Financing Agreement

(Modernization of Government Services Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 28, 2017
FINANCING AGREEMENT

AGREEMENT dated November 28, 2017, entered into between REPUBLIC OF MOLDOVA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — ASSOCIATION’S GENERAL CONDITIONS; DEFINITIONS

1.01. The Association’s 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 Association’s General Conditions, in the Appendix to this Agreement, or in the Appendix to the Loan 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 ten million nine hundred thousand Special Drawing Rights (SDR 10,900,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 April 1 and October 1 in each year.

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

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the eGovernment Center to carry out the Project, in coordination with the State Chancellery, all in accordance with the provisions of Article IV of the Association's 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 eGovernment Center has failed to perform any of its obligations under the Subsidiary Agreement.

(b) The eGovernment Center Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely in the opinion of the Association the ability of the eGovernment Center to perform any of its obligations under the Subsidiary Agreement.

4.02. The Additional Events of Acceleration consist of the following:

(a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

(b) The event specified in paragraph (b) of Section 4.01 of this Agreement occurs.
ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Subsidiary Agreement has been executed on behalf of the Recipient, through the MOF and the State Chancellery, and the eGovernment Center.

(b) The Operational Manual, satisfactory to the Association, has been adopted by the eGovernment Center and the State Chancellery.

(c) The Recipient has issued amendments to the Regulation on the Council of e-Transformation Coordinators (Government Decision No. 222 of April 1, 2014 on the Creation of the Council of e-Transformation Coordinators), all in a manner satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient, through the MOF and the State Chancellery, and the eGovernment Center, and is legally binding upon the Recipient and the eGovernment Center 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.

5.04. For purposes of Section 8.05 (b) of the Association’s General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

Ministry of Finance

Constantin Tănase Street, 7
MD-2005 Chisinau
Republic of Moldova

Facsimile: (37322) 262517
6.03. The Association's Address is:

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

Telex: Facsimile:

248423 (MCI) 1-202-477-6391

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

REPUBLIC OF MOLDOVA

By

[Signature]

Authorized Representative

Name: Octavian Armagă

Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Anna Akhalkatsi

Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to improve access, efficiency and the quality of delivery of selected government administrative services of the Recipient.

The Project consists of the following parts:

**Part 1: Administrative Service Modernization**

1.1 **Business Process Reengineering**: Redesign of at least twenty-one central administrative services provided by the Recipient’s government to citizens and businesses, through:

   (a) the carrying out of an inventory of existing services;

   (b) the carrying out of a comprehensive analysis including legal, technical, administrative, and procedural steps;

   (c) the preparation of “to be” process maps, requirements and work plan for reengineering services for delivery through a digital platform;

   (d) the creation of service standards for each service simplified under the Project, including the development of a methodology to design and measure service standards in a uniform manner;

   (e) the development of supporting documents to implement the “to be” process maps; and

   (f) the development of monitoring, evaluation and reporting systems to measure the impacts of reengineering.

1.2 **Reform Management and Coordination**: Development of capacity for reform management, development of a coordination mechanism, and support for change management, through:

   (a) the provision of technical assistance for reform management and a functioning coordination mechanism;

   (b) the provision of technical assistance for change management, including, *inter alia*, the development and implementation of a change management strategy and action plan;
(c) the provision of leadership training and support for institutional communication; and

(d) the preparation of social inclusion and citizen engagement checklists, to ensure compliance by selected government services in regard to social inclusion and citizen engagement requirements.

1.3 Access Points Expansion for Central Government Electronic Services: Facilitation of access to government administrative services at the local level through the creation of CUPS windows across the Recipient’s territory, and support for capacity building to promote citizen-centered facilitation services at CUPS, through:

(a) the development of a feasibility study for CUPS;

(b) the piloting of CUPS through different delivery systems;

(c) the evaluation of the pilots’ results;

(d) the development of an institutional framework for CUPS;

(e) the roll out of CUPS at the national level;

(f) the establishment of a unified call center for citizens, businesses and government entities to access information on services, support requests, resolve problems and solicit feedback to improve government administrative services and make them more accessible for all types of vulnerable groups; and

(g) the refurbishment of existing facilities that will house the CUPS to provide a consistent look and better conditions for citizens, excluding any building remodeling or roof replacement as further detailed in the Operational Manual.

1.4 Citizen Feedback and Outreach: Mainstreaming of citizen-centric approaches and socially inclusive citizen engagement in the Project, through:

(a) the carrying out of an annual customer survey to measure citizen satisfaction with the services provided through the CUPS and the unified call center, as well as electronic services more generally;

(b) the development of regular on-line and off-line citizen feedback mechanisms as routine procedures to evaluate the citizen-centric redesign, quality, accessibility and responsiveness of government administrative services;
(c) the development of on-line and off-line gender-sensitive and socially inclusive life scenarios combining relevant services into groups for citizens' convenience;

(d) the carrying out of a comprehensive, socially inclusive, and gender-sensitive public awareness campaign; and

(e) the provision of hands-on training for service-provider staff on specific topics related to electronic governance platforms and services.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

The provisions set forth in Section I of Schedule 2 to the Loan Agreement shall apply mutatis mutandis to this Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause the eGovernment Center to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the Association’s General Conditions and on the basis of indicators acceptable to the Association and set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five 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 Association’s General Conditions.

2. The Recipient shall cause the eGovernment Center to prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.

3. The Recipient shall cause the eGovernment Center to have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the Association’s General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. 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

The provisions set forth in Section III of Schedule 2 to the Loan Agreement shall apply mutatis mutandis to this Agreement.
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 Association’s General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing” dated February 1, 2017, 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 allocation of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category. The additional instructions referred to in paragraph A.1 of this Section shall specify the order in which the different sources of financing for the Project will be disbursed.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, Training, non-consulting services, consultants’ services, and Incremental Operating Costs for Parts 1, 2, 3 and 4.1 of the Project (other than those financed under the Loan Agreement)</td>
<td>10,302,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services under Part 4.2 of the Project (other than those financed under the Loan Agreement)</td>
<td>598,000</td>
<td>40% for Eligible Expenditures incurred until December 31, 2020, then 30% until December 31, 2021, then 20% thereafter</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>10,900,000</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 for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2023.

Section V. Other Undertakings

The provisions set forth in Section V of Schedule 2 to the Loan Agreement shall apply *mutatis mutandis* to this Agreement.
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 April 1 and October 1:</td>
<td></td>
</tr>
<tr>
<td>commencing October 1, 2022 to and including April 1, 2042</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing October 1, 2042 to and including April 1, 2047</td>
<td>3.4%</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 Association’s General Conditions.
APPENDIX

Section I. Definitions


2. "Association’s 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.

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

4. "Loan Agreement" means the loan agreement for the Project between the Recipient and the Bank, dated the same date as this Agreement, as such loan agreement may be amended from time to time. "Loan Agreement" includes all appendices, schedules and agreements supplemental to the Loan Agreement.

Section II. Modifications to the Association’s General Conditions

The Association’s General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

   "Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."
2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

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

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

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).