Financing Agreement

(Additional Financing for Agriculture Competitiveness Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 21, 2015
FINANCING AGREEMENT

Agreement dated May 21, 2015, entered into between the REPUBLIC OF MOLDOVA ("Recipient") and the 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.

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 eight million seven hundred thousand Special Drawing Rights (SDR 8,700,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 February 15 and August 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 Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project as follows: (a) Parts A and B.1 through MAFI; (b) Part B.2 through MAFI and AIPA; (c) Parts C.1 and C.3 through MOE; (d) Part C.2 through MOE and AIPA; (e) Part D through MAFI and MOE; and (f) Part E through MAFI and AIPA; all 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 — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that the Food Safety Law has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the Recipient to perform any of its obligations under this Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Project Operational Manual (POM) has been updated and adopted by the Recipient in a manner acceptable to the Association.
5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.03. 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 seven years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of Finance.

6.02. The Recipient’s Address is:

Ministry of Finance
Cosmonautilor Street, 7
277005 Chisinau
Republic of Moldova

Facsimile:

(37322) 221307

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Chisinau, Republic of Moldova, as of the day and year first above written.

REPUBLIC OF MOLDOVA

By

Authorized Representative

Name: Ion Sula

Title: Minister of Agriculture

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Alexander Kremer

Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to enhance the competitiveness of the Recipient’s agro-food sector by: supporting the modernization of the food safety management system; facilitating market access for farmers; and mainstreaming agro-environmental and sustainable land management practices.

The Project consists of the Original Project, as amended hereby, and the following additional Part E:

Part A. Enhancing food safety management

Provision of goods, works, and consultants’ services, including training for:

A.1 Providing regulatory and institutional support to the Recipient for enhancing the food safety management system through:

(i) supporting the process of legislative harmonization of the national legislation with the relevant EU regulations;

(ii) strengthening the institutional capacity of MAFI and the Food Safety Agency (FSA) through: (a) staff training; and (b) support for increasing awareness of relevant private entities regarding the application of the new food safety legislation.

(iii) developing methodological and analytical work for soil quality and land degradation risk-assessment, land quality certification, and standard setting to ensure that best soil management practices are integrated in the policy and regulatory framework for food safety management.

A.2 Providing technical enhancements support to the Recipient for the food safety management through:

(i) rehabilitation of the designated building facility for the FSA; procurement of office, communication and computing equipment for the building; and design of an integrated IT system for the interoperability of various FSA divisions.

(ii) strengthening of animal and plant health and food safety laboratory network and Border Inspection Points (BIPs) through:

(a) rehabilitation of two (2) central reference laboratories for: (i) animal health and food safety for products of animal origin, and (ii) food safety for products of vegetable origin; and
(b) rehabilitation of four (4) BIPs, namely: on the Eastern border (Tudora); on the Southern border (Giurgiulesti); on the Northern border (Criva) and on the Western border (Leuseni).

Part B. Enhancing market access potential

Provision of goods, works, and consultants' services, including training to MAFI for:

B.1 Providing for a business development support for productive partnerships for primary horticultural producers through: (i) public information and promotion campaign; (ii) development support for identifying, setting up and providing training for new productive partnerships; and (iii) specialized technical assistance support on an ad-hoc basis for the newly created productive partnerships.

B.2 Set-up of an investment support for post-harvest technologies for Sub-projects on emerging productive partnerships for the modernization of post-harvest technologies in the horticultural sector, all through competitive scheme and in accordance with the Grant Operational Manual.

Part C. Enhancing land productivity through Sustainable Land Management (SLM)

Provision of goods, works, and consultants' services, including training to MOE for:

C.1 Strengthening the sustainable land management capacity building of MOE through, *inter alia*: (i) developing a methodological work on general technical and economic options for farm-based interventions; (ii) strengthening the farmers capacity to monitor economic and environmental benefits; (iii) organizing awareness raising and training activities to improve farmers' land management skills and public policy response with respect to sustainable land management issues.

C.2 Providing financial support for piloting SLM for Sub-projects for farmers for farm-level investments in soil conservation practices and technologies, all in accordance with the Grant Operational Manual.

C.3 Providing support for rehabilitation of shelterbelts by investments in machinery for the creation of two mobile mechanized squads for the rehabilitation of anti-erosion shelterbelts.

Part D. Project management

Provision of goods, consultants' services, training and operational costs for: (a) Project management and implementation, including monitoring and evaluation and Project audits; (b) the establishment and implementation of a grievance redress mechanism; and (c) the design and implementation of a public information campaign to inform the potential
Affected Farmers about Compensatory Sales Support Grants, including its eligibility criteria and application procedures.

**Part E. Compensatory Sales Support Grants**

Provision of Compensatory Sales Support Grants to Affected Farmers.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall vest the overall responsibility for the implementing of the Project in MAFI, and to this end, shall, through MAFI:

   (a) operate and maintain, throughout Project implementation, CAPMU, to manage overall Project implementation, with structure, functions and responsibilities (including Project financial management, and procurement) acceptable to the Association, and set forth in the POM;

   (b) operate and maintain, throughout Project implementation, AIPA responsible for: (i) the implementation of Sub-projects under Parts B.2 and C.2 of the Project (including the defrayment of MIGs to Beneficiaries); (ii) the defrayment of Compensatory Sales Support Grants to Affected Farmers; and (iii) the financial management of the MIGs and the Compensatory Sales Support Grants; and

   (c) operate and maintain, throughout Project implementation, a Steering Committee vested with the responsibility to oversee and coordinate Project implementation, with terms of reference acceptable to the Association (including the Minister of Agriculture and Food Industry (who shall be the chair of said committee), and representatives of MAFI, MOE, MOF, the State Chancellery and farmers/producers organizations).

2. The Recipient shall: (a) update the POM in a manner acceptable to the Association; and (b) immediately thereafter, implement the Project in accordance with the provisions of the POM, and shall not amend, suspend, abrogate, repeal or waive any of its provisions without the prior written consent of the Association. In case of any conflict between the terms and conditions of the POM and those of this Agreement, the terms and conditions of this Agreement shall prevail.

3. The Recipient, through MAFI and MOE, shall assign component coordinators at the level of each of the two ministries to assist with the technical aspects of implementation of their respective Project activities.

4. For purposes of implementing Part E of the Project, the Recipient shall:

   (a) ensure that Compensatory Sales Support Grants are provided to the Affected Farmers in accordance with the criteria, requirements and procedures set forth in the POM;
(b) no later than forty five (45) days after the Effective Date, establish and implement, throughout Project implementation, an accessible grievance redress mechanism, acceptable to the Association, to address grievances relating to the selection of Affected Farmers and provision of Compensatory Sales Support Grants; and

(c) carry out public awareness/information campaigns, including public disclosure of the list of Affected Farmers and the payments made to said Affected Farmers under Compensatory Sales Support Grants, all under terms and in a manner acceptable to the Association.

B. Anti-Corruption

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

C. Sub-projects

The obligations set forth in Section C of Schedule 2 to the Original Financing Agreement are incorporated into this Agreement.

D. Safeguards

1. The Recipient shall: (a) implement the Project activities in accordance with the Environmental Management Framework (EMF); and (b) not amend, suspend, abrogate, repeal or waive any provisions of the EMF without the prior written approval of the Association.

2. The Recipient shall ensure that, prior to approval of Sub-projects to be financed under Parts B.2 and C.2 of the Project, the Beneficiaries develop and adopt specific EIAs and EMPs for each of the respective Sub-project in accordance with, and as required by the EMF.

3. The Recipient shall implement measures to raise awareness and educate the Beneficiaries with respect to pesticide handling and to promote integrated pest management technologies, as described in the EMF.

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 indicators acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished
to the Association not later than forty five (45) days 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, through CAPMU, shall prepare and furnish to the Association as part of each Project Report, interim unaudited financial reports for the Project covering the pertinent quarter, in form and substance satisfactory to the Association.

3. Notwithstanding the provisions of paragraph B.2 of this Section, the Recipient, through AIPA, shall: (a) prepare and furnish to CAPMU, not later than thirty (30) days after end of each calendar quarter, interim unaudited financial reports for the defrayment of: (i) MIG for Sub-projects under Parts B.2 and C.2 of the Project; and (ii) Compensatory Sales Support Grants under Part E of the Project. The Recipient, through CAPMU, shall consolidate and furnish the overall interim unaudited financial reports to the Association according to the provisions of paragraph B.2 of this Section.

4. 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 (6) months after the end of such period.

5. The Recipient shall have the MIGs and Compensatory Sales Support Grants payments subject to one-off independent operational review (under terms of reference acceptable to the Association) assessing the efficiency and effectiveness of fund use, appropriateness of MIGs and Compensatory Sales Support Grant amounts and compliance of the Beneficiaries and Affected Farmers with the pertinent eligibility criteria set forth in the POM.

6. Upon completion of the independent operational review, the Recipient shall afford the Association the opportunity to exchange views on the results of such operational review and shall take all measures required to ensure the efficient execution of the Project and to achieve the Project’s objective, based on the conclusions and recommendations of said review, and taking into account the Association’s views on the matter.
Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods 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 (including Annex A to this Schedule).

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 Non-consulting Services

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

2. Other Methods of Procurement of Goods and Non-consulting Services. The following methods of procurement, other than International Competitive Bidding, may be used for goods and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used: (a) National Competitive Bidding, subject to the additional provisions specified in Annex A to this Schedule; (b) Shopping; (c) Direct Contracting; and (d) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association.

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 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: (a) Quality-based Selection; (b) Selection under a Fixed
Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

1. 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.

2. The Recipient shall: (i) no later than June 30 of every year during the implementation of the Project, beginning on June 30, 2016: (A) prepare and furnish to the Association, a procurement progress report (Procurement Report) in form and substance acceptable to the Association, which shall include, inter alia: (1) a description of the issues which arose during the full procurement cycle under the Project during the twelve months preceding the date of presentation of each Procurement Report, from design through planning, bidding, contract implementation and completion; (2) a list of proposed measures and actions to be taken to resolve the issues identified under (1) above; and (3) a proposed timeline for the implementation of the said measures and actions; and (ii) thereafter implement the proposed measures and actions under each Procurement Report in accordance with its terms and in a manner acceptable to 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:
### Table: Allocation of Financing

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants' services (including Project audits), Training and Operational Costs under Part D of the Project</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Compensatory Sales Support Grants under Part E of the Project</td>
<td>8,300,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>8,700,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3. For the purposes of this Section:

(a) the term “Training” means expenditures (other than those for consultants’ services) incurred by the Recipient to finance the reasonable travel costs (i.e. accommodation, transportation, travel insurance and *per diem, inter alia*) of trainees and trainers (if applicable), training registration fees, catering, rental of training facilities and equipment, logistics and printing services, as well as training materials, all for the purposes of, and directly related to, the activities described in the Project; and

(b) the term “Operational Costs” means reasonable expenditures (none of which would have been incurred by the Recipient absent the Project), for the implementation, coordination and supervision of the Project, including, *inter alia*, travel costs (i.e. accommodation, transportation, travel insurance, and *per diem*); operation and maintenance of office equipment (including the purchase of minor office equipment/furniture); rental of offices; office supplies; communication costs; bank charges; utilities; maintenance and operation of vehicles (including fuel); printing and publications (electronic and/or paper); translation services; insurance for goods; and salaries (including qualified social charges, as determined by the Association) of staff working for the Project; but excluding the Recipient’s civil servants; and such other expenditures as may be agreed upon by the Association; all based on quarterly budget plans acceptable to the Association.
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 2,600,000 may be made for payments made prior to this date but on or after October 1, 2014, for Eligible Expenditures.

2. The Closing Date is June 30, 2017.

Section V. Other Undertakings

The Recipient and the Association hereby agree to amend the Original Financing Agreement as set forth in Schedule 4 to this Agreement.
ANNEX A

SCHEDULE 2

Additional Provisions Relating to Procurement of Goods, Works and Non-consulting Services under Association-Financed Contracts Subject to National Competitive Bidding

Without limitation upon the provisions of Section III of Schedule 3 to this Agreement and Section I and paragraphs 3.3 and 3.4 of the Procurement Guidelines, the procurement procedure to be followed for National Competitive Bidding shall be the Open Bidding Procedure set forth in the Recipient’s Law on Procurement No. 96-XVI dated April 13, 2007, as further amended on September 17, 2010, December 23, 2011, March 30, 2012, April 12, 2012, June 15, 2012, and June 14, 2013 (the “PPL”), provided, however, that such procedure shall be subject to the following additional provisions:

**Eligibility:** Eligibility to participate in a procurement process and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines.

**Registration of Contractors and Suppliers:** Registration shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid, and a foreign bidder recommended for contract award shall be given a reasonable opportunity to register, with the reasonable cooperation of the Recipient, prior to contract signing.

**Participation of Joint Ventures:** Participation of joint ventures shall be allowed and all its members shall be jointly and severally liable for the entire contract.

**Bidding Documents:** Bidding documents acceptable to the Association shall be used, and shall be prepared so as to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines.

**Qualification:** Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant; (iii) capability of construction and/or manufacturing facilities. Prequalification procedures and documents acceptable to the Association shall be used for large, complex and/or specialized works.
The verification of the information upon which a bidder was prequalified, including current commitments, shall be carried out at the time of contract award, along with the bidder's capability with respect to personnel and equipment. In the procurement of goods and works where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.

Cost Estimate: The detailed cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates without the Association’s prior written concurrence.

Bid Submission and Bid Opening: Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be opened in public, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to bidders unopened. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association’s prior review.

Bid Evaluation: Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation. Contracts shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents; and (ii) to offer the lowest-evaluated cost. No negotiations shall be permitted. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted. A bidder shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

Rejection of All Bids and Re-bidding: All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association’s prior written concurrence.

Bid Validity: The bid validity period required by the bidding documents shall be sufficient to account for any period that may be required for the approval and registration of the contract as contemplated in the PPL. If justified by exceptional circumstances, an extension of bid validity may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the registration process, but not more than thirty (30) days; a corresponding extension of any bid guarantee also shall be required in such cases. A Bidder may refuse the request for extension of bid validity without forfeiting its bid guarantee. No further extensions shall be requested without the prior written concurrence of the Association.
Guarantees: Guarantees shall be in the format included in the bidding documents. The bid guarantee shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested. No advance payments shall be made without a suitable advance payment guarantee. Performance security shall not exceed ten percent (10%) of the contract amount.

Fraud and Corruption: The bidding documents and contract as deemed acceptable by the Association, shall include provisions stating the Association’s policy to sanction firms or individuals found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

Inspection and Audit Rights: Each bidding document and contract financed out of the proceeds of the Credit shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association’s inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Guidelines.

Contract Modifications: With respect to contracts subject to the Association’s prior review, the Recipient shall obtain the Association’s no objection before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than fifteen percent (15%); or (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.
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 February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing August 15, 2020 to and including February 15, 2030</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing August 15, 2030 to and including February 15, 2040</td>
<td>3.35%</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.
SCHEDULE 4

Amendments to the Original Financing Agreement

The Recipient and the Association hereby agree to amend the Original Financing Agreement to read as follows:

1. Schedule 1 to the Original Financing Agreement is hereby amended and replaced in its entirety to read as Schedule 1 to this Agreement.

2. Section I.A of Schedule 2 to the Original Financing Agreement is hereby amended to read in its entirety to read as follows:

"1. The Recipient shall vest the overall responsibility for the implementing of the Project in MAFI, and to this end, shall, through MAFI:

(a) operate and maintain, throughout Project implementation, CAPMU, to manage overall Project implementation, with structure, functions and responsibilities (including Project financial management, and procurement) acceptable to the Association, and set forth in the POM;

(b) operate and maintain, throughout Project implementation, AIPA responsible for: (i) the implementation of Sub-projects under Parts B.2 and C.2 of the Project (including the defrayment of MIGs to Beneficiaries); (ii) the defrayment of Compensatory Sales Support Grants to Affected Farmers; and (iii) the financial management of the MIGs and the Compensatory Sales Support Grants; and

(c) operate and maintain, throughout Project implementation, a Steering Committee vested with the responsibility to oversee and coordinate Project implementation, with terms of reference acceptable to the Association (including the Minister of Agriculture and Food Industry (who shall be the chair of said committee), and representatives of Mafi, MOE, MOF, the State Chancellery and farmers/producers organizations).

2. The Recipient shall: (a) update the POM in a manner acceptable to the Association; and (b) immediately thereafter, implement the Project in accordance with the provisions of the POM, and shall not amend, suspend, abrogate, repeal or waive any of its provisions without the prior written consent of the Association. In case of any conflict between the terms and conditions of the POM and those of this Agreement, the terms and conditions of this Agreement shall prevail."
3. The Recipient, through MAFI and MOE, shall assign component coordinators at the level of each of the two ministries to assist with the technical aspects of implementation of their respective Project activities.

4. For purposes of implementing Part E of the Project, the Recipient shall:

(a) ensure that Compensatory Sales Support Grants are provided to the Affected Farmers in accordance with the criteria, requirements and procedures set forth in the POM;

(b) no later than forty five (45) days after the Effective Date, establish and implement, throughout Project implementation, an accessible
grievance redress mechanism, acceptable to the Association, to address grievances relating to the selection of Affected Farmers and provision of Compensatory Sales Support Grants; and

(c) carry out public awareness/information campaigns, including public disclosure of the list of Affected Farmers and the payments made to said Affected Farmers under Compensatory Sales Support Grants, all under terms and in a manner acceptable to the Association."

3. Paragraph 1 of Section I.D of Schedule 2 to the Original Financing Agreement is hereby amended to read in its entirety as follows:

"1. The Recipient shall: (a) implement the Project activities in accordance with the Environmental Management Framework (EMF); and (b) not amend, suspend, abrogate, repeal or waive any provisions of the EMF without the prior written approval of the Association."

4. Paragraph 3 of Section II.B of Schedule 2 to the Original Financing Agreement is hereby amended to read in its entirety as follows:

"3. Notwithstanding the provisions of paragraph B.2 of this Section, the Recipient, through AIPA, shall: (a) prepare and furnish to CAPMU, not later than thirty (30) days after end of each calendar quarter, interim unaudited financial reports for the defrayment of: (i) MIG for Sub-projects under Parts B.2 and C.2 of the Project; and (ii) Compensatory Sales Support Grants under Part E of the Project. The Recipient, through CAPMU, shall consolidate and furnish the overall interim unaudited financial reports to the Association according to the provisions of paragraph E.2 of this Section."

5. Paragraph 5 of Section II. B of Schedule 2 to the Original Financing Agreement is hereby amended to read in its entirety as follows:
“5. The Recipient shall have the MIGs and Compensatory Sales Support Grants payments subject to one-off independent operational review assessing the efficiency and effectiveness of fund use, appropriateness of MIGs and Compensatory Sales Support Grant amounts and compliance of the Beneficiaries and Affected Farmers with the eligibility criteria. The operational review shall be carried out under terms of reference agreed by the Association.”

6. A new paragraph is included in Section II.B of Schedule 2 to the Original Financing Agreement, which shall read as follows:

“6. Upon completion of the independent operational review, the Recipient shall afford the Association the opportunity to exchange views on the results of such operational review and shall take all measures required to ensure the efficient execution of the Project and to achieve the Project’s objective, based on the conclusions and recommendations of said review, and taking into account the Association’s views on the matter.”

7. Section III.D of Schedule 2 to the Original Financing Agreement is hereby amended to include a new paragraph that shall read as follows:

“2. The Recipient shall: (i) no later than June 30 of every year during the implementation of the Project, beginning on June 30, 2016: (A) prepare and furnish to the Association, a procurement progress report (Procurement Report) in form and substance acceptable to the Association, which shall include, inter alia: (1) a description of the issues which arose during the full procurement cycle under the Project during the twelve months preceding the date of presentation of each Procurement Report, from design through planning, bidding, contract implementation and completion; (2) a list of proposed measures and actions to be taken to resolve the issues identified under (1) above; and (3) a proposed timeline for the implementation of the said measures and actions; and (ii) thereafter implement the proposed measures and actions under each Procurement Report in accordance with its terms and in a manner acceptable to the Association.”

8. Section IV.A.3 (b) of Schedule to the Original Financing Agreement is hereby amended to read in its entirety as follows:

“(b) the term “Operational Costs” means reasonable expenditures (none of which would have been incurred by the Recipient absent the Project), for the implementation, coordination and supervision of the Project, including, inter alia, travel costs (i.e. accommodation, transportation, travel insurance, and per diem); operation and maintenance of office equipment (including the purchase of minor office equipment/furniture); rental of offices; office supplies; communication
costs; bank charges; utilities; maintenance and operation of vehicles (including fuel); printing and publications (electronic and/or paper); translation services; insurance for goods; and salaries (including qualified social charges, as determined by the Association) of staff working for the Project; but excluding the Recipient’s civil servants; and such other expenditures as may be agreed upon by the Association; all based on quarterly budget plans acceptable to the Association.”

9. Section I of the Appendix to the Original Financing Agreement is hereby amended to read as Section I of the Appendix to this Agreement, as applicable.
APPENDIX

Section I. Definitions

1. "Affected Farmers" means any farmer who meets the eligibility criteria set forth in the POM (hereinafter defined) to benefit from a Compensatory Sales Support Grant, including: (i) legally owning or leasing a horticultural plantation of up to 15 hectares in the Recipient's territory; and (ii) having sold their production of plums, apples and/or grapes in the fall of 2014; and selected in accordance with the procedures set forth in the POM.

2. "AIPA" means the Recipient's Agency for Payments and Interventions in Agriculture established under the subordination of MAFI (hereinafter defined) according to Government Decision No. 60 dated February 4, 2010 and published in the Recipient's Official Gazette No. 20-22 dated February 9, 2010 (as said Decision has been amended to the date of this Agreement).


4. "Beneficiary" or "Beneficiaries" means any private farmer or private rural business eligible for assistance under Parts B.2 and C.2 of the Project.

5. "Border Inspections Points" or "BIPS" means border inspections points within the Recipient’s territory selected in accordance with the criteria and procedures set forth in the POM.

6. "CAPMU" means the Consolidated Agricultural Project Management Unit within MAFI established by the Recipient for purposes of Project coordination and management.

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

8. "Compensatory Sales Support Grant" means a single cash transfer payment grant made out of the proceeds of the Financing by the Recipient (through the AIPA) to the Affected Farmer under Part E of the Project to compensate for the losses due to the export restrictions, all pursuant to the provisions of the POM.

10. "EIA" or "EIAs" means the Environmental Impact Assessment(s) identifying the potential environmental impacts of the Project activities and Sub-projects which include evaluation of potential alternatives, as well as appropriate mitigation, management, and monitoring measures, satisfactory to the Association.

11. "EMF" means Environmental Management Framework prepared by the Recipient for the benefit of the Project based, inter alia, on the analysis of both the Recipient's legislation and guidelines; and the Bank's safeguard policies, that outlines environmental assessment procedures and mitigation requirements for the Project's activities and Sub-projects and provides details on procedures, criteria and responsibilities for Sub-projects screening, including EIAs and EMPs guidelines and checklist, and guidelines for chance findings of physical cultural property.

12. "EMP" or "EMPs" means the Environmental Management Plan(s) developed or to be developed for each investment site under a Sub-project, in accordance with the sample presented in the EMF, which includes appropriate environmental monitoring and mitigation plans and up-dated provisions regarding construction permit requirements.


14. "Food Safety Law" means the Recipient's Law No. 113, dated May 18, 2012 which establishes, inter alia, general principles and requirements regarding food safety, as said law has been amended to the date of this Agreement.

15. "Food Safety Agency" or "FSA" means the Recipient's Food Safety Agency established pursuant to Government's Decision No. 51 dated January 16, 2013 (as said Decision has been amended to the date of this Agreement).

16. "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.

17. "Grant Operational Manual" or "GOM" means the manual approved by the Project Steering Committee and adopted by the Recipient as part of the POM (hereinafter defined), setting forth the Beneficiaries' eligibility, competitive selection criteria and operational details of the Matching Investment Grants, as the same may be amended and supplemented from time to time with the Association's prior written approval.

18. "IT" means information and technology.

19. "MAFI" means the Recipient's Ministry of Agriculture and Food Industry or any successor thereto.
20. "Matching Investment Grant" or "MIG" means a grant to be made to a Beneficiary for a Sub-project in accordance with the requirements set forth or referred to in the GOM (herein defined).

21. "MOE" means the Recipient’s Ministry of Environment or any successor thereto.

22. "MOF" means the Recipient’s Ministry of Finance, or any successor thereto.

23. "Original Financing Agreement" means the financing agreement between the Recipient and the Association, dated May 28, 2012 as amended to the date of this Agreement (Credit No. 5095).

24. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.


26. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated April 15, 2015 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. "Procurement Report" means any of the reports referred to in Section III.D.2 of Schedule 2 to this Agreement.

28. "Project Operational Manual" or "POM" means the Recipient’s manual, acceptable the Association, which shall include, inter alia: (a) the operational and administrative responsibilities; (b) procedures and rules for the implementation of the Project (including financial management and procurement procedures); (c) the GOM; (d) the eligibility criteria, requirements and procedures for the selection of the Affected Farmers and provision of the Compensatory Sales Support Grant under Part E of the Project; (e) the mechanisms for verification of compliance with the provision of Compensatory Sales Support Grants; and (f) the EMF; as the same may be amended and supplemented from time to time with the Association’s prior written approval.

29. "SLM" means sustainable land management.

30. "State Chancellery" means the Recipient’s State Chancellery or any successor thereto.

31. "Steering Committee" means the steering committee established through Governmental Decision No. 878 dated September 9, 1999, as amended to the date of this Agreement.
32. "Sub-project" or "Sub-projects" means specific investment project to be carried out by a Beneficiary utilizing the proceeds of a Matching Investment Grant in accordance with the requirements set forth or referred to in the GOM.

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."

2. 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".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

   "32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

4. 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".
5. 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).