Financing Agreement

(Agriculture Competitiveness Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 28, 2012
CREDIT NUMBER 5095-MD

FINANCING AGREEMENT

AGREEMENT dated May 28, 2012, entered into between REPUBLIC OF MOLDOVA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to eleven million six hundred thousand Special Drawing Rights (SDR 11,600,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 January 15 and July 15 in each year.

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

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project as follows: (i) Parts A and B.1 of the Project through MAFI; (ii) Parts C.1 and C.3 of the Project through MOE; (iii) Part B.2 of the Project through MAFI and AIPA; (iv) Part C.2 through MOE and AIPA; and (v) Part D of the Project jointly through MAFI and MOE, 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 Events of Suspension consist of the following:

(a) The Memorandum of Understanding between MOE and the State Forestry Agency ("Moldsilva") has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the MOE to perform any of its obligations under the Agreement.

(b) The Food Safety Law has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under the Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that any 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 Conditions of Effectiveness consist of the following:

(a) The Food Safety Law has been adopted by the Recipient satisfactory to the Association.

(b) The POM has been jointly adopted by the Recipient’s MOE and MAFI in a manner satisfactory to the Association.

(c) The GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

5.02. The Effectiveness Deadline is the date one hundred eighty (180) 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 (7) 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: Telex: Facsimile:
INDEVAS 248423 (MCI) 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: Vladimir Filat
Title: Prime Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Simion Fan
Title: Country Director
SCHEDULE 1

Project Description

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

The Project consists of the following parts:

Part A. Enhancing food safety management

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

A.1 Providing regulatory and institutional support to MAFI 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 its subordinated food safety management institutions through: (a) staff training; and (b) support for increasing awareness of relevant private entities regarding the application of the new food safety legislation; and

(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 MAFI for the food safety management through:

(i) rehabilitation of the designated building facility for the Food Safety Agency (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; and

(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: at the Chisinau International Airport; on the Southern border (Tudora); 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, including audit and training, and operational costs for purposes of Project management and implementation, including monitoring and evaluation.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain the current inter-ministerial Steering Committee during Project implementation, with a composition and terms of reference acceptable to the Association, which shall provide overall supervisory, coordination and strategic guidance functions for the Project implementation. The Steering Committee shall be chaired by the Minister of Agriculture and Food Industry and shall comprise representatives of MAFI, MOE, MOF, the State Chancellery and farmers/producers organizations.

2. The Recipient shall implement the Project in accordance with the provisions of the POM and GOM and shall not amend, suspend, abrogate, repeal or waive any of its provisions without a priori consent of the Association.

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. The Recipient, through MAFI, shall ensure the fiduciary support of the implementation of the Project and, in that respect, maintain the CAPMU in charge of supporting the disbursement, financial management and procurement activities, as well as monitoring and evaluation.

5. The Recipient shall cause AIPA to ensure the implementation of the Sub-projects under Parts B.2 and C.2 of the Project. AIPA shall be responsible for the disbursement of the Matching Investment Grants (MIG), the delivery of MIG to the Beneficiaries, the financial management and monitoring of MIG’s implementation.

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

1. For the implementation of the Sub-projects, the Recipient shall establish evaluation and selection committees - (i) within MAFI for Sub-projects under Part B.2 of the Project; and (ii) within MOE for Sub-projects under Part C.2 of the Project - which shall be in charge of announcing selection rounds, reviewing
and evaluating the financing applications, and making the award decisions. The decisions of the committees (both awards and rejections) shall be made public on MAFI, MOE’s and/or AIPA’s websites, respectively. The composition of the evaluation and selection committees, and any subsequent compositional changes, shall be approved by the Steering Committee. The evaluation and selection committees shall include, to the extent needed, representatives of MAFI, MOE, AIPA, MOF, the State Chancellery and independent technical and financial experts. To facilitate the operations of the evaluation committees, an initial eligibility screening of incoming applications shall be carried out by AIPA.

2. The Recipient, through AIPA, shall provide Matching Investment Grants to Beneficiaries for the implementation of Sub-projects, under Parts B.2 and C.2 of the Project, in accordance with eligibility criteria for Sub-projects and Beneficiaries and procedures acceptable to the Association and detailed in the GOM, which shall include *inter alia*:

**Minimum eligibility criteria for Sub-projects under Part B.2 of the Project:**

(i) alignment with the proposed Project’s development objective and thematic thrust;

(ii) financial feasibility;

(iii) ability of the Beneficiary to generate sufficient co-financing (from own resources or through borrowing);

(iv) demonstrated potential for investments to contribute to improvements in quality and marketability of the products;

(v) environmental compliance with the EMF;

(vi) financing only technological machinery and equipment for post-harvest infrastructure; and

(vii) not exceeding 50% of an eligible investment, with a maximum ceiling established at US$350,000 per productive partnership. A productive partnership will be eligible for only one Matching Investment Grant under the proposed scheme.

**Eligibility criteria for the Beneficiary (productive partnership) under Part B.2 of the Project:**

(i) to be registered in conformity with Moldovan legislation;
(ii) to consist of a minimum of five (5) individual members (private producers);

(iii) individual members of a productive partnerships shall have proof of individual agricultural activity in the horticultural sub-sector;

(iv) individual members of a productive partnerships shall not be on the Recipient’s official list of banned agricultural producers;

(v) to provide a legally acceptable commitment that the goods financed under the Sub-project shall not be sold or otherwise transferred to a third party;

(vi) individual members of productive partnerships shall pay current taxes and have no arrears to the public budget (both state and local); and

(vii) Beneficiaries registered, as well as Sub-projects to be carried out in the cities of Chisinau and Balti are not eligible.

Minimum eligibility criteria for Sub-projects under Part C.2 of the Project:

(i) alignment with the Project’s development objective;

(ii) financial feasibility;

(iii) ability of the potential beneficiary to pre-finance the underlying investment (from own or borrowed resources);

(iv) demonstrated potential for the underlying investments to contribute to engendering sustainable and replicable land management practices;

(v) environmental compliance with the project’s EMF; and

(vi) not exceeding 50% of incurred investment costs for eligible goods and works, with a maximum ceiling established at US$20,000 per Beneficiary. Individual producers that are members of productive partnerships which receive MIG under this activity shall only be eligible for MIG up to an amount of US$5,000. A Beneficiary would be eligible for one MIG only.

Eligibility criteria for the Beneficiary (productive partnership) under Part C.2 of the Project:

(i) Beneficiaries have to be privately owned, registered agricultural producers in conformity with Moldovan legislation;
(ii) Beneficiaries registered in the cities of Chisinau and Balti are not eligible;

(iii) Beneficiaries shall have proof of individual agricultural activity in the horticultural sub-sector;

(iv) Beneficiaries shall not be on the Recipient's official list of banned agricultural producers;

(v) Beneficiaries shall provide a legally acceptable commitment that the goods financed under the scheme would not be sold or otherwise transferred to a third party;

(vi) Beneficiaries shall pay current taxes and have no arrears to the public budget (both state and local); and

(vii) Beneficiaries shall provide confirmation of commitment for participation in dissemination and demonstration activities.

3. The Recipient, through AIPA, shall make each Matching Investment Grant under a Sub-project Agreement with the respective Beneficiary on terms and conditions approved by the Association and stipulated in the GOM, which shall include, *inter alia*, the following:

(i) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to suspend or terminate the right of the Beneficiary to use the proceeds of the MIG, or obtain a refund of all or any part of the amount of the MIG then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-project Agreement; and

(ii) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to require each Beneficiary to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (B) prepare an EIA and/or EMP for each Sub-project in accordance with the EMF and carry out the respective Sub-project in accordance with such EMP; (C) provide, promptly as needed, the resources required for the purpose of the respective Sub-project; (D) procure the goods, works and services to be financed out of the Sub-project in accordance with the provisions of this Agreement; (E) maintain policies and procedures adequate to enable it to monitor and
evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives; (F) maintain a financial management system and prepare financial statements in accordance with the Recipient's accounting standards both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; (G) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and (H) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

D. Safeguards

1. The Recipient shall implement the Project activities in accordance with the Environmental Management Framework (EMF).

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 the Project Report 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. Notwithstanding the provisions of paragraph B.2 of this Section II, the Recipient shall cause AIPA to: (i) prepare and furnish to CAPMU not later than thirty (30) days after end of each calendar quarter, interim unaudited financial reports for utilization of the MIG for Sub-projects under Parts B.2 and C.2 of the Project; and (ii) prepare and furnish its annual financial statements to CAPMU. CAPMU shall consolidate the overall Project financial situation and furnish it to the Association according to the provisions of paragraph B.2 of this Section II above.

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 months after the end of such period and shall be made publicly available in a timely fashion and in a manner acceptable to the Association.

5. The Recipient shall have the Sub-projects subject to an independent one-off operational review assessing the efficiency and effectiveness of fund use, appropriateness of MIG allocation and compliance of MIG's Beneficiaries with the eligibility criteria. The operational review shall be conducted in two years after the Project implementation in accordance with Terms of Reference agreed with the Association.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II
and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

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

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

Additional provisions for National Competitive Bidding:

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, 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 postqualification, 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 to 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.

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) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
Percentage of Amount of the Financing Expenditures to be Allocated (expressed in Financed Category SDR) (inclusive of Taxes)

<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, works, non-consulting services, consultants’ services, training and operational costs for the Project</td>
<td>6,390,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Matching Investment Grants for Sub-projects under Parts B.2 and C.2 of the Project</td>
<td>5,210,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>11,600,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For the purpose of this Schedule, the terms:

(a) “Training” means expenditures incurred by the Recipient related to the training activities, study tours, seminars/workshops for Project implementation, including travel costs (transport, per diem, accommodation and other travel related costs) for the trainees, trainers and participants to the training, trainers fee, the rent for the rooms and the training equipment, materials used for the training, adequate consumables; and

(b) “Operational Costs” means expenditures incurred by the CAPMU on account of management of Project implementation for office maintenance, minor office equipment, office supplies, printing, utilities, operating expenses, communications, transportation, fuel, insurance for goods, bank charges, advertisement, audit, monitoring and evaluation, and salaries of CAPMU staff, including qualified social charges, but excluding salaries of the Recipient's civil servants, and such other expenditures as may be agreed upon by the Association.

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; and
(b) under Category (2):

(i) until the approval of the GOM on terms and conditions satisfactory to the Association; and

(ii) until the approval of Sub-project application by the respective evaluation and selection committees as referred in paragraph C.1 of Section I in Schedule 2 of this Agreement;

2. The Closing Date is June 30, 2017.
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 January 15 and July 15</td>
<td></td>
</tr>
<tr>
<td>commencing July 15, 2017 to and including January 15, 2027</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing July 15, 2027 to and including January 15, 2037</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.
APPENDIX

Section I. Definitions

1. "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 Official Gazette No. 20-22 dated February 9, 2010.


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

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

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


7. “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.

8. “EMF” means the 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 World Bank 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.

9. “EMP” or “EMPs” means the Environmental Management Plan(s) developed or to be developed for each investment site under a Sub-project involving civil works, 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.
10. “FSA” means the Recipient’s Food Safety Agency to be established according to the Recipient’s Food Safety Strategy adopted in August 2011.


13. “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.

14. “GOM” means the Grant Operational Manual, to be approved by the Project Steering Committee and adopted by the Recipient pursuant to Section IV.B.1(b), 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.

15. “MAFI” means the Recipient’s Ministry of Agriculture and Food Industry or any successor thereto.

16. “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 (hereinafter defined).

17. “MOE” means the Recipient’s Ministry of Environment or any successor thereto.


19. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 14, 2012 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.

20. “POM” means the Project Operational Manual to be approved by the Project Steering Committee and adopted by the Recipient pursuant to Section 5.01(a) and satisfactory to the Association, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, and
including the Environmental Management Framework, and financial management arrangements for the Project, as the same may be amended and supplemented from time to time with the Association’s prior written approval.


22. “Steering Committee” means the steering committee established through Governmental Decision No. 878 dated September 9, 1999, as amended.

23. “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 remaining 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).