Date is December 31, 2014.
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 January 15 and July 15</td>
<td></td>
</tr>
<tr>
<td>Beginning January 15, 2021 through January 15, 2035</td>
<td>3.33%</td>
</tr>
<tr>
<td>On July 15, 2035</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.
APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section II of this Appendix.

2. “Beneficiary” means an individual or entity eligible, in accordance with the criteria set forth in the Operational Procedures, to receive Sub-financing under Part A.1 (b) and 3 and Part B.1 (a) and (b) of the Project.

3. “Broadband Networks Financing” means any financing made or proposed to be made by the NCFA to a Beneficiary out of the proceeds of the Broadband Networks Financing under Part A. 1 (b) for carrying out of the Broadband Networks Subprojects, also referred to as “Sub-financing”.

4. “Broadband Networks Financing Agreement” means the agreement to be entered into between the NCFA and the Beneficiary on the terms and conditions set forth in the Broadband Networks Financing Operational Manual, also referred to as “Sub-financing Agreement”.

5. “Broadband Networks Financing Operational Manual” means the manual to be prepared and approved by the Borrower pursuant to Section IV.B.1 (b) (ii), setting forth the operational and administrative procedures, including the environmental framework, in respect of the preparation, eligibility, selection, environmental screening, approval, financial management, disbursement and implementation and supervision of Sub-projects under Part A.1 (b) of the Project.

6. “Broadband Networks Subproject” means a project eligible for financing under Part A.1 (b) of the Project.

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

8. “Computer for All Program Operational Manual” means the manual for Part A. 3 of the Project, prepared and approved by the Borrower pursuant to Section IV.B.1 (c) (ii), setting forth the operational and administrative procedures, including the environmental framework, in respect of the preparation, eligibility, selection, environmental screening, approval, financial management, disbursement and implementation and supervision of Sub-loans under Part A.3 of the Project.
9. “Computer for All Program Sub-loan Agreement” means the agreement to be entered into between the PFI and the Beneficiary on the terms and conditions set forth in the Computer for All Program Operational Manual, also referred to as “Sub-financing Agreement”.

10. “Computer for All Program Subproject” means a project eligible for financing under Part A.3 (a) of the Project.


12. “Disbursement Letter” means the letter from the Bank to the Borrower of even date herewith concerning the additional instructions that the Bank may issue concerning the withdrawal of the proceeds of the Loan, and referred to in Section IV.A of Schedule 2 to this Agreement, as said letter may be revised by the Bank from time to time.

13. “EIF” means the Enterprise Incubator Foundation of the Borrower established pursuant to a Decree # 1165 dated November 27, 2001 of the Borrower’s Cabinet Minister.

14. “EKENG” means the open joint stock company, established by the Borrower’s Cabinet Ministers Decree No. 494 N dated April 30, 2009 and chaired by the Minister of Economy and responsible for E-governance infrastructure projects.

15. “FFPMC” means the Foreign Financial Projects Management Center within the Ministry of Finance of the Borrower established and operating pursuant to the Minister of Finance and Economy’s Decree No. 37, dated March 29, 2000, which will be responsible for the implementation of the Project, including the fiduciary tasks under the Project.

16. “First Designated Account” means the Borrower’s account referred to in Section II (vi) (i) of the Disbursement Letter into which the Bank may, at the Borrower’s request, deposit the proceeds of the Loan assigned to finance Part A, Part B.1 (a), 2 and 3 and Part C of the Project.


18. “Grants Operational Manual” means the manual to be prepared and approved by the Borrower pursuant to Section IV.B.1 (d) (ii), setting forth an amount, terms and conditions, eligibility criteria and selection procedures and implementation, monitoring and reporting of respective Grants under Part B.1 (a) (i) and (ii) of the Project.
19. “Ideas Generation Grant” means any grant made or proposed to be made by the EIF to a Beneficiary out of the proceeds of the Ideas Generation Grant for the carrying out of an Ideas Generation Subprojects, also referred to as “Sub-financing”.

20. “Ideas Generation Grant Agreement” means the agreement to be entered into between the EIF, and the Beneficiary on the terms and conditions set forth in the Grants Operational Manual, also referred to as “Sub-financing Agreement”.

21. “Ideas Generation Subproject” means a project eligible for financing under Part B.1 (a) (i) of the Project.

22. Incremental Operating Costs” means expenditures incurred on account of the Project implementation by the FFPMC, EIF, EKENG and NCFA such as office supplies, minor office equipment, vehicle rental, operation and maintenance, costs for fuel, equipment and software maintenance, literature, and FFPMC, EIF, EKENG and NCFA staff salaries (excluding Government officials’ salaries) training, field trips, meetings, lodging, per diem and travel costs related to the Project, communication costs, utilities, mass media and printing services, reasonable banking charges and advertisement costs, and other expenses that may be agreed with the Bank during the Project implementation.

23. “Innovation Matching Grant” means any grant made or proposed to be made by the EIF to a Beneficiary out of the proceeds of the Innovation Matching Grant for the carrying out of Innovation Matching Subprojects, also referred to as “Sub-financing”.

24. “Innovation Matching Grant Agreement” means the agreement to be entered into between the EIF and the Beneficiary on the terms and conditions set forth in the Grant Operational Manual, also referred to as “Sub-financing Agreement”.

25. “Innovation Matching Subproject” means a project eligible for financing under Part B.1 (a) (ii) of the Project.

26. “Management Fee” means the management team remuneration under Part B.1 (b) (i) of the Project, as set forth in the Seed and Early Stage Venture Fund Operational Manual.

27. “MoE” means the Ministry of Economy of the Borrower.

29. “NCFA” means the National Competitiveness Foundation of the Borrower established by the Borrower’s Cabinet Ministers Decree No. 1324-A dated November 8, 2007.

30. “Operational Procedures” means the Broadband Networks Operational Manual or Computer for All Program Operational Manual or Grants Operational Manual or Venture Fund Operational Manual, as the case may be, setting forth eligibility criteria and procedures for selection, appraisal and approval of Beneficiaries and Sub-projects to be financed under the Project, as well as the procedures for administration and monitoring of implementation of Sub-projects.


32. “PFI” means a financial institution, selected by the Borrower and the Bank, to participate in the Part A.3 of the Project in accordance with the eligibility criteria and selection procedures set forth in the Computer for All Program Operational Manual.

33. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated October 7, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

34. “Project Steering Committee” means a Management Board to be established by the Borrower pursuant to the Government Decree No. 765 dated December 27, 1999 and referred to in Section I.A.3 of Schedule 2 to this Agreement.

35. “Preparation Advance” means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Bank to the Borrower pursuant to the Letter Agreement (Preparation Advance No. P457-AM) signed on behalf of the Bank on May 17, 2010 and on behalf of the Borrower on June 11, 2010.

36. “Sales Force Representation Office Operational Manual” means the manual to be prepared and approved by the Borrower, setting forth the implementation principles and administrative and financial management procedures for the office operation.

37. “Second Designated Account” means the Borrower’s account referred to in Section II. (vi) (ii) of the Disbursement Letter (as said term is defined above) into which the Bank may, at the Borrower’s request, deposit the total amount of the Authorized Advances referred to in Section IV.A.2 of Schedule 2 to this Agreement on the terms provided in said Section IV.A.2.
38. “Subsidiary Finance Agreement” means the NCFA Subsidiary Finance Agreement or the PFI Subsidiary Finance Agreement or the EIF Subsidiary Finance Agreement or the Seed and Early Stage Venture Fund Subsidiary Finance Agreement to be entered into between the Borrower and the NCFA or each PFI or the 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 term includes all schedules to the Subsidiary Finance Agreement.

39. “Seed and Early Stage Venture Fund” means a venture fund to be established in accordance with the Borrower’s corporations law, and governed by the Civil Code of the Borrower No. HO239 dated 01/01/1999.

40. “Seed and Early Stage Venture Fund Bylaws” means the bylaws, acceptable to the Bank that will govern the daily operation of the Seed and Early Stage Venture Fund.

41. “Seed and Early Stage Venture Fund Sub-financing” means any financing in the form of a loan, grant or equity investment made or proposed to be made by the Seed and Early Stage Venture Fund to an eligible Beneficiary for a Seed and Early Stage Venture Fund Sub-project, and to be financed out of the procedures of the Loan.

42. “Seed and Early Stage Venture Fund Sub-financing Agreement” means any of the agreement to be entered into between the Seed and Early Stage Venture Fund and each Beneficiary on the terms and conditions set forth in the Seed and Early Stage Venture Fund Operational Manual, also referred to as Sub-financing Agreement.

43. “Seed and Early Stage Venture Fund Operational Manual” means the manual for Part B.1 (b) (i) of the Project, prepared and approved by the Borrower pursuant to Section IV.B.1 (e) (iii), setting forth the operational and administrative procedures, including the environmental framework, in respect of the preparation, eligibility, selection, environmental screening, approval, financial management, disbursement and implementation and supervision of the Seed and Early Stage Venture Fund Subprojects.

44. “Seed and Early Stage Venture Fund Subproject” means a project eligible for financing under Part B.1 (b) (i) of the Project.

45. “Sub-financing” means any financing in the form of a loan or grant or equity investment made or proposed to be made by the NCFA or the PFI or the EIF or the Seed and Early Stage Venture Fund, respectively, to an eligible Beneficiary for a Sub-project, and to be financed out of the proceeds of the Loan.
46. “Sub-financing Agreements” means collectively the Broadband Networks Financing Agreement, the Computer for All Program Sub-loan Agreement, the Ideas Generation Grant Agreement, the Innovation Matching Grant Agreement and the Seed and Early Stage Venture Fund Sub-financing Agreement.

47. “Sub-project” means a specific project eligible for financing out of the proceeds of the Loan in accordance with the criteria set forth in the Operational Procedures to be carried out by a Beneficiary under Part A.1 (b) and 3 and Part B.1 (a) and (b) of the Project using a Sub-financing.

48. “Training” means expenses incurred by the FFPMC, the EIF, EKENG and the NCFA in connection with carrying out training activities under the Project, including travel costs and per diem for local trainees and trainers, study tours and workshops, rental of facilities and equipment and training materials and related supplies.

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“… (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has
entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”