Financing Agreement

(Avian Influenza Control and Human Pandemic Preparedness and Response Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 16, 2006
AGREEMENT dated June 16, 2006, 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 the Financing Agreement have the meanings ascribed to them in the General Conditions.

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 grant and a credit in the following amounts to assist in financing the project described in Schedule 1 to this Agreement ("Project"):

(a) an amount equivalent to two million eight hundred thousand Special Drawing Rights (SDR 2,800,000) (the Grant); and

(b) an amount equivalent to two million eight hundred thousand Special Drawing Rights (SDR 2,800,000) (the Credit).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
2.05. The Payment Dates are June 1 and December 1 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.

ARTICLE III - PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A and D.1 of the Project through the MAFI and Parts B, C and D.2 of the Project through the MOHSP 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 - EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness consists of the following: (a) the Recipient has adopted the Operational Manual under terms satisfactory to the Association and (b) the Recipient has provided evidence that the Government has adopted a decision setting forth the Project management assistance to be provided by the CAPMU and establishing the Project Steering Committee’s oversight functions and responsibilities vis-à-vis the Project.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V - REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Recipient’s Minister of Finance.
6.02. The Recipient’s Address is:

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

Telex: (3732) 22810
Facsimile: (3732) 24-0055

5.03. 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) or 202-477-6391
Facsimile: 64145 (MCI)

AGREED at Chisinau, Republic of Moldova, as of the day and year first above written.

REPUBLIC OF MOLDOVA

By /s/ Mihail Pop
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Bermingham
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to minimize the threat posed to humans by highly pathogenic avian influenza infection in domestic poultry and prepare for, control, and respond to an influenza pandemic and other infectious disease emergencies in humans.

The Project is part of the Association’s Global Program for Avian Influenza Control and Human Pandemic Preparedness and Response and consists of the following parts:

Part A  Animal Health

1. Strengthening animal disease surveillance and diagnostic capacity of the RCVD and its affiliated diagnostic laboratories in detection, reporting and follow-up of reported avian influenza cases and provision of training on screening, sampling and test procedures to be applied in case of an outbreak, as well as on analyzing epidemiological data and performing risk assessments.

2. Support for: (a) the implementation of actions set forth in the Republican Action Program for Avian Flu Prophylaxis in the Territory of Moldova, including the improvement of the regulatory framework to address key policy issues and ensure that disease control, prevention and eradication measures are implemented in a uniform and effective way; and (b) epidemiological studies and surveillance programs to inform the improvement of disease control measures.

3. Provision of support for activities related to the implementation of the Republican Action Program on Avian Flu Prophylaxis in the Territory of Moldova which details the containment plan for avian influenza outbreaks, including: (a) establishment and operation of a Compensation Fund for the provision of cash compensation to poultry owners for poultry culled by Governmental order; (b) culling of infected and at-risk poultry; (c) disposal of carcasses and potentially infective materials in a bio-secure and environmentally acceptable manner; and (d) training of people in contact with live virus.

Part B  Human Health

1. Enhancing national public health planning and coordination through: (a) strengthening the institutional capacity of the MOHSP to: (i) monitor, survey and test Human Pandemic Avian Influenza in humans, (ii) contain Human Pandemic Avian Influenza; and (iii) care for patients affected by the Human Pandemic Avian Influenza; (b) enhancing coordination among relevant ministries and agencies; (c) training
governmental and medical staff in epidemiology at the national and local level; and (d) improving the dissemination of health information and telecommunication systems.

2. Supporting the testing capacity of Human Pandemic Avian Influenza on humans through the provision of testing equipment for the National Laboratory for Viral Respiratory Diagnosis and the development of a protocol for collecting and sending samples to selected reference testing centers abroad.

3. Strengthening the public health system response capacity through the provision of: (a) intensive care unit equipment for the public hospital selected by the Recipient as the national reference hospital for patients treated for Human Pandemic Avian Influenza; and (b) medical drugs and vaccines, equipped ambulances, and respiratory care and personnel protective equipment for medical staff.

Part C Public Awareness and Coordination Support

1. Supporting information and communication activities to raise awareness, knowledge and understanding among the stakeholders and the general population about the risk and potential impact of the Human Pandemic Avian Influenza pandemic.

2. Improve the effective coordination and collaboration among stakeholders.

Part D Project Management

1. (a) Strengthening Project implementation and monitoring capacity of the MAFI; and (b) provision of technical assistance, including auditing services, and incremental operating costs and monitoring and evaluation for the purposes of the management of Part A of the Project.

2. (a) Strengthening Project implementation and monitoring capacity of the MOHSP; and (b) provision of technical assistance, including auditing services, and incremental operating costs and monitoring and evaluation for the purposes of the management of Parts B and C of the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. The Recipient shall maintain the Project Steering Committee until completion of the Project under terms satisfactory to the Association and consisting of high level representatives from the key ministries and governmental bodies and other representatives as determined by the Recipient’s government. The committee shall be responsible for reviewing the progress of the Project activities, overseeing the Project operations of and coordination between the MOHSP and MAFI and advising on any major policy issues related to the implementation of the Project.

2. The MAFI and MOHSP shall have overall responsibility for day to day Project implementation and management. To that end, the Recipient, through the MAFI and MOHSP, shall throughout the implementation of the Project ensure that sufficient and suitable human, financial and technical resources are available for the implementation and oversight of the Project.

3. The Recipient shall, through the MAFI and MOHSP, ensure that the Project shall be implemented in accordance with the Operational Manual. The Recipient shall maintain the Operational Manual in form and content acceptable to the Association, shall duly perform all its obligations under the Operational Manual and shall not assign, amend, abrogate or waive the Operational Manual without obtaining the prior approval of the Association.

4. The Recipient shall, through the MAFI and MOHSP, take all measures necessary to carry out the Environmental Management Plan in a timely manner, ensuring that adequate information on the implementation of the said measures is suitably included in the progress reports referred to in following paragraph A.1 of Section II of this Schedule.

5. (a) The CAPMU shall provide support to the MAFI and MOHSP for the daily fiduciary and technical activities necessary for the implementation and management of the Project under Parts D.1(b) and D.2 (b) of the Project and as set forth in the Operational Manual, including:

   (i) preparation of withdrawal applications under the Financing;

   (ii) management of the Designated Account;

   (iii) maintenance of records and accounts related to the Project and arranging for the audit thereof;
(iv) preparation of financial reports for the Project referred to in Part B of Section II of this Schedule;

(v) participation in administration of bidding procedures and of contracts under the Project; and

(vi) preparation of consolidated quarterly progress reports and submission thereof to the Recipient and the Association not later than forty-five (45) days after the end of each quarter, the first such report to be furnished to the Association not later than May 15, 2007.

(b) The CAPMU will provide its assistance to the Project with staff, resources and terms of reference satisfactory to the Association.

6. For the purposes of implementing Part A.3 (a) of the Project, the Recipient, through the MAFI, shall:

   (a) establish and maintain a Compensation Fund, all under terms and conditions set forth by the Recipient and satisfactory to the Association and under the supervision of the MAFI;

   (b) administer, manage and use the proceeds of the Compensation Fund, with the assistance of the CAPMU, in a manner consistent with the purposes and objectives of the Project and in accordance with the eligibility criteria, selection procedures and implementation conditions set forth in the Operational Manual, under terms satisfactory to the Association; and

   (c) provide, as part of the financial counterpart contribution to the Project, a contribution of an aggregate amount of $500,000 to the Compensation Fund.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports.

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

   (b) The performance indicators referred to above in sub-paragraph (a) are listed in a Supplemental Letter to this Agreement.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.


1. The Recipient shall, through the CAPMU, maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall, through the CAPMU, 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 un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Project-related 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.

Section III. Procurement

A. General.

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

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods and Works

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

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. National Competitive Bidding will be subject to additional procedures set forth in a Supplemental Letter to this Agreement. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Limited International Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) National Competitive Bidding</td>
</tr>
<tr>
<td>(d) Direct Contracting</td>
</tr>
</tbody>
</table>

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.
### Procurement Method

<table>
<thead>
<tr>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(c) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d) Single Source Selection</td>
</tr>
<tr>
<td>(e) Individual Consultants</td>
</tr>
</tbody>
</table>

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**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. All Terms of Reference and technical specifications shall be subject to prior review by the Association.

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**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 this Section and such additional instructions as the Association shall specify by notice to the Recipient, 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 Credit and 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 Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and consultants’ services, training and incremental operating costs for the Project for Part A.3 (b) and (c) of the Project</td>
<td>280,000</td>
<td>280,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Compensation Fund</td>
<td>350,00</td>
<td>350,00</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works and consultants’ services, training and incremental operating costs for other Parts of the Project</td>
<td>1,750,000</td>
<td>1,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>420,000</td>
<td>420,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,800,000</strong></td>
<td><strong>2,800,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
   
   (a) for expenditures under Categories (1) unless the Environmental Management Plan, acceptable to the Association, has been adopted by the Recipient
   
   (b) for expenditures under Category (2) unless the Environmental Management Plan, acceptable to the Association, has been adopted by the Recipient and the Compensation Fund has been established in accordance with criteria and procedures set forth in the Operational Manual and the Recipient’s legislation.

2. For the purposes of the table in Part A of this Section, the term “incremental operating costs” means expenditures incurred to finance the reasonable and
necessary incremental expenses incurred by the CAPMU on account of Project implementation, management and monitoring including travel costs of the CAPMU staff and consultants; cost of communications, transportation, supplies, stationery, office equipment and maintenance, rent and utilities and equipment maintenance; and salaries of CAPMU staff working on this Project (excluding salaries of civil servants).

2. The Closing Date is December 31, 2009.
# 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 June 1 and December 1:</td>
<td></td>
</tr>
<tr>
<td>commencing December 1, 2016 to and including June 1, 2026</td>
<td>1%</td>
</tr>
<tr>
<td>commencing December 1, 2026 to and including June 1, 2046</td>
<td>2%</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. “CAPMU” means the Consolidated Agricultural Project Management Unit established by the Recipient under Government Decision 878 dated September 29, 1999 to provide project management assistance under this Agreement pursuant to a Government Decision to be issued, or its successor thereof.

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


4. “Co-financing” means an amount of $500,000 to be provided by the Co-financier to assist in financing the Project.

5. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Association, acting on behalf of the Co-financier, providing for the Co-financing.

6. “Compensation Fund” means the fund to be established by the Recipient out of the proceeds of the Financing to be utilized to pay cash compensation to poultry owners referred to in Part A.3 (a) of Schedule I to this Agreement.


9. “MAFI” means the Recipient’s Ministry of Agriculture and Food Industry, or its legal successor thereof.


11. “National Laboratory for Viral Respiratory Diseases” means the national laboratory established on April 1, 1996 pursuant to the Decree of the MOHSP No. 409 dated September 21, 1995, or its legal successor thereof.

12. “Operational Manual” means the manual, satisfactory to the Association, setting forth the operational and administrative procedures for the implementation of the
Project and referred to in paragraph 2 of Section I of Schedule 2 to this Agreement.


14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 4, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

15. “Project Steering Committee” means the National Anti-epidemic Extraordinary Commission established pursuant to the Decree of the Government No. 919 dated August 30, 2005 and the Government Decision to be issued authorizing said committee to be responsible for the oversight of this Project; or its legal successor thereof.

16. “Republican Action Program on Avian Flu Prophylaxis on the Territory of Moldova” means the plan established on October 20, 2005 pursuant to The Project Steering Committee Decision No. 1.

17. “Republican Center for Veterinary Diagnosis” or “RCVD” means the national centre established on October 5, 1991 pursuant to the Decree of MAFI No. 180, or its legal successor thereof.