Financing Agreement

(Additional Financing for Competitiveness Enhancement Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 17, 2009
FINANCING AGREEMENT

Agreement dated November 17, 2009, entered into between REPUBLIC OF MOLDOVA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 and in the Original Financing 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 fifteen million four hundred thousand Special Drawing Rights (SDR 15,400,000) to assist in financing Parts C.2 and F of 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are April 15 and October 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
2.07. 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, through MoET and MoF, shall carry out the Project 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 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 consist of the following:

   (a) The Subsidiary Financing Agreements have been signed and have entered into force between the Recipient and at least two PFIs, in form and substance satisfactory to the Association.

   (b) The Recipient has adopted the Operations Manual for Part F of the Project in form and substance satisfactory to the Association.

4.02 The Additional Legal Matter consists of the following: the Subsidiary Financing Agreements referred to in paragraph (a) of Section 4.01 of this Agreement have been duly authorized by the Recipient and the respective PFIs and are legally binding upon the Recipient and the PFIs in accordance with their terms.

4.03. The Effectiveness Deadline is the date one hundred twenty (120) days 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
7, Cosmonautilor Street
Chisinau 2005
Republic of Moldova

Facsimile:

(37322) 221307

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 248423 (MCI) 1-202-477-6391
AGREED at Chisinau, Republic of Moldova, as of the day and year first above written.

REPUBLIC OF MOLDOVA

By /s/ Veaceslav Negruta

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Melanie Marlett

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in enhancing competitiveness of enterprises through improvements in the business environment, enhancing access to finance, and making adequate standards, testing, and quality improvement services available to enterprises.

The Project consists of the Original Project and the following additional Parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part C.2: Enterprise Access to Business Development Services

Further use of the Matching Grant Facility to help strengthen the Recipient’s private enterprises by facilitating access of qualifying enterprises to external expertise for: (i) preparation of business plans, feasibility studies, marketing, and development of new products and services; and (ii) on-the-job training of management and personnel, in accordance with the criteria and terms and conditions, policies and procedures contained in the Matching Grant Manual.

Part F: Line of Credit

Provision of Sub-loans by qualified PFIs to support investment and working capital financing needs of export-oriented Beneficiary Enterprises in accordance with the criteria and terms and conditions, policies and procedures contained in the Operations Manuals for Part F of the Project.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall implement the Project in accordance with the implementation arrangements set forth in Schedule 4, Part A.1, 3, 4 and 6 of the Original Financing Agreement.

2. The Recipient shall maintain, throughout the duration of the Project, the Credit Line Directorate (CLD) which shall be responsible for the day to day management and implementation of Part F of the Project. The CLD shall be provided with adequate staff, funding, facilities and other resources satisfactory to the Association and required for implementation of Part F of the Project. The CLD’s functions will include, inter alia: (a) evaluating compliance with Sub-loan appraisal practices with the Project’s fiduciary and safeguards requirements; (b) collection (repayment) of funds advanced to PFIs; (c) monitoring the financial condition of PFIs; and (d) reporting to the Association and the Recipient on the use of funds and other matters related to implementation of Part F of the Project.

3. For the purposes of carrying out Part F of the Project, the Recipient shall: (a) observe and follow the requirements set forth or referred to in the Operations Manual; and (b) enter into Subsidiary Financing Agreements with eligible PFIs for provision of a line of credit for on-lending by PFIs to Beneficiary Enterprises under Sub-loans, all on terms and conditions, and in accordance with the eligibility criteria and requirements contained in Annexes 1 and 2 to this Schedule and the Operations Manual for Part F of the Project and shall not assign, amend, abrogate or waive any provision of the Operations Manual without prior approval of the Association.

4. For the purposes of carrying out Part C.2 of the Project, the Recipient shall observe and follow the requirements set forth or referred to in Schedule 4, Part B of the Original Financing Agreement and the revised Matching Grant Manual for Part C.2 and shall not assign, amend, abrogate or waive any provision of the Matching Grant Manual without prior approval of the Association.

B. Subsidiary Financing Agreement

1. To facilitate the carrying out of Part F of the Project, the Recipient shall make part of the proceeds of the Financing available to each qualifying PFI under a Subsidiary Financing Agreement between the Recipient and the qualifying PFI,
under terms and conditions approved by the Association and which shall include, without limitation, those set forth in Annex 1 to this Financing Agreement.

2. The Recipient shall exercise its rights under each Subsidiary Financing Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Project. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive a provision or provisions of a Subsidiary Financing Agreement.

C. Anti-Corruption

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

D. Safeguards

1. Under Part F of the Project, the Recipient shall not finance any investments involving the involuntary acquisition of land or the displacement of persons, or investments that involve the use or potential pollution of international waterways.

2. The Recipient, through a respective PFI, shall carry out the measures included in the Environmental Assessment with respect to each Sub-project envisaged under Part F of the Project.

3. The Recipient shall ensure that the carrying out of the measures required under the EMF shall be taken in a timely manner and in compliance with: (a) environmental standards satisfactory to the Association; and (b) all applicable laws and regulations of the Recipient relating to health, safety and environmental protection.

4. The Recipient shall submit for the Association’s prior approval: (a) all Sub-projects which, after carrying out environmental screening referred to in Section B.2 (b) (vi) of Annex 1 to this Schedule, are classified as Category A Sub-projects; or (b) the first two Category B Sub-projects for each PFI, in accordance with the provisions of the Operations Manual for Part F of the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 Monitoring and Evaluation indicators agreed
with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

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 not later than forty-five (45) 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 Association.

3. The Recipient 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 Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

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 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 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 under part F of the Project 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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Commercial Practices: Goods and works contracts (i) costing less than USD 1,000,000 equivalent per contract, financed under Part F of the Project (credit line component), and (ii) costing less than USD 25,000 equivalent per contract and financed under Part C.2 of the Project, may be procured in accordance with commercial practices acceptable to the Association.</td>
</tr>
<tr>
<td>(b) Direct Contracting: Goods and works costing less than USD 250,000 equivalent and financed under Part F of the Project, which are of proprietary nature or available from only one source, may be procured, with due justification recorded in the application, following the procedures described under paragraph 3.6 of Procurement Guidelines.</td>
</tr>
</tbody>
</table>

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 methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Commercial Practices: Services costing less than USD 25,000 equivalent per contract, financed under Part C.2 and Part F of the Project, may be procured in accordance with commercial practices acceptable to the Association.</td>
</tr>
</tbody>
</table>

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

Except the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior review by the Association: (a) each contract for goods under Part F of the Project estimated to cost USD 1,000,000 equivalent or more, following the ICB procedures; (b) each contract under the
first two Sub-loans for each PFI, approved under Part F of the Project. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General.** The following table specifies the categories of Eligible Expenditures (listed in the same order as in the Original Financing Agreement) that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Credit 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Matching Grants under Part C.2 of the Project</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Sub-loans under Part F of the Project</td>
<td>14,400,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>15,400,000</strong></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 SDR 3,065,000 may be made for payments made prior to this date but on or after April 30, 2009, for Eligible Expenditures under Category (2); and
   
   (b) under Category (2), unless the Sub-loan has been made in accordance with the criteria and procedures set forth in the Operations Manual for Part F and on the terms and conditions referred to in Annex 2 to this Schedule.

2. The Closing Date is June 30, 2012.
ANNEX 1

Terms and Conditions of
Subsidiary Financing Agreements

The principal terms and conditions set forth in this Annex shall apply for the purposes of Subsidiary Financing Agreements to be entered between the Recipient and a respective PFI.

A. Terms

1. The principal amount to be relent out of the proceeds of the Financing to a PFI under its respective Subsidiary Financing Agreement shall be denominated in US Dollars/Euro/Moldovan Lei and be the equivalent in US Dollars/Euro/Moldovan Lei of the aggregate cost of goods, works, services and working capital to be financed under the Subsidiary Financing out of the proceeds of the Financing allocated from time to time to Category (2).

2. The Subsidiary Financing shall:
   
   (a) be charged semi-annually, on the principal amount thereof withdrawn and outstanding from time to time, interest at a rate based on the average LIBOR for the preceding six (6) month period, plus an on-lending margin, reflecting the Recipient’s administrative costs.

3. The right of a PFI to the use of the proceeds of its respective Subsidiary Financing shall be: (a) suspended upon failure of such PFI to perform any of its obligations under its respective Subsidiary Financing Agreement or to continue to be in compliance with all legal and regulatory requirements applicable to its operations; and (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of sixty (60) days.

B. PFI Eligibility Criteria

1. Unless the Association and the Recipient shall otherwise agree, a Subsidiary Financing Agreement may be entered into with a PFI, duly established and operating in the territory of the Recipient, in respect of which the Recipient shall have determined, and the Association shall have agreed, that the PFI:
   
   (a) is duly licensed in the territory of the Recipient and at least two (2) years in operation;

   (b) has ownership structure consistent with “fit and proper” requirements, and has qualified and experienced management, adequate organization and institutional capacity for its specific risk profile;
(c) is in “good standing” with its supervisory authority, i.e. it should be in compliance with all prudential and other applicable laws and regulations of the Recipient and remain in compliance for the duration of the Subsidiary Finance Agreement;

(d) has well defined policies and written procedures for management of all types of financial risks (liquidity, credit, currency, interest rate and market risk, as well as risks associated with balance sheet and income statement structures);

(e) maintains capital adequacy prescribed by prudential regulations;

(f) has adequate liquidity;

(g) has positive profitability and acceptable risk profile and maintains the value of its capital;

(h) has adequate portfolio quality, classifies its assets and off-balance-sheet credit risk exposures and makes adequate provisions; and has adequate internal audits and controls for its specific risk profile and adequate management information systems; and

(i) has annual unqualified audit of its financial statements according to IFRS available for at least two (2) previous years.

2. Each respective Subsidiary Financing Agreement shall contain provisions pursuant to which each respective PFI shall undertake to:

(a) carry out activities under Part F of the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, with qualified management and staff in adequate numbers, and in conformity with sound lending policies and procedures referred to in the Operations Manual for Part F of the Project and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient, and provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;

(b) (i) make Sub-loans to Beneficiary Enterprises on the terms and conditions set forth in the Operations Manual for Part F of the Project, including, without limitation, the terms and conditions set forth in Annex 2;

(ii) ensure that, except as the Association shall otherwise agree, the aggregate amount of all Sub-loans made provided to any one
Beneficiary Enterprise, or group of connected Beneficiary Enterprises, shall not exceed the equivalent of $1,000,000;

(iii) exercise its rights in relation to each such Sub-loan in such manner as to protect its interests and the interests of the Recipient, comply with its obligations under its respective Subsidiary Financing Agreement and achieve the purposes of the Project;

(iv) not assign, amend, abrogate or waive any of its agreements providing for Sub-loans, or any provision thereof, without prior approval of the Recipient. Any of the above mentioned changes in the agreements shall be included and reported to the Association within the Project Reports referred to in Section II.A Schedule 2 of this Agreement;

(v) appraise Sub-projects and supervise, monitor and report on the carrying out by Beneficiary Enterprises of Sub-projects, in accordance with the Operations Manual for Part F of the Project and the EMF;

(vi) screen proposed Sub-projects, ensure that each Beneficiary Enterprise carry out an appropriate Environmental Assessment for each Sub-project, and verify (through its own staff, outside experts, or existing environmental institutions) before approving a Sub-project that the Sub-project meets the environmental requirements of appropriate national and local authorities and is consistent with the Association’s applicable environmental assessment and safeguard policies and complies with the environmental review procedures set forth in the Operations Manual for Part F of the Project and EMF;

(vii) require each Beneficiary Enterprise applying for a Sub-loan to furnish evidence satisfactory to the Association showing that the Sub-project in respect of which the application has been prepared is in compliance with the environmental review procedures set forth in the Operations Manual for Part F for the Project and EMF;

(viii) ensure that for Sub-projects which require an environmental mitigation plan, the Beneficiary Enterprise shall carry out such environmental mitigation plan in a timely manner, requiring such environmental mitigation plan to be in compliance with: (a) environmental standards satisfactory to the Association and EMF; and (b) the applicable laws and regulations of the
Recipient relating to health, safety and environmental protection, and shall include adequate information on the carrying out of such environmental management plans in the progress reports referred to in subparagraph (c) (ii) of this paragraph; and

(ix) ensure that: (a) goods, services (other than consultants’ services), and works to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of this Schedule; and (b) such goods, services (other than consultants’ services) and works shall be used exclusively in the carrying out of the Sub-project.

(c) maintain, with staff and other resources, satisfactory to the Association and Recipient:

(i) a credit committee to be responsible for the evaluation and approval of Sub-loan applications; and

(ii) a technical unit to be responsible for the appraisal and supervision of the carrying out of Sub-projects;

(d) (i) exchange views with, and furnish all such information to the Association or the Recipient, as may be reasonably requested by the Association and the Recipient, with regard to the progress of its activities under the Project, the performance of its obligations under its respective Subsidiary Finance Agreement, and other matters relating to the purposes of the Project;

(ii) prepare and submit to the Recipient quarterly reports on Sub-loan disbursements and repayments, and on the progress made in achieving the objectives outlined in the business plans submitted with the Sub-loan applications; and

(iii) promptly inform the Association and the Recipient of any condition which interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Financing Agreement;

(e) (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition;

(ii) furnish to the Association and the Recipient such information concerning said records and accounts as the Association and the Recipient shall from time to time reasonably request;
(iii) submit to the Association and the Recipient, during the duration of its Subsidiary Financing Agreement with the Recipient, an annual audit report which: (i) covers two (2) previous years of its operations; (ii) is prepared by an independent and internationally recognized audit firm in accordance with International Financial Reporting Standards; and (iii) unless the Recipient and Association otherwise agree, contains an unqualified audit opinion; and

(f) assume the credit risk of each Sub-loan.
ANNEX 2

Terms and Conditions of Sub-loans
made by PFIs to Beneficiary Enterprises

1. The principal amount of each Sub-loan made out of the proceeds of the Financing allocated from time to time to Category (2) of the table set forth in Section IV of Schedule 2 to this Agreement shall be denominated in Euro, US dollars and Moldovan Lei, with a variable interest rate, adjusted semi-annually. Interest rate and other charges will be determined in accordance with the PFIs investment and lending policies and practices; provided, however, that the interest rate to be charged on the principal amount thereof withdrawn and outstanding from time to time, shall equal at least the rate of interest applicable from time to time to the Credit pursuant to the provisions of Section 2 of this Agreement and to the Subsidiary Finance pursuant to the provisions of paragraph (2) of Section B of Annex 1 plus an appropriate credit risk margin acceptable to the Association and that the foreign exchange risk, if any, shall be borne by the PFI.

2. Except as the Association shall otherwise agree, Sub-loan amounts will be subject to limits, depending on the Sub-loan type, as follows:

(i) Sub-loans financing investments under Sub-projects will have a maximum size of 800,000 equivalent with maturities up to eight (8) years, as determined by the Sub-project being financed.

(ii) Sub-loans financing working capital under Sub-projects will be up to 500,000 equivalent with up to four (4) years maturity.

3. No expenditures for a Sub-project by a PFI shall be eligible for financing out of the proceeds of a Sub-loan unless:

(a) the Sub-loans by the said PFI for such Sub-project shall have been approved by the CLD and such expenditures shall have been made not earlier than 180 days prior to the date on which the CLD shall have received the application and information required under paragraph (4) of this Annex in respect of such Sub-loan; or

(b) the Sub-loan for such Sub-project shall have been a free-limit Sub-loan (as hereinafter defined) for which the Association shall have authorized withdrawals from the Financing Account and such expenditures shall have been made not earlier than 180 days prior to the date on which the CLD shall have received the request and information required under paragraph 4 (a) of this Annex in respect of such free-limit Sub-loan. For the purposes hereof, a free-limit Sub-loan shall be a Sub-loan for a Sub-project to be made by each respective PFI in an amount to be financed out of the proceeds of the Financing which shall not exceed the sum determined from time to time by the Association and notified to the CLD and each such respective PFI.
4. (a) For a PFI Sub-loan, a PFI shall furnish to the CLD, an application, in a form satisfactory to the Association, together with:

(i) a description of the Beneficiary Enterprise, including recent and projected balance sheet and income statement information;

(ii) the appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Financing;

(iii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization thereof;

(iv) evidence of compliance with the Operations Manual and specifically with the environmental review procedures set forth in the Operations Manual; and

(v) any such other information as the Association shall reasonably request and/or that has been specified in the Operations Manual.

(b) For the first two Sub-loan applications for each PFI, and for all Sub-loans above the prior review threshold specified in the Operations Manual for Part F of the Project, the CLD shall obtain the Association’s approval prior to its commitment. To this effect, for each such Sub-loan the CLD shall submit to the Association the information referred to in paragraph 4 (a) of this Annex.

(c) Once a PFI Sub-loan has been committed by the CLD, and Sub-Loan Agreement signed between the PFI and the Beneficiary Enterprise, the PFI may promptly withdraw an amount not exceeding 50% of the Sub-loan amount up to the maximum of $150,000, in the case of a fully qualified PFI

5. Sub-loans shall be made only to Beneficiary Enterprises who each shall have established to the satisfaction of the PFI making the Sub-loan and the Recipient, on the basis of Operations Manual, that:

(a) it has been in existence for at least two years;

(b) it operates in the Recipient’s territory and is registered with the Recipient’s tax authorities;

(c) it is engaged in exports related to agriculture, agro-processing, manufacturing or other economic activity that provide goods or services directly related to generation of foreign exchange export revenues;
(d) it is a private enterprise, with more than 75 percent of the shares and other equity interest thereof held by persons or companies other than the Recipient, any agency or subdivision thereof, or any local governmental authority, or entities controlled by the Recipient or such agencies or subdivisions; and

(e) it is creditworthy, and has a satisfactory financial structure and the organization, management, staff and financial and other sources required for the efficient carrying out of its operations, including the carrying out of the Sub-project.

6. Sub-loans shall be made for Sub-projects which are each determined, on the basis of an appraisal carried out in accordance with the Operations Manual for Part F of the Project:

(a) to be technically feasible and economically, financially and commercially viable;

(b) to be in compliance with the requirements pertaining to environmental protection applicable under the laws and regulations of the Recipient and the environmental review procedures of the Association as set forth in the Operations Manual for Part F of the Project and EMF;

(c) not to involve or require acquisition of land for supported investments or involuntary displacement of existing occupants or cause loss, or damage to assets of economic users, including standing crops, kiosks, fences and others; and

(d) not involve use or potential pollution of international waterways, as defined in the EMF.

7. Sub-loans shall be made on terms whereby the PFI making the Sub-loan shall obtain, by written contract or other appropriate means, rights adequate to protect its interest and those of the Recipient and the Association, including the right to:

(a) require the Beneficiary Enterprise to carry out the Sub-project with due diligence and efficiency and in conformity with appropriate technical, economic, financial and commercial practices, to maintain adequate records and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

(b) provide, promptly as needed, the funds, facilities and other resources required for the purpose;
(c) without limitation to the generality of the provisions of the preceding paragraph (a), require the Beneficiary Enterprise to carry out and operate the Sub-project with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the provisions of the Operations Manual for Part F of the Project;

(d) require that: (i) the goods, works and consultants’ services to be financed out of the proceeds of the Financing shall be procured in accordance with Schedule 2 to this Agreement; and (ii) such goods, works and services be used exclusively in the carrying out of the Sub-project;

(e) inspect, by itself or jointly with representatives of the Association and/or Recipient if the Association or Recipient shall so request, the goods and the sites, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(f) require that the Beneficiary Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Financing to the place of use or installation, any indemnity there under to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(g) carry out and operate the Sub-project in accordance with appropriate health, safety and environmental standards, satisfactory to the Association;

(h) obtain all such information as the Association or the Recipient shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary Enterprise and to the benefits to be derived from the Sub-project; and

(i) suspend or terminate the right of the Beneficiary Enterprise to the use of the proceeds of the Financing upon failure by such Beneficiary Enterprise to perform its obligations under its contract with the PFI.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15, commencing April 15, 2020 to and including October 15, 2029:</td>
<td>5%</td>
</tr>
</tbody>
</table>

* 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


2. “Beneficiary Enterprise” means an enterprise satisfying the appropriate criteria as set forth in paragraph 5 of Annex 2 to Schedule 2 to this Agreement to which a PFI (as hereinafter defined) proposes to make or has made a Sub-Loan.

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


5. “Credit Line Directorate” or “CLD” means the unit established by the Recipient under the MOF pursuant to Government Decision 953 dated September 9, 2001, or its successor.

6. “EA” means Environmental Assessment to be carried out for Sub-projects (hereinafter defined) requiring such assessment in accordance with the requirements of the Environment Management Framework (hereinafter defined) and Operations Manual for Part F (hereinafter defined).

7. “EMF” means the Environment Management Framework outlining environmental and social assessment procedures and mitigation requirements for the Sub-projects (as defined hereinafter) which will be supported by the Project and providing the procedures, criteria and responsibilities for Sub-projects screening, preparing, implementing and monitoring of Sub-project specific EAs.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.

9. “Moldovan Lei” or “MDL” means the lawful currency of the Recipient.

10. “MOET” means the Recipient’s Ministry of Economy and Trade.

12. “Matching Grant” means a grant to be provided by the MOE (as defined hereinafter) through the MGFA (as defined hereinafter) out of the Matching Grant Facility (as defined hereinafter) to Matching Grant Beneficiaries (as defined hereinafter) from the proceeds of the Financing for the purposes of carrying out activities under Part C.2 of the Project.

13. “Matching Grant Facility” means the mechanism to provide Matching Grants to eligible Matching Grants Beneficiaries for the purposes of co-financing the activities implementing Part C.2 of the Project, under terms and conditions satisfactory to the Association.

14. “Matching Grant Manual” means the manual setting forth the eligibility criteria, selection process and implementation for the purposes of carrying out the activities under Part C.2 of the Project.

15. “Matching Grant Facility Administrator” or “MGFA” means the entity to be selected in accordance with the terms set forth in paragraph 1 of Part B to the Schedule 4 to the Original Financing Agreement (as defined hereinafter).

16. “Operations Manual for Part F means a manual, satisfactory to the Association, setting forth the administrative and operational procedures for the implementation of Part F of the Project and referred to in Section I.A.4 of Schedule 2 of this Agreement and defining a screening procedure to be filed by PFIs and closely monitored by the PIU with the support of the Association.

17. “Original Financing Agreement” means the Development Credit Agreement for a Competitiveness Enhancement Project between the Recipient and the Association, dated November 14, 2005, Credit No. 4119-MD.

18. “Original Project” means the Project described in the Original Financing Agreement.

19. “Participating Financial Institution” or “PFI” means a commercial bank registered according to the applicable laws and regulations of the Recipient and selected by the Recipient, with approval by the Association, to participate in the Project pursuant to criteria set forth in Annex 1 of Schedule 2 to this Agreement.


21. “Sub-loan” means a loan made or proposed to be made by a PFI, out of the proceeds of the Financing allocated from time to time to Category (1) of the table set forth in Section IV.A of Schedule 2 to this Agreement, for purposes of
financing all or a portion of the expenditures incurred by a Beneficiary Enterprise for goods, services, works and/or working capital under a Sub-project.

22. “Sub-loan Agreement” means the agreement to be entered into between a Beneficiary Enterprise and a PFI pursuant to the provisions set forth in Annex 2 of Schedule 2 to this Agreement for the provision to the Beneficiary Enterprise of a Sub-loan for the carrying out of a Sub-project.

23. “Sub-project” means a specific investment project or financing for working capital, selected in accordance with paragraph 7 of Annex 2 of Schedule 2 to this Agreement, which is proposed to be carried out by a Beneficiary Enterprise, in whole or in part through the utilization of the proceeds of a Sub-loan.

24. “Subsidiary Financing Agreement” means an agreement entered or to be entered into between the Recipient and a PFI pursuant to Section I.B of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Financing Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. Suspension by the Association

... (l) Ineligibility. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”