Loan Agreement

(District Heating Efficiency Improvement Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 15, 2015
LOAN NUMBER 8451-MD

LOAN AGREEMENT

Agreement dated April 15, 2015, between the REPUBLIC OF MOLDOVA ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank 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 — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of forty million five hundred thousand United States Dollars (US$40,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the
Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are April 15 and October 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwritten, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall: (a) carry out the Project through the Ministry of Economy (MoE); and (b) cause Newco to assist in the carrying out of Parts 1 and 2 of the Project, all in accordance with the provisions of Article V of the General Conditions and the Newco Implementation Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

(a) Any action has been taken for the dissolution, disestablishment or suspension of operations of Newco.

(b) The Borrower’s Corporate Restructuring Plan has not been carried out pursuant to the Borrower’s laws and regulations.

(c) Newco Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of Newco to perform any of its obligations under the Newco Implementation Agreement.

(d) Newco has failed to comply with any of its obligations under the Newco Implementation Agreement.

4.02. The Additional Event of Acceleration consists of the following: namely, that any of the events specified in paragraphs (a) to (d) of 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 Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) Newco has been duly incorporated and authorized to operate pursuant to the Borrower’s laws and regulations, all in a manner acceptable to the Bank.

(b) The Newco Implementation Agreement has been executed on behalf of the Borrower and Newco.

(c) The Project Operational Manual has been adopted by the Borrower.

5.02. The Additional Legal Matters consists of the following.

(a) Newco has been duly incorporated and authorized to operate pursuant to the Borrower’s laws and regulations.

(b) The Newco Implementation Agreement has been duly authorized or ratified by the Borrower and Newco and is legally binding upon the Borrower and Newco in accordance with its terms.
5.03. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Borrower’s Address is:

   Ministry of Finance
   Cosmonautilor Street, 7
   MD2005 Chisinau
   Republic of Moldova

   Facsimile:
   (37322) 225 393

6.03. The Bank’s Address is:

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

   Cable address: Telex: Facsimile:
   INTBAFRAD 248423(MCI) or 1-202-477-6391
   Washington D.C. 64145(MCI)
AGREED at Chisinau, Republic of Moldova, as of the day and year first above written.

REPUBLIC OF MOLDOVA

By

[Signature]

Authorized Representative

Name: STEPHAN BRID

Title: MINISTER OF ECONOMY

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: ALEXANDER KROMER

Title: COUNTRY MANAGER
SCHEDULE 1

Project Description

The objective of the Project is to contribute to improved operational efficiency and financial viability of Newco and to improve quality and reliability of heating services delivered to the population in Chisinau.

The Project consists of the following parts:

Part 1. Investments for the District Heating System

Modernizing the heat distribution network and system in Chisinau through, *inter alia*:

(a) modernizing selected pumping stations of Chisinau’s district heating system to reduce electricity consumption and provide for an efficient operation;

(b) rehabilitating selected segments of Chisinau’s distribution network to ensure continued district heating service and reduced losses of heat and hot water;

(c) replacing central heat substations with automated individual building-level heat substations; and

(d) reconnecting selected public institutions to the district heating system.

Part 2. Support for Streamlining Operations

(a) ensuring the continuity of heating service provision to the area of Chisinau supplied by CHP-1 through: (i) the connection of consumers to alternative heat distribution network; and (ii) the construction of new pumping stations;

(b) supporting the design and implementation of the Social Impact Mitigation Plan (SIMP) through: (i) financing severance payments for staff of Newco selected in accordance with the terms and conditions of the SIMP, pursuant to the Borrower’s laws and regulations; (ii) carrying out Training activities to assist staff selected in accordance with the terms and conditions of the SIMP, in the pursuit of new employment opportunities; and (iii) designing and implementing grievance mechanisms; and
(c) carrying out an environmental audit of the site of CHP-1.

**Part 3. Project Management and Technical Assistance**

Supporting Project management and supervision through, *inter alia*:

(a) carrying out Project audits;

(b) carrying out the financial management and procurement requirements under the Project;

(c) monitoring and evaluation of Project activities;

(d) providing capacity building and Operating Costs for the MEPIU;

(e) carrying out public awareness campaigns for dissemination of the benefits of energy efficiency improvements and efficiently operating Chisinau's district heating system; and

(f) providing technical assistance to Newco.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall vest the overall responsibility for the implementation of the Project in the Ministry of Economy (MoE), and to this end shall, through MoE:

   (a) ensure that: (i) MEPIU is operated and maintained, throughout Project implementation, with functions, staffing, and responsibilities satisfactory to the Bank, as set forth in the Project Operational Manual; and (ii) any additional staff of MEPIU financed out of the proceeds of the Loan is selected and hired in accordance with Section III of this Schedule; and

   (b) cause Newco to operate, throughout Project implementation, with functions, staffing, and responsibilities satisfactory to the Bank, as set forth in the Project Operational Manual.

2. The Borrower shall, and shall cause Newco to, prior to the carrying out of any activity under Part 2(b) of the Project: (a) prepare and furnish to the Bank the SIMP, in accordance with the SIMF and acceptable to the Bank; and (b) thereafter, carry out said SIMP in accordance with its terms, and in a manner acceptable to the Bank.

B. Newco Implementation Agreement

1. To facilitate the carrying out of Part 1 and 2 of the Project, the Borrower shall enter into an agreement with Newco (the Newco Implementation Agreement), under terms and conditions acceptable to the Bank, which shall include, inter alia, Newco’s obligation to: (a) assist the Borrower in the carrying out of the technical aspects of the Project (including the environmental and social aspects), in accordance with the pertinent provisions of this Agreement (including the provisions set forth in Sections E and II.B.4 of this Schedule), the Operational Manual and the Anti-corruption Guidelines; (b) repay an amount equal to the amounts disbursed under Parts 1 and 2 of the Project, subject to the terms and conditions set forth in Article 2 of this Agreement; and (c) maintain, throughout Project implementation, the financial ratios as set forth in Section F of this Schedule.

2. The Borrower shall exercise its rights and carry out its obligations under the Newco Implementation Agreement, in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan. Except
as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, fail to enforce, waive or terminate the Newco Implementation Agreement or any of its provisions. In case of any conflict between the provisions of the Newco Implementation Agreement and this Agreement, the provisions of this Agreement shall prevail.

C. Project Operational Manual

The Borrower shall adopt and carry out the Project in accordance with the requirements set forth in the Project Operational Manual and shall not assign, amend, abrogate or waive any provision of the Project Operational Manual without prior approval of the Bank. In case of any conflict between the terms of the Project Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Anti-Corruption

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

E. Safeguards

1. The Borrower, through MEPIU, shall, and shall cause Newco to, ensure that Parts 1 and 2(a) of the Project are carried out in accordance with the Environmental Management Plan (EMP). Except as the Bank shall otherwise agree, the Borrower shall, and shall cause Newco to, not assign, amend, abrogate or waive the EMP or any of its provisions thereof.

2. (a) The Borrower, through MEPIU, shall, and shall cause Newco to, carry out the environmental audit referred to in Part 2(c) of the Project in accordance with the EMP, and in a manner acceptable to the Bank; and

(b) Based on the results of the environmental audit to be carried out under Part 2(c) of the Project, the Borrower shall: (a) prepare an environmental mitigation action plan acceptable to the Bank (which shall include a time table and adequate funds); and (b) implement the same in accordance with its terms and the time table.

3. Prior to commencement of works under Part 1 of the Project, the Borrower, through MEPIU, shall implement the Abbreviated Resettlement Action Plan (ARAP), including the obligation of full payment of compensation and/or the provision of relocation to all Displaced Persons prior to any displacement. Except as the Bank shall otherwise agree, the Borrower shall, and shall cause Newco to, not assign, amend, abrogate or waive the ARAP, or any of their provisions thereof.
F. Financial Ratios

1. Self-Financing Ratio

(a) Except as the Bank shall otherwise agree, the Borrower shall cause Newco to produce funds from internal sources equivalent to not less than twenty-five percent (25%) of the annual capital expenditures incurred for the fiscal year.

(b) Before July 31 in each of its fiscal years, the Borrower shall cause Newco, on the basis of forecasts prepared by Newco and acceptable to the Bank, to review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Bank a copy of such review upon its completion.

(c) If any such review shows that Newco would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower and Newco shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "funds from internal sources" means the difference between:

(A) the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and

(B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.

(ii) The term "net non-operating income" means the difference between:
(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iii) The term “working capital other than cash” means the difference between current assets excluding cash and current liabilities at the end of each fiscal year.

(iv) The term “current assets excluding cash” means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(v) The term “current liabilities” means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service.

(vi) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vii) The term “capital expenditures” means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

(viii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

2. Debt Service Coverage Ratio

(a) Except as the Bank shall otherwise agree, the Borrower shall cause Newco to not incur any debt, unless the net revenues of Newco for the fiscal year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence,
whichever is the greater, shall be at least 1.2 times the estimated maximum debt service requirements of the Borrower for any succeeding fiscal year or all debt of Newco, including the debt to be incurred.

(b) For the purposes of this Section:

(i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between: (A) the sum of revenues from all sources related to operations and net non-operating income; and (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between: (A) revenues from all sources other than those related to operations; and (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank 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 Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank 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 Bank.

3. The Borrower shall have the Project Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower (or any other period as shall be agreed by the Bank). The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

4. The Borrower shall: (a) cause Newco to: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank both in a manner adequate to reflect the operations and financial condition of Newco; and (ii) no later than three (3) months after the end of each fiscal year (or any other period as shall be agreed by the Bank), furnish to the Borrower said financial statements for auditing purposes; and (b) have the financial statements prepared and furnished by Newco audited as part of the audit requirement set forth in Paragraph 3 above.

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 Loan 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 and the provisions of Annex A to this Schedule.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan 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 Bank of particular contracts refer to the corresponding method described in Sections II and III of the
Procurement Guides, 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 in Annex A to this Schedule; (b) Shopping; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

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

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such
additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank 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 Loan (“Category”), the allocation of the amounts of the Loan 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 Loan Allocated (expressed in USD)</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 Operating Costs under Parts 1, 2(a), 2(c) and 3 of the Project</td>
<td>38,398,750</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Severance Payments and Training under Part 2 (b) of the Project</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>101,250</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>40,500,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement except that, withdrawals up to an aggregate amount not to exceed $7,500,000 may be made for payments made prior to this date but in no case more than
twelve (12) months prior to the date of this Agreement, for Eligible Expenditure: under Category 1; and

(b) under Category 2 unless the SIMP has been prepared and adopted by the Borrower, acceptable to the Bank, pursuant to Section I.A.2 of Schedule 2 to this Agreement.

2. The Closing Date is June 30, 2020.

Section V. Other Undertakings

1. The Borrower shall:

(a) No later than September 30 of every year during the implementation of the Project, beginning on September 30, 2015, prepare and furnish to the Bank a procurement progress report (Procurement Report), in form and substance acceptable to the Bank, which shall include, inter alia: (i) a description of issues arising during the full procurement cycle under the Project, from design through planning, bidding, contract implementation and completion; (ii) a list of proposed measures and actions to be taken to resolve the issues identified under (i) above; and (iii) a proposed timeline for the implementation of the said measures and actions.

(b) No later than October 31 of every year during the implementation of the Project, beginning on October 31, 2015, exchange views with the Bank on the results of the Procurement Progress Report completed for the Borrower’s previous calendar year and thereafter implement such recommended measures, as agreed with the Bank.
ANNEX A
to
SCHEDULE 2

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

Without limitation upon the provisions of Section III of Schedule 2 to this Agreement and Section I and paragraphs 3.3 and 3.4 of the Procurement Guidelines, the procurement procedure to be followed for National Competitive Bidding shall be the Open Bidding Procedure set forth in the Law on Procurement No. 96-XVI dated April 13, 2007, as further amended on September 17, 2010, December 23, 2011, March 30, 2012, April 12, 2012, June 15, 2012, and June 14, 2013 (the “PPL”), provided, however, that such procedure shall be subject to the following additional provisions:

Eligibility: Eligibility to participate in a procurement process and to be awarded a Bank-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 Bank 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.

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

Bidding Documents: Bidding documents acceptable to the Bank 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 Bank 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 Bank's prior written concurrence.

**Bid Submission and Bid Opening:** Prospective bidders shall be given at least thirty (30) days from the date of public 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 Bank with respect to contracts subject to the Bank's prior review.

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

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

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

Fraud and Corruption: The bidding documents and contract as deemed acceptable by the Bank, 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: Each bidding document and contract financed out of the proceeds of the Loan shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Bank 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 Bank. Acts intended to materially impede the exercise of the Bank’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 Bank’s prior review, the Borrower shall obtain the Bank’s no objection before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than fifteen percent (15%); or (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Bank.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15</td>
<td></td>
</tr>
<tr>
<td>Beginning April 15, 2020 through October 15, 2048</td>
<td>1.69%</td>
</tr>
<tr>
<td>On April 15, 2049</td>
<td>1.98%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any
amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions


2. “Abbreviated Resettlement Action Plan” or “ARAP” means the Borrower’s resettlement action plan, acceptable to the Bank, duly published on December 20, 2013, which contains a program of actions, measures and policies for compensation of persons, including compensation arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for each site, as said plan may be amended from time to time with the prior written agreement of the Bank.

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

4. “Chisinau” means the territory of the City of Chisinau, the Borrower’s capital.

5. “CHP-1” means the Borrower’s Combined Cycle Heat and Power Plant number one located in Chisinau.


8. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (a) relocation or loss of shelter; (b) loss of assets or access to assets; or (c) loss of income sources or means of livelihood whether or not such person must move to another location; or (ii) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Displaced Persons” means, collectively, the plural thereof.
9. "Environmental Management Plan" or "EMP" means the Borrower's environmental management plan duly published on November 23, 2013, which contains site-specific environmental mitigation measures anticipated for activities under the Project and the parties responsible for monitoring of construction and operational impacts, including the terms of reference for the environmental audit to be carried out in the site of CHP-1, as said plan may be amended from time to time with the prior written agreement of the Bank.

10. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

11. "MEPIU" means the Moldova Energy Project Implementation Unit under the Borrower's Ministry of Economy, or any successor thereto.

12. "Ministry of Economy" or "MoE" means the Borrower's Ministry of Economy, or any successor thereto.

13. "Newco" means the Borrower's integrated district heating production, distribution and supply company for Chisinau, or any successor thereto, as referred to in Section 5.01 (a) of this Agreement.

14. "Newco Implementation Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement.

15. "Newco Legislation" means the Borrower's Law establishing Newco, as referred to in Section 4.01 (c) of this Agreement.

16. "Non-Consulting Services" the reasonable expenditures incurred on account of Project implementation to cover reasonable costs of data collection services, and other services which are not rendered by consultants, and which are not covered by Operating Costs.

17. "Operating Costs" means expenditures incurred by the Borrower on account of Project implementation for travel; rent of premises and utilities; office supplies; communication costs; bank charges; operation, maintenance and insurance of vehicles (including fuel and insurance); maintenance of office equipment; printing, publications and advertisements (electronic and/or paper); translation; consumables; salaries of non-technical staff assigned to MEPIU (excluding salaries of the Borrower's civil servants and permanent employees); and other expenditures to be agreed upon between the Borrower and the Bank, all based on the semi-annual budgets acceptable to the Bank.

19. "Procurement Plan" means the Borrower's procurement plan for the Project, dated October 8, 2014 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. "Project Operational Manual" means the manual adopted by the Borrower and acceptable to the Bank, including inter alia: the operational and administrative procedures, responsibilities, and rules for the implementation of the Project, the monitoring and evaluation guide, arrangements for procurement under the Project, the EMF, the ARAP; the SIMF and the SIMP, as the same may be amended from time to time with the Bank's prior written approval.

21. "Severance Payments" means cash payments to be financed from the Loan proceeds and to be paid to the selected staff of Newco in accordance with the terms and conditions set forth in the SIMP.

22. "Social Impact Mitigation Framework" or "SIMF" means the Borrower's document (included in the Project Operational Manual), acceptable to the Bank, containing inter alia: the principles for the carrying out of Part 2(b) of the Project, including the guidelines for the development of the SIMP.

23. "Social Impact Mitigation Plan" or "SIMP" means the Borrower's document acceptable to the Bank, containing, inter alia, a description of the process of staff retrenchment of Newco, including the eligibility criteria for the reception of severance payment and training under Part 2(b) of the Project, the amount of severance payment per selected staff of Newco, guidelines for the consultation process, and grievance mechanisms.

24. "Training" means expenditures (other than those for consultants' services) incurred by the Borrower to finance the reasonable travel costs (i.e. accommodation, transportation, travel insurance and per diem, inter alia) of trainees and trainers (if applicable), training registration fees, catering, rental of training facilities and equipment, logistics and printing services, as well as training materials.
Section II. **Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. *(Front-end Fee)* is modified to read as follows:

   "Section 3.01. **Front-end Fee; Commitment Charge**

   (a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

   (b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

   "19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

   "68. “Loan Payment” means any amount payable by the Loan Parties
to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and my Unwinding Amount payable by the Borrower."

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.