May 16, 2013

Mr. David Sargsyan
Minister
Ministry of Finance
1 Melik-Adamyan Street
Yerevan 0010
Republic of Armenia

Re: Republic of Armenia: Grant No. TF014539
Grant for the Preparation of the General Education Improvement Project

Dear Sir:

In response to the request for financial assistance made on behalf of the Republic of Armenia (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), acting as administrator of grant funds provided by various (“Donors”), proposes to extend to the Recipient a grant in an amount not to exceed three hundred sixty thousand United States Dollars (US$360,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and return it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date on which the World Bank receives notice of completion of internal approval procedures under the laws of the Recipient; provided, however, that the offer of this Agreement
shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within one hundred eighty (180) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Henry G. R. Kerali
Regional Director
South Caucasus Country Department
Europe and Central Asia Region

AGREED:

REPUBLIC OF ARMENIA

By

Authorized Representative

Name Davit Sargsyan
Title Minister of Finance
Date 04/07/2013

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

   (a) "CEP" means the Recipient’s Center for Education Project, a Project management unit established and operating within the MoES.

   (b) "CIF" means Competitive Innovation Fund, a fund established pursuant to the Recipient’s Resolution No. 47-43 dated December 1, 2011, operated and administered by MoES, which objective is to stimulate innovation, develop strategic plans in higher education and high education institutions’ quality enhancement.

   (c) "MoES" means the Recipient’s Ministry of Education and Science or any successor or successors thereto.

   (d) "NACET" means the National Center of Education Technologies established pursuant to the Recipient’s Resolution No. 408-N dated March 11, 2004.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve Project readiness for the General Education Improvement Project. The Project consists of the following parts:

Part I: **Design of School Readiness for Pre-Primary Education and Secondary Education Improvement**

   (a) Provision of technical assistance for: (i) designing school readiness enhancement program; and (ii) assessing gaps in preschool coverage for vulnerable populations.

   (b) Provision of technical assistance for: (i) conducting a needs assessment in secondary education to ensure basic functioning of schools and an environment conducive to learning, including an identification of infrastructure needs in priority schools; (ii) preparing prototype engineering designs for school rehabilitation; (iii) carrying out an assessment of policy measures to bring enhancement of quality in rural schools offering grades 10 to 12; (iv) conducting quantitative and qualitative assessments of the high school reforms; (v) designing Project components for strengthening rural education and improving the effectiveness of secondary education; (vi) carrying out a gender analysis of streaming and constraint to access different education tracks; and
(vii) learning about new trends and innovations in enhancing the links between upper secondary education and labor markets.

Part II: Mainstreaming the Competitive Innovation Fund

Provision of technical assistance to: (i) assess the transparency and fairness of CIF’s grants allocation; (ii) design CIF’s operating procedures.

Part III: Strengthening System Conditions for Accountability and Effective Teaching

(a) Provision of technical assistance to: (i) assess NACET’s institutional capacity; (ii) develop an action plan to enhance NACET’s institutional capacity; and (iii) prepare information communication technology guidelines for student online safety and security.

(b) Provision of technical assistance to: (i) assess teachers’ professional development needs to promote effective teaching and ensure student learning in the Recipient’s schools; and (ii) elaborate a strategy for enhancing teacher professional development.

Part IV: Project and Grant Specific Activities

(a) Carrying out of a social and environmental assessment of the proposed Project.

(b) Preparation of the Project operational manual and development of the result framework for the Project.

(c) Carrying out of an audit of the activities financed by the Grant.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MoES in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements. For the purposes of carrying out the Project the Recipient shall through MoES: (a) designate the CEP with the responsibility for procurement planning, monitoring and reporting, implementation of the financial management function under the Project and preparation of Project Reports; and (b) ensure that CEP at all times shall have adequate staff and resources to fulfill its responsibilities with respect to Project implementation.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.
2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have the Project's Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods, non-consulting services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World 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.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding subject to the following additional procedures:
the following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts which are specified in the Procurement Plan:

(A) National Competitive Bidding, subject to the following additional provisions:

(i) entities in which the Recipient 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) World Bank’s approval is required for any modifications in the contract scope/conditions during implementation.

(B) Shopping

(C) Direct Contracting

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection
based on Consultants' Qualifications; (B) Selection of Individual Consultants; (C) Single-source Selection of consulting firms; and (D) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank. All terms of reference are subject to prior review.

### Article III

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocation of the amount of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants' services, Training and Operating Costs</td>
<td>360,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>360,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purposes of this paragraph, the term:

(i) "Operating Costs" means incremental expenses incurred on account of the consultations to be undertaken with key stakeholders throughout Project implementation, including, *inter alia*, meeting facility rental and materials, transportation of participants, media advertisement and other reasonable expenses approved by the World Bank; and

(ii) "Training" means the reasonable costs, as shall have been approved by the World Bank, for training conducted under the Project, including tuition, travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training course preparation and implementation (but excluding goods and consultants' services).
(c) The Recipient shall bear all Taxes incurred as a result of the implementation of the Project.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 30, 2014.

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**Article IV**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:  
+374-10-524282

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:  
INDEVAS  
Telex:  
248423 (MCI) or 64145 (MCI)  
Facsimile:  
1-202-477-6391