

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5398-AM

Financing Agreement

(Social Protection Administration II Project)

between

REPUBLIC OF ARMENIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *May 23*, 2014

CREDIT NUMBER 5398-AM

FINANCING AGREEMENT

AGREEMENT dated *May 23*, 2014, entered into between the REPUBLIC OF ARMENIA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association 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 — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirteen million nine hundred thousand Special Drawing Rights (SDR 13,900,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are March 15 and September 15 in each year.

- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is US Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Labor and Social Issues (hereinafter “MLSI”) in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient 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 consists of the following, namely that the Operational Manual, satisfactory to the Association, has been adopted by the Recipient.
- 4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient’s Representative is the Minister of Finance.

5.02. The Recipient's Address is:

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

Facsimile:

374 60700358

5.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

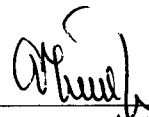
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1-202-477-6391

AGREED at Yerevan, Armenia, as of the day and year first above written.

REPUBLIC OF ARMENIA

By



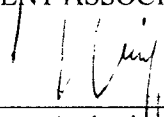
Authorized Representative

Name: Gagik Khachatryan

Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Jean-Michel Haggi

Title: Armenia Country Manager, WB

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) improve social protection service delivery and (ii) strengthen analytical and monitoring and evaluation functions of the agencies delivering social protection benefits and services.

The Project consists of the following parts:

Part I. Rolling-Out of Integrated Social Protection Service Delivery

1. Constructing, redesigning, refurbishing and equipping selected ISPCs including through: (i) the improvement of their electricity, water and sewage systems; (ii) strengthening the buildings against seismic shocks; and (iii) the improvement of accessibility for disabled people.
2. Strengthening the management information systems of the ISPC through: (i) supporting the implementation of said new management information system; (ii) the development of required software; and (iii) the provision of information technology support.
3. Drafting legislation aimed at supporting service delivery and implementation of the integrated social protection service.
4. Providing Training for ISPC staff in integrated social protection service delivery including: (i) the development of Training materials and manuals; (ii) practical Training for ISPCs and MLSI staff; and (iii) mentoring and on-the-job Training.
5. Carrying out public outreach activities on integrated social protection service delivery including: (i) awareness campaigns; and (ii) the design and production of printed materials.
6. Redesigning, refurbishing and equipping the central offices of SESA and AMSE, including through: (i) the improvement of their electricity, water and sewage systems; (ii) strengthening the buildings against seismic shocks; and (iii) the improvement of accessibility for disabled people.

Part II. Supporting the Implementation of the Recipient's New Employment Strategy

1. Strengthening the capacity of the SESA to provide central services through: (i) the carrying out of training activities for the staff of the SESA; and (ii) the improvement of the information technology infrastructure of the SESA, including upgrading GORTS.

2. Piloting labor market programs through, *inter alia*: (a) the design and implementation of an ALMP targeting unskilled youth; (b) the design and implementation of an ALMP to support self-employment and the creation of small businesses; (c) the provision of training and mentoring to programs' participants; and (d) the development of business plans.
3. Expanding career orientation towards specific skills through: (i) the improvement of the information system of the POMC; (ii) the development of online consultancy and distance-training programs accessible on the POMC webpage; and (iii) the development and installation of software for testing of professional orientation.
4. Carrying out public awareness activities on reforms and programs implemented in the labor and employment sectors.
5. Strengthening of the monitoring and evaluation capacities of the SESA, including through the carrying out of impact evaluations of ALMPs piloted under Part II.2 of the Project.

Part III. Modernization of the Pension System

Improving and upgrading the core business processes of the SSSS in line with ISPC requirements through: (i) investment in information technology; (ii) development of the SSSS' electronic pension information system; (iii) development of a risk-based fraud-and-error supervision system and software; (iv) improvement of capacity of the regional centers of the SSSS and the ISPC through the provision of Training in various pension reform aspects and core and new business processes including central payment services for the integrated social delivery system, and (v) carrying out of study tour for SSSS staff to analyze social enterprise management software and its implementation in selected countries.

Part IV. Strengthening MLSI's Analytical Capacity and Monitoring and Evaluation Systems

Strengthening the capacity of the monitoring and evaluation unit within the MLSI and developing an integrated system of monitoring and evaluation of social protection benefits and services including: (i) the provision of information and technology equipment, (ii) the development of required software; (iii) the development of a monitoring and evaluation model, as well as the carrying out of various studies and analyses on social protection reform options; and (iii) the provision of Training to the monitoring and evaluation specialists of the MLSI.

Part V. Project Management

Supporting Project management including provision of financing for:
(i) Incremental Operating Costs for the PIU and PCU; (ii) the carrying out of Training;
and (ii) Project audit.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall:
 - (a) For the purpose of ensuring the proper oversight, coordination and execution of the Project, within one month of Project effectiveness, establish a Steering Committee with membership and terms of reference satisfactory to the Bank, and thereafter maintain it during the life of the Project to be responsible for Project relevant decisions, monitoring overall Project implementation progress, providing guidance on the strategic issues and resolving issues arising during the Project activities implementation.
 - (b) Designate the PCU, a unit within the MLSI as the Project Coordination Unit with the responsibility of general technical coordination, preparation, implementation, monitoring and evaluation of Project activities, and ensure that the PCU has, at all times adequate the capacity and resources to fulfill its responsibilities with respect to Project implementation.
 - (c) Designate the FFPMC as the Project implementation unit (PIU) with the responsibility for the fiduciary aspects of the Project (including financial management and procurement) and ensure that FFPMC has, at all times adequate staff and resources to fulfill its responsibilities with respect to Project implementation.
 - (d) For purposes of Project implementation (except for activities under Part II.2 (a) and (b) of the Project):
 - (i) Prepare, in accordance with terms of reference acceptable to the Association, a proposed implementation manual for the Project containing detailed: (A) technical, (B) administrative, (C) procurement, (D) environmental and social, (E) financial and accounting; and (F) monitoring and evaluation procedures and arrangements;
 - (ii) furnish such manual to the Association for review and approval, afford the Association a reasonable opportunity to exchange views with

the Recipient on said manual; and thereafter, adopt said manual as shall have been approved by the Association (“Operational Manual”).

(iii) carry out the Project activities in accordance with the Operational Manual, and, except as the Association shall otherwise agree in writing, not amend or waive any provision of said Operational Manual.

2. For purposes of the carrying out of the activities under Part II. 2 (a) and (b) of the Project, the Recipient shall:
 - (a) furnish to the Association for approval, a detailed proposal for the design and implementation of pilots under the active labor market program (ALMP) targeting unskilled youth and/or supporting self-employment and the creation of small businesses;
 - (b) upon approval by the Association of the detailed proposal, prepare in accordance with terms of reference acceptable to the Association, proposed operational manuals for the ALMP targeting unskilled youth and the ALMP supporting self-employment and the creation of small businesses, respectively; containing detailed: (A) technical, (B) administrative, (C) procurement, (D) environmental and social, (E) financial and accounting; and (F) monitoring and evaluation procedures and arrangements, as applicable. Said manuals to further include, *inter alia*, (i) description of implementation arrangements and legal agreements, if applicable, for execution of activities under Part II.2 of the Project, as well as the rules, methods, guidelines, requirements, eligibility criteria, decision making processes for the selection of activities and their respective financing, including through Cash Grants to selected Beneficiaries; grievance mechanisms; (ii) flow of funds and management; and (iii) the mechanisms for verification of compliance with the provision of Cash Grants;
 - (c) furnish said manuals to the Association for review and approval, and thereafter, adopt said manuals as shall have been approved by the Association (“ALMP Operational Manuals”);
 - (d) Maintain, throughout Project implementation, a Ministerial Commission, with structure, functions and responsibilities acceptable to the Association, and set forth in the ALMP Operational Manuals; said functions and responsibilities to include, *inter alia*: (i) proposing a list of Beneficiaries and Cash Grant amount for each ALMP Unskilled Youth Beneficiary and/or ALMP Self-Employment Beneficiary to be approved by the Minister of Labor and Social Issues; all in accordance with

criteria, requirements, and selection procedures set forth in the ALMP Operational Manuals; and

- (e) carry out the activities in accordance with the ALMPs' Operational Manuals, and, except as the Association shall otherwise agree in writing, not amend or waive any provision of said ALMP Operational Manuals.
4. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Operational Manual or the ALMP Operational Manuals and those of the Financing Agreement, the provisions of the Financing Agreement shall prevail.
 5. No later than forty five (45) days after the approval of the ALMP Operational Manuals, the Recipient shall establish and implement, throughout the Project implementation, an easily accessible grievance redress mechanism, acceptable to the Association, to address grievances relating to the selection of ALMP Beneficiaries and provision of Cash Grants.
 6. The Recipient shall carry out public awareness/information campaigns, about the ALMP pilots and Cash Grant payments, all under terms and conditions acceptable to the Association.
 7. Before commencing implementation of Part II.2 (a) of the Project, the Recipient shall ensure:
 - (i) that all appropriate Training Agreements between the Recipient and selected employers and other organizations participating in the ALMP targeting Unskilled Youth Beneficiaries shall be executed and delivered under terms and conditions satisfactory to the Association. The Recipient shall also ensure that (a) a Training Agreement template is submitted to the Association for its review and approval prior to its signature, (b) Training Agreements are signed and effective before any proceeds of the Financing is transferred to the selected employers and other organizations; (c) Training Agreements are carried out with due diligence and efficiency and in accordance with sound technical, financial, and managerial standards and practices acceptable to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines.
 - (ii) the exercise of its rights and carrying out its obligations under the Training Agreements in such manner as to protect the interest of the Recipient and the Association and to accomplish the purposes of the Financing, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the Training Agreement or any provision thereof.

B. Anti-Corruption

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

C. Safeguards.

1. The Recipient shall carry out the Project in accordance with the Safeguard Frameworks and all Safeguard Documents. To this end, the Recipient shall take the following measures:
 - (a) If any activities included in the Project, pursuant to the ESMF, require the carrying out of an EMP, no such activities shall be implemented unless and until an EMP for such activities has been: (A) prepared, in accordance with the ESMF and furnished to the Association as part of the Annual Work Plan; (B) disclosed locally as required by the ESMF; and (C) approved by the Association and publicly disclosed; and
 - (b) If any activities included in the Project would, pursuant to the RPF, require the carrying out of a RAP, no such activities shall be implemented unless and until:
 - (i) a RAP for such activities has been: (A) prepared in accordance with the requirements of the RPF and furnished to the Association; (B) disclosed as required by the RPF; and (C) approved by the Association; and
 - (ii) (A) all measures required to be taken under said RAP prior to the initiation of said activities have been taken, including, without limitation to the above, providing funds for resettlement compensation when and if required under a RAP; (B) a report, in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP has been prepared and furnished to the Association; and (C) the Association has confirmed that said activities may be commenced.
2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association upon request, reports, in form and substance satisfactory to the Association, on the status of compliance with the Safeguard Instruments, as appropriate:
 - (a) measures taken in furtherance of such Safeguard Instruments;

- (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments; and
 - (c) remedial measures taken or required to be taken to address such conditions.
- 3. The Recipient shall afford the Association a reasonable opportunity to review the reports prepared under paragraph 2 of this Part C, and thereafter shall carry out or cause to be carried out, with due diligence, all remedial measures agreed with the Association so as to ensure the proper implementation of the Project in accordance with the Safeguard Instruments.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- 2. For purposes of Section 4.08 (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 Association not later than four (4) months before the Closing Date.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.
- 3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

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 Financing 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 Financing 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 Association 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 Recipient may be used for procurement of goods, works and non-consulting services for the Project, provided that the following provisions are complied with: <ol style="list-style-type: none">(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;

Procurement Method	
(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 Association's approval is required for any modifications in the contract scope/conditions during implementation.
(b)	Shopping
(c)	Direct Contracting

C. Particular Methods of Selection 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:

Selection Method	
(a)	Quality-based Selection
(b)	Fixed-Budget Selection
(c)	Least Cost Selection
(d)	Selection Based on Consultants Qualification
(e)	Single Source Selection
(f)	Procedures set forth in paragraphs 5.2 through 5.4 of the Consultants Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (exclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs under the Project except for activities under Part II.2. of the Project	12,800,000	100%
(2) Cash Grants and Consultant Services under Part II.2 of the Project.	1,100,000	100%
TOTAL AMOUNT	<u>13,900,000</u>	100%

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.

- (b) under Category (2) for Eligible Expenditures, unless: (i) the Recipient has adopted, in accordance with Section I.A.2(c) of Schedule 2 to this Agreement, such ALMP Operational Manuals as have been approved by the Bank; and (ii) the Recipient has executed and delivered the agreements, where applicable, in accordance with Section I.A.7 of Schedule 2 to this Agreement.

- 2. The Closing Date is December 31, 2018.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
Commencing on September 15, 2019 to and including March 15, 2029	1.65%
Commencing on September 15, 2029 to and including March 15, 2039	3.35%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

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 and revised in January 2011.
2. “ALMP” means a Recipient’s Active Labor Market Program that forms part of its social protection system.
3. “ALMP Beneficiaries” means more than one ALMP Unskilled Youth Beneficiary and/or ALMP Self-Employment Beneficiary.
4. “ALMP Operational Manuals” means the manuals corresponding to activities under Part II.2 (a) and (b) of the Project, to be prepared and adopted in accordance with the provisions of Section I. A. 2 of Schedule 2 of this Project.
5. “ALMP Unskilled Youth Beneficiaries” means either (i) selected individuals who receive Cash Grants as stipends for attending employability training , and/or (ii) selected employers and other organizations who receive Cash Grants for providing employability training to the unskilled youth, under Part II.2 (a) of the Project, all in accordance with eligibility criteria and procedures set forth in the ALPM Operational Manuals.
6. “ALMP Self-Employment Beneficiaries” means selected individuals who receive Cash Grants for (i) establishing small business upon the approval of their corresponding business plan, or (ii) attending employability training, all in accordance with eligibility criteria and procedures set forth in the ALPM Operational Manuals.
7. “AMSE” means the Recipient’s Agency for Medico-Social Expertise functioning under MLSI.
8. “Cash Grant” means a single cash transfer payment made by the Recipient (through the PIU) to the ALMP Beneficiaries under Part II.2 of the Project, all pursuant to the provisions of the ALMP Operational Manuals.
9. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
10. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.

11. “Displaced Person” means a person who, on account of the execution of an activity under the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; “Displaced Persons” means all such persons.
12. “Environmental Management Plan” and “EMP” means an environmental management plan for the Project to be prepared and implemented in accordance with the ESMF and pursuant to the provisions of Section I.C.1 (a) of Schedule 2 to this Agreement; and “EMPs” means more than one EMP.
13. “Environmental and Social Management Framework” and “ESMF” each means the Recipient’s framework entitled “Environmental and Social Management Framework”, disclosed in the Recipient’s territory on December 30, 2013, and at the Association’s *Infoshop* on January 15, 2014, detailing: (a) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, including monitoring and institution strengthening.
14. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
15. “GORTS” means SESA’s management information system.
16. “Incremental Operating Costs” shall mean the expenses incurred by the Recipient, the PIU, or the PCU for the incremental expenses on equipment and vehicle maintenance, costs for fuel, office supplies, minor office equipment, literature, field trips, meetings and in-country travel costs related to the Project, PIU staff salaries (excluding current Government officials’ salaries), training, study tours, communication costs, reasonable banking charges and media advertisement costs, and other expenses as agreed with the Association.
17. “ISPCs” means the Recipient’s Integrated Social Protection Centers responsible for the provision of integrated social protection services, created through Government Decree No. 952 dated July 26, 2012.
18. “Ministerial Commission” means the commission composed of various representatives of the MLSI and established through a Ministerial Decree for purposes of implementation of the ALMPs.

19. “MLSI” means the Recipient’s Ministry of Labor and Social Issues or its legal successor thereto.
20. “MoF” means the Borrower’s Ministry of Finance or its legal successor thereto.
21. “Operational Manual” means the manual for the Project to be prepared and adopted in accordance with the provisions of Section I. A. 1 of Schedule 2 to this Agreement.
22. “PCU” means the Project Coordination Unit under the MLSI as referred to in Section I.A.(b) of Schedule 2 to this Agreement in charge of general coordination, preparation, implementation and monitoring and evaluation of Project activities.
23. “PIU” means the Foreign Financing Project Management Center (FFPMC) , as referred to in Section I.A.(c) in Schedule 2 to this Agreement, a unit within the MoF acting as the Project implementation unit responsible for all fiduciary aspects of the Project.
24. “POMC” means the Recipient’s “Professional Orientation Methodological Center”, established by MLSI in October 2007, responsible for professional orientation for youth in the Recipient’s territory.
25. “Procurement Guidelines” means 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.
26. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 5, 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.
27. “Resettlement Action Plan” and “RAP” each means a resettlement action plan to be prepared and implemented in accordance with the RPF and pursuant to the provisions of Section I. C. 1 (b) of Schedule 2 to this Agreement; and “RAPs” means more than one such RAP.
28. “Resettlement Policy Framework” and “RPF” each means the Recipient’s framework entitled “Resettlement Policy Framework”, disclosed in the Recipient’s territory on December 30, 2013 and at the Association’s *Infoshop* on January 15, 2014 and containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons.

29. "Safeguards Documents" means any EMP, RAP, or other supplemental social and environmental safeguard documents as required under the terms of the Safeguard Frameworks.
30. "Safeguards Frameworks" means, collectively, the ESMF and the RPF.
31. "Safeguards Instruments" means, collectively, the Safeguards Frameworks and the Safeguard Documents.
32. "SESA" means the Recipient's State Employment Service Agency responsible for employment services in the Recipient's territory and functioning under the structure of the MLSI.
33. "SSSS" means the Recipient's State Social Security Service.
34. "Steering Committee" means the committee to be established by the Recipient pursuant to Section I A.1 (a) of Schedule 2 to this Agreement, consisting of representatives of relevant ministries and agencies of the Recipient responsible for oversight and coordination of the Project activities implementation or any successor thereto.
35. "Training" means the expenses incurred by the Recipient 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, and other expenses as agreed with the Association.
36. "Training Agreements" means the agreements referred to in Section I. A. 7 of Schedule 2 to this Agreement, as said agreements may be amended from time to time with the agreement of the Association.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

- (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-

annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

8. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
9. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”
10. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
11. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).