March 20, 2012

His Excellency
Veaceslav Negruta
Minister of Finance
Chisinau
Republic of Moldova

Re: Global Partnership for Education
Grant No. TF 011810

Excellency:

In response to the request for financial assistance made on behalf of Republic of Moldova ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (collectively called the “World Bank”), acting as administrator of grant funds provided under the Global Partnership for Education proposes to extend to the Recipient a grant in an amount not to exceed four million four hundred thousand United States Dollars (U.S.$4,400,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

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

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank.
Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/
INTERNATIONAL DEVELOPMENT ASSOCIATION

Qimiao Fan
Country Director
Authorized Representative

AGREED:
REPUBLIC OF MOLDOVA

By:  
Authorized Representative

Name:  Vlaseva Florea
Title:  Minister of Finance
Date:  March 27, 2012

Enclosures:

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

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

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

1.03. “Beneficiaries” means the Recipient’s local public authorities eligible for assistance under Parts A (i) and B (ii) of the Project.


1.05. “EFA-FTI 2 means Education for All – Fast Track Initiative Year 2 grant implemented by Moldova during March 27, 2008 through August 31, 2010.

1.06. “Global Partnership for Education” means a multilateral partnership devoted to getting all children into school for quality education.

1.07. “MoE” means the Recipient’s Ministry of Education or any successor thereto.

1.08. “MoH” means the Recipient’s Ministry of Health or any successor thereto.

1.09. “MLSPF” means the recipient’s Ministry of Labor, Social Protection and Family” of any successor thereto.

1.10. “MSIF” means the Moldova Social Investment Fund.


Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve the access, quality and inclusiveness of preschool education in Moldova. The Project consists of the following parts:

Part A. Increasing Access to Preschool Education

Provision of works through sub-grants and goods for ensuring access to preschool services to children from rural localities with inadequate access to preschool programs for: (i) premises renovation of existing public infrastructure; and (ii) provision of furniture, equipment and materials to the renovated preschools.
Part B. Extending Access to Preschools to Special Needs and Vulnerable Children

Provision of works through sub-grants, goods and consultants’ services to achieve sizeable progress towards inclusive preschool education in Moldova at both policy and technical levels for: (i) promoting the integrated inclusive Early Childhood Development services by supporting the formulation of proposals for the refinement of the legal framework on inclusive education, development of strategies, methodologies and training programs; (ii) supporting the physical rehabilitation of special needs children by making the necessary architectural adjustments to premises in 3 existing mainstream kindergartens; and (iii) providing the equipment, including vehicles, required for the establishment of physical rehabilitation centers for children with disabilities aged 3-6 (7).

Part C. Improving the Quality of Preschool Education

Provision of consultants’ services to support the Recipient to: (i) revise the preschool norms and regulations; (ii) provide teacher training; (iii) develop teaching materials; and (iv) develop and pilot a school readiness assessment tool.

Part D. Project Management, M&E and Communication

Provision of goods and consultants’ services to strengthen the key management and fiduciary capacities of the MoE, including the Project M&E and the monitoring indicators for the EFA-FTI 3 interventions and the overall preschool sector indicators.

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

2.03. Institutional and Other Arrangements.

(a) The Recipient, through MoE, has the overall responsibility for Project implementation. The implementing agency for the activities under Part A (i) and Part B (ii) of the Project will be the Moldova Social Investment Fund (MSIF). MSIF will provide technical assistance and professional advice to communities in the implementation of the works interventions and manage the payment process on behalf of communities.

(b) The general implementation arrangements include: (i) a Project Steering Committee (PSC) chaired by the Minister of Education holding the role of a supervisory board; (ii) a Project Executive Director (PED); (iii) an Global Partnership for Education Advisory Group (AG) providing technical support to the PED for the achievement of the Project objectives; and a Project Management Team (PMT) set up for the daily implementation of Project activities.

(c) The proposals for legal frameworks, norms and methodologies revisions and development will be agreed upon by MoE and a joint MoE/MoH/MLSPF technical committee for sub-component 2.1 and a joint MoE/MoH technical committee for sub-component 3.1.
Two Operational Manuals will be used for the implementation of this Project:

(i) The updated version of the Operational Manual used under EFA-FTI 2 will be applicable for the activities under this project. The Guidelines for Environmental Analysis for the Project will be part of this Operational Manual to reflect safeguard policy requirements.

(ii) The current up-to-dated MSIF Operational Manual approved by the Bank in the framework of the Social Investment Fund Project implementation will be applicable for procurement of works under Parts A and B.

(e) The Recipient will use the eligibility criteria for rehabilitation interventions under Parts A and B of the Project as agreed with the Association and described in the Operational Manual referred to in Section 2.03 (d) (i) of this Annex. The major eligibility criteria will be, inter alia: (i) the rural location; (ii) the severity of access issues measured by the share of out of preschool children and (iii) the lack of adequate preschool infrastructure and the possibility to provide preschool facilities in a cost-effective manner.

(f) The Recipient, through MoE, will be responsible for the selection of the Project rehabilitation intervention sites. The proposed list will be subject to the endorsement of the Association, UNICEF and the PSC.

(g) The activities under Parts A (i) and B (ii) of the Project, including financing of rehabilitation works, will be made through sub-grants to the local public authorities as Beneficiaries. The Beneficiaries are expected to provide complementary contributions for the implementation of the envisaged works (minimum 15 percent contribution cash and/or in kind), while the Grant’s proceeds shall cover up to 100% of the works cost. MSIF will bear the operational responsibility for coordination and effective and efficient use of project resources. Eligible interventions will include, but will not be limited to, renovation of walls, windows, flooring, renovation or rehabilitation of the electricity, heating, water and sewer systems, architectural adjustments as required, energy conservation and efficiency works.

2.04. Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

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

(b) The key performance indicators referred to above in paragraph (a) consist of the following:
1. Number of children aged 3-6 (7) enrolled in preschool institutions established / renovated / endowed with Project financial support;
2. Number of children with special needs aged 3-6 (7) enrolled in preschool institutions established / renovated / endowed with Project financial support;
3. Percentage of preschool managers and educators trained to implement inclusive ECD;
4. Percentage of preschool educators who received kindergarten-based hands-on training to implement child centered approach to education, the new curricula and standards.

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date or at any later date as established by the Association.

2.06. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

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

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard 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 World Bank not later than six (6) months after the end of such period. The Recipient shall ensure that the audited financial statements are made publicly available in a timely fashion and in a manner acceptable to the Association.

2.07. Procurement

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

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

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

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).
(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Works**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding, subject to the following additional provisions set forth in the Appendix I of this Agreement; (B) Shopping; (C) Direct Contracting; and (D) Community Participation procedures which have been found acceptable to the World Bank.

(d) **Particular Methods of Procurement of Consultants’ Services**

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

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

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

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**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants services, training and study tours, and operating costs under Parts of the Project implemented by MoE</td>
<td>3,295,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants services and operating costs under Parts of the Project implemented by MSIF</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Sub-grants for works under Parts A (i) and B (ii) of the Project implemented by MSIF</td>
<td>1,005,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>4,400,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Article:

(a) the term “training and study tours” means expenditures incurred by MoE in connection with carrying out training activities, study tours and workshops under the Project, including travel costs and per diem for local trainees, trainers and workshop attendees, rental of facilities and equipment, training materials and related supplies; and

(b) the term “operating costs” means operating costs incurred by MoE and MSIF on account of Project implementation, comprising: salaries of staff (other than the salaries of the civil servants); communication (including postage and internet); procurement related advertising costs; local transportation; fuel; operating, maintenance and insurance costs for vehicles; rent of the office accommodation; refurbishment and rehabilitation of offices including equipment; office supplies, maintenance and insurance of the office equipment; Project related travel and per diem allowances including accommodation and local transportation; and banking charges.

(c) the term “sub-grant” means a grant to be provided in the form of works by the Recipient, through MSIF, to Beneficiaries out of the proceeds of the Grant for the purposes of carrying out the Activities described under Parts A (i) and B (ii) of paragraph 2.01 of the Article II of this Annex to the Letter Agreement, all under terms satisfactory to the Association and in accordance with the Operational Manual.

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

(b) under Category (1) for any expenditures until the Association has been provided by the Recipient with: (i) the list of pre-school facilities to be rehabilitated under the Project selected according to the eligibility criteria for rehabilitation interventions pursuant to Section 2.03 (c) of the Annex to this Agreement and endorsed by the Association pursuant to Section 2.03 (f) of the Annex to this Agreement; (ii) the list of schools proposed for rationalization within the Recipient’s school network optimization program.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is November 29, 2013.

Article IV
Recipient’s Representative; Addresses

4.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is ________________.

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

Cable: ____________________________  Telex: ____________________________  Facsimile: ____________________________

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

International Bank for Reconstruction and Development/International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

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

National Competitive Bidding: Additional Provisions

The procurement procedure to be followed for National Competitive Bidding shall be the Open Bidding Procedure set forth in the Law on Procurement No. 96-XVI dated April 13, 2007, as amended, provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” (January 2011) (the “Procurement Guidelines”) and 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 Borrower, prior to contract signing.

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.

No domestic preference shall be granted in bid evaluation on the basis of bidder nationality, origin of goods or services, and/or preferential programs.

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; 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.

**Fraud and Corruption:** The bidding documents and contract as deemed acceptable by the Association shall include provisions stating the Bank’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:** In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing 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 Borrower 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 15 percent; or (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.