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LOAN NUMBER 2922-ARM(SF)

LOAN AGREEMENT  
(Special Operations)

(Women's Entrepreneurship Support Sector Development Program)

between

REPUBLIC OF ARMENIA

and

ASIAN DEVELOPMENT BANK

DATED 25 Jan 2013

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ARM 45230

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 25 January 2013 between  
REPUBLIC OF ARMENIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

**WHEREAS**

(A) ADB has received from the Borrower a development policy letter dated 19 September 2012 ("Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower's micro, small and medium-sized enterprise (including women entrepreneurship) sector ("Program");

(B) the Borrower has applied to ADB for a loan for the purposes of the Program;

(C) the Central Bank of the Republic of Armenia ("CBA") has applied to ADB for a loan from its Special Funds resources in connection with the Women's Entrepreneurship Support Sector Development Project ("Project"), to be guaranteed by the Borrower under a Guarantee Agreement between the Borrower and ADB ("Guarantee Agreement"), and by a loan agreement ("Project Loan Agreement") ADB has agreed to provide a loan to CBA from its Special Funds resources in an amount in various currencies equivalent to thirteen million thirty-five thousand Special Drawing Rights (SDR13,035,000 equivalent)); and

(D) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(24) is deleted and the following is substituted therefor:

24. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.

(b) The term “Project” wherever it appears in the Loan Regulations shall be substituted by the term “Program”.

(c) Section 2.01(26) is deleted and the following is substituted therefor:

26. The term “Program Executing Agency” means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

(d) The term “Project Executing Agency” wherever it appears in the Loan Regulations shall be substituted by the term “Program Executing Agency”.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) “AMD” means Dram, the currency of the Borrower;

(b) “Counterpart Funds” means the local currency generated from the Loan proceeds under the Program and referred to in paragraph 4 of Schedule 4 to this Loan Agreement;

(c) “Deposit Account” means the account referred to in paragraph 3 of Schedule 3 to this Loan Agreement;

(d) “Eligible Imports” means the total imports of the Borrower during the relevant period minus the following imports during the same period:

(i) imports from countries which are not members of ADB;

(ii) imports of ineligible items specified in Attachment 1 to Schedule 3 to this Loan Agreement; and

(iii) imports financed by official international or bilateral aid agencies or any other loans or grants made by ADB;

(e) “Eligible Items” means the Eligible Imports and services in connection with the delivery and installation of such imports;

(f) “First Tranche” means the portion of the proceeds of the Loan in an amount equivalent to six million five hundred seventeen thousand five hundred Special Drawing Rights (SDR6,517,500) to be withdrawn pursuant to and subject to the provisions of paragraph 4 of Schedule 3 to this Loan Agreement;

(g) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(h) “MOE” means the Ministry of Economy of the Borrower or any successor thereto;

(i) “MOF” means the Ministry of Finance of the Borrower or any successor thereto;

(j) “MSMEs” means micro, small or medium-sized enterprises as defined by applicable laws and regulations of the Borrower, and registered in the Borrower;

(k) “PFIs” has the meaning given in the Project Loan Agreement;

(l) “Second Tranche” means the balance of the proceeds of the Loan remaining in the Loan Account after the utilization of the First Tranche, to be withdrawn pursuant to and subject to the provisions of paragraph 5 of Schedule 3 to this Loan Agreement; and

(m) “SME DNC” means the Small and Medium Entrepreneurship Development National Center that was established by Decree No. 282A/2002 of the Government of the Republic of Armenia.

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to thirteen million thirty-five thousand Special Drawing Rights (SDR13,035,000 equivalent).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term “grace period” as used in paragraph (a) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 February and 15 August in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which:

- (a) are produced in, and are supplied from, such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.04. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2017 or such other date as may from time to time be agreed between the Borrower and ADB.

### **ARTICLE IV**

#### **Particular Covenants**

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. (a) The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

## **ARTICLE V**

### **Suspension; Acceleration of Maturity**

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

- (a) CBA shall have, in the opinion of ADB, failed to perform any of its obligations under the Project Loan Agreement; and
- (b) the Borrower shall have, in the opinion of ADB, failed to perform any of its obligations under the Guarantee Agreement.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

- (a) the Project Loan Agreement shall have been duly authorized or ratified by, executed and delivered on behalf of, CBA, and all conditions precedent to its effectiveness (other than a condition requiring effectiveness of this Loan Agreement) shall have been fulfilled; and
- (b) the Guarantee Agreement shall have been duly authorized or ratified by, executed and delivered on behalf of, the Borrower, and all conditions precedent to its effectiveness (other than a condition requiring effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) the Project Loan Agreement shall have been duly authorized or ratified by, and executed and delivered on behalf of, CBA, and is legally binding on CBA in accordance with its terms; and
- (b) the Guarantee Agreement shall have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and is legally binding on the Borrower in accordance with its terms.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

#### For the Borrower

Ministry of Finance  
1 Melik Adamyan Street  
Yerevan 0010, Armenia

Facsimile Number:

(37410) 524-282.

#### For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

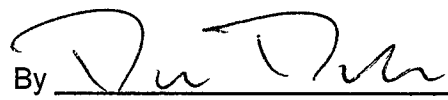
(632) 636-2444  
(632) 636-2424.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of the ADB.

REPUBLIC OF ARMENIA

By \_\_\_\_\_  
YACHE GABRIELIAN  
Minister of Finance

ASIAN DEVELOPMENT BANK

By \_\_\_\_\_  
DAVID DOLE  
Resident Representative  
Armenia Resident Mission



**SCHEDULE 1****Description of the Program**

1. The principal objective of the Program is to support an improved enabling environment for women entrepreneurs, and the scope includes:
  - (a) improvement of institutional framework to support MSMEs, including women entrepreneurs;
  - (b) capacity development for MSMEs including women entrepreneurs;
  - (c) improvement of access to finance for MSMEs, including women entrepreneurs; and
  - (d) improvement of general business environment.
2. The Program is described in more detail in the Policy Letter.
3. The Program is expected to be completed by 30 June 2017.

**SCHEDULE 2****Amortization Schedule****(Women's Entrepreneurship Support Sector Development Program)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 February 2021	407,344.00
15 August 2021	407,344.00
15 February 2022	407,344.00
15 August 2022	407,344.00
15 February 2023	407,344.00
15 August 2023	407,344.00
15 February 2024	407,344.00
15 August 2024	407,344.00
15 February 2025	407,344.00
15 August 2025	407,344.00
15 February 2026	407,344.00
15 August 2026	407,344.00
15 February 2027	407,344.00
15 August 2027	407,344.00
15 February 2028	407,344.00
15 August 2028	407,344.00
15 February 2029	407,344.00
15 August 2029	407,344.00
15 February 2030	407,344.00
15 August 2030	407,344.00
15 February 2031	407,344.00
15 August 2031	407,344.00
15 February 2032	407,344.00
15 August 2032	407,344.00
15 February 2033	407,344.00
15 August 2033	407,344.00
15 February 2034	407,344.00
15 August 2034	407,344.00
15 February 2035	407,344.00
15 August 2035	407,344.00
15 February 2036	407,344.00
15 August 2036	407,336.00
<b>Total</b>	<b>13,035,000.00</b>

\* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

### **SCHEDULE 3**

#### **Withdrawal of Loan Proceeds**

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

2. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Such withdrawal applications shall be accompanied by a certificate of the Borrower confirming that with respect to each year during which the proceeds of the Loan are expected to be disbursed, the value of the Eligible Imports is expected to be greater than the amount of the Loan expected to be disbursed during such year.

(c) The Borrower shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Borrower has certified the value of Eligible Imports in its withdrawal application.

3. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account (the Deposit Account) at CBA into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.

(c) Throughout the Program implementation period, the Borrower shall submit trade statistics and any other information as ADB may require from time to time to assess the Borrower's compliance with the formula for determining Eligible Imports.

4. No withdrawal shall be made from the Loan Account for the First Tranche unless ADB is satisfied that the Borrower has met the policy actions for the release of the tranche specified in Attachment 2 to this Schedule.

5. Notwithstanding any other provisions of this Loan Agreement and except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account for the Second Tranche unless ADB is satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; (b) the policy actions that were met for the release of the First Tranche continue to be complied with by the Borrower; and (c) the Borrower has met the policy actions for the release of the tranche specified in Attachment 3 to this Schedule.

**Negative List**

No withdrawals will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

**Table: Ineligible Items**

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and
- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

**Policy Actions for Release of the First Tranche**

1. The Borrower, through MOE, shall establish an internal strategic planning committee for making recommendations (in consultation with stakeholders) on the development of priority sectors and strategic aims.
2. The Borrower, through MOE, shall establish an audit committee for SME DNC for monitoring financial and economic activities and ensuring that there is an adequate system of internal control and risk management.
3. The Borrower, through MOE, shall adopt an improved approach for supporting “start-up” businesses, which includes the provision of 100 percent loan guarantees (under the revised loan guarantee scheme) and a training approach based on “competency-based economies through formation of enterprises”.
4. The Borrower, through MOE, shall assess the role of women entrepreneurs in growth sectors by:
  - (a) implementing a “participatory appraisal of competitive advantage” exercise in 3 communities; and
  - (b) defining target groups by sector and region based on the result of the “participatory appraisal of competitive advantage” exercise.
5. The Borrower, through MOE, shall strengthen the provision of training and business development services by SME DNC by:
  - (a) developing partnerships with private sector providers of training and business development services for women entrepreneurs and MSMEs; and
  - (b) conducting at least 8 “start-up” campaigns for at least 100 people, of which at least 40 percent are women.
6. The Borrower, through MOE, shall promote women entrepreneurship by launching a pilot annual awards program for MSMEs, including women entrepreneurs.
7. The Borrower, through MOE, shall:
  - (a) adopt a revised loan guarantee scheme; and
  - (b) for the period between February 2012 and August 2012, issue at least 80 loan guarantees under the revised loan guarantee scheme (with an approximate aggregate value of \$600,000 equivalent) to MSMEs of which at least 30 percent are women entrepreneurs and MSMEs.
8. The Borrower, through the Ministry of Justice, shall reduce the cost of registering businesses (including MSMEs) by eliminating the registration fee of AMD17,000.

9. The Borrower, through MOE, shall enable the Accounting Center of the Borrower to support the preparation of taxation reports and conduct counseling on taxation for at least 450 MSMEs, of which at least 30 percent are women, for the period between January 2012 and August 2012.
10. The Borrower, through MOF, shall simplify the “patent fee” system to enable businesses to pay patent fees on flexible terms, including on a monthly basis, provided that the aggregate payment period does not exceed twelve months.
11. The Borrower, through MOF, shall eliminate requirements for maintaining special tax books (i.e. book of registration of revenues and book of shipment of inventory holdings).
12. The Borrower, through MOE shall initiate the establishment of a virtual “one-stop shop” for efficient and up-to-date access to information, products and services for starting and growing businesses (micro, small, medium and large).
13. The Borrower, through MOE shall broaden cooperation between SME DNC and the Armenian Development Agency in the promotion of micro, small, medium and large enterprises (including women entrepreneurs and MSMEs) by establishing a working group.

**Policy Actions for Release of the Second Tranche**

1. The Borrower, through MOE, shall:
  - (a) adopt and implement a National Strategy for Small and Medium Entrepreneurship Development, which includes the Women Entrepreneurship Promotion component; and
  - (b) implement an interagency coordination working group on the promotion of women's entrepreneurship.
2. The Borrower, through MOE, shall:
  - (a) appoint new independent members to the Board of Trustees of SME DNC of which at least 50 percent of such new appointees shall be women; and
  - (b) require the Board of Trustees to undergo accredited training on good corporate governance practices.
3. The Borrower, through MOE, shall:
  - (a) strengthen the risk management committee of SME DNC to enable it to assist with risk monitoring, control and analysis associated with financial products provided by it and by ensuring that the committee comprises at least 50 percent women;
  - (b) require SME DNC to adopt internal procedures to assess credit risk related to provision of financial products and train its staff on these procedures; and
  - (c) establish appraisal panels for fund allocations at regional level involving SME DNC and relevant stakeholders.
4. The Borrower, through MOE, shall:
  - (a) expand its data base to at least 10,000 MSMEs, with sex disaggregated data and data on their ethnicity; and
  - (b) undertake annual surveys on MSMEs, including women entrepreneurs, and MSMEs and identify the needs, and effectiveness of support services provided (including lessons learned and opportunities to be developed) for women.
5. The Borrower, through MOE, shall:
  - (a) identify opportunities for women entrepreneurs in growth sectors; and

- (b) implement an action plan, with targets and indicators, for developing women entrepreneurs in identified sectors.
- 6. The Borrower, through MOE, shall support women entrepreneurs by:
  - (a) providing at least 20 “start-up” training programs;
  - (b) implementing at least 4 awareness campaigns on business development services resources;
  - (c) improving the website of SME DNC and its “online market place” to meet the specific needs of women entrepreneurs; and
  - (d) using information communication technology to increase the reach of “start-up” campaigns to serve at least 2,400 people annually, of which at least 50 percent are women.
- 7. The Borrower, through MOE, shall design and pilot a mentorship network for women entrepreneurs, which may include the use of information communication technology to support it.
- 8. The Borrower, through MOE, shall:
  - (a) issue at least 300 loan guarantees under the revised loan guarantee scheme (with an approximate aggregate value of \$1.5 million equivalent) and/or other financial products to enterprises and “start-ups” of which at least 50 percent are women entrepreneurs and MSMEs; and
  - (b) ensure that PFIs fully implement all safeguard related assessment, compliance and monitoring requirements as specified in the Project Loan Agreement.
- 9. The Borrower, through MOE, shall support business development, including women entrepreneurs by:
  - (a) adopting an action plan to ensure collaboration between SME DNC and the Armenian Development Agency to enable efficient and effective support to micro, small, medium and large enterprises, including women entrepreneurs and MSMEs;
  - (b) implementing a virtual “one-stop shop” to enable entrepreneurs to have efficient access to information, products and services for starting and growing businesses through utilization of information communication technology; and
  - (c) consolidating existing databases into 1 database on MSMEs, with sex disaggregated data.



## **SCHEDULE 4**

### **Program Implementation and Other Matters**

#### Implementation Arrangements

1. MOF shall be the Program Executing Agency. MOE shall be the Implementing Agency.

#### Policy Actions and Dialogue

2. The Borrower shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program.
3. The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.

#### Use of Counterpart Funds

4. The Borrower shall ensure that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.

#### Governance and Anticorruption

5. The Borrower shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

#### Monitoring and Review

6. The Borrower shall carry out review of the Program with the participation of ADB in accordance with the review procedures described in the Project Administration Manual for the Program.