Financing Agreement

(Road Sector Program Support Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 3, 2007
CREDIT NUMBER 4283-MD

FINANCING AGREEMENT

AGREEMENT dated May 3, 2007, 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 ten million eight hundred Special Drawing Rights (SDR 10,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are June 15 and December 15 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 Part B.1 of the Project through the MTRI and cause Parts A and B.2 of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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 Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

(b) The Road Sector Program adopted by the Recipient in accordance with Part E of Section I of Schedule 2 to this Agreement has been amended, suspended, abrogated, repealed or waived without prior consultation with the Association.

4.02. The Additional Event of Acceleration consists of the following:

The event specified in paragraphs (a) and (b) 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.

ARTICLE V - EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:
(a) The Project Agreement has been executed on behalf of the Project Implementing Entity.

(b) The Implementation Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

(c) The Recipient, through the Project Implementing Entity, has issued the Operations Manual satisfactory to the Association.

5.02. The Additional Legal Matters consist of the following:

(a) The Project Agreement has been duly authorized by the Project Implementing Entity and is legally binding upon the Project Implementing Entity in accordance with its terms.

(b) The Implementation Agreement has been duly authorized by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

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

5.04. 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 twenty years after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

Ministry of Finance
Cosmonaut Street, 7
2005 Chisinau
Republic of Moldova

Facsimile:

(373 - 22) 24-0055
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 /s/ Mihail Pop

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward Brown

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to reduce road transport costs for road users in the road network recovered under the Project by improving the condition and quality of said network and its management.

The Project consists of the following parts:

Part A: Road Network Recovery

Carrying out rehabilitation works on selected road sections along the main North-South road corridor between Balti, Sangerei, Orhei, Chisinau, Hincesti and Comrat under the responsibility of the Project Implementing Entity.

Part B: Institutional Support

1. Provision of support to improve the Recipient’s capacity to plan, manage and maintain the network of national roads in Moldova, including activities such as the development of a reliable road maintenance financing mechanism, improvements to the system of road maintenance execution and contracting, and implementation of a system designed to curb the circulation of overload trucks.

2. Provision of support to strengthen the capacity of the Project Implementing Entity to efficiently manage and maintain the roads under its responsibility and to manage investment programs for road rehabilitation, reconstruction and construction.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. MTRI responsible for the overall oversight and management of the Project

The Recipient, through the MTRI, shall ensure that the appropriate departments in the MTRI, with the assistance of the Project Implementing Entity, oversee the overall Project implementation and management with due diligence and efficiency, all in accordance with the Operations Manual.

2. Project Implementing Entity responsible for the overall day-to-day management of the Project

The Project Implementing Entity shall be responsible for the overall day-to-day management of the Project, including consolidated financial and procurement management and other Project-related tasks, all in accordance with the Operations Manual.

3. Road Sector Program Steering Committee

At the national level, the Recipient shall maintain throughout the implementation of the Project, a high-level Road Sector Program Steering Committee which shall act as a body responsible for the strategic coordination and oversight of Road Sector Program, and of Project activities implemented, by the authorities participating in the Project, all under terms of reference and a composition satisfactory to the Association. To this effect, the Recipient shall expand, by not later than one month after effectiveness of the Project, the mandate of the Road Sector Program Steering Committee to cover the coordination and oversight of the implementation of the Road Sector Program and Project activities.

B. Implementation Agreement

1. To facilitate the carrying out of the Project Implementing Entity’s respective Parts of the Project, the Recipient shall enter into an implementation agreement with the Project Implementing Entity, under terms and conditions satisfactory to the Association, which shall include provisions setting forth that the Project Implementing Entity shall be responsible for the overall day-to-day management of the Project, including consolidated financial and procurement management and other Project-related tasks, all in accordance with the Operations Manual. (“Implementation Agreement”).
2. The Recipient shall exercise its rights under the Implementation Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Implementation Agreement or any of its provisions.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the Anti-Corruption Action Plan.

D. Safeguards

1. Environmental Safeguard

   (a) The Recipient shall ensure that all measures necessary for the carrying out of the Environmental Management Plan shall be taken in a timely manner and that all legal and administrative planning and environmental permits and authorizations necessary to carry out Part A of the Project are secured in a timely manner and with due diligence.

   (b) The Recipient shall cause the Project Implementing Entity to take all measures necessary and identified under the Environmental Management Plan at all times in a timely manner, ensuring that adequate information on the implementation of said measures is suitably included in the Project progress reports to be prepared pursuant to the provisions of Section II.A of this Schedule.

2. Operations Manual

   (a) The Recipient shall take and cause the Project Implementing Entity to take all actions required to ensure that the Operations Manual is applied and followed at all times in the implementation, monitoring and evaluation of the Project.

   (b) Except as the Associations shall otherwise agree or as the Association may otherwise judge it necessary to update the Operations Manual to reflect and support a sustainable evolution of the Project, the Recipient shall ensure that it does not assign, amend, abrogate or waive the Operations Manual or any provision thereof.
E. Road Sector Program

The Recipient shall formally adopt, after consultations with the Association, a Road Sector Program by December 31, 2007, including a Road Sector Strategy and a multi-year prioritized Road Investment and Expenditure Plan, satisfactory to the Association.

F. Budgetary Arrangements:

1. The Recipient shall use the Road Sector Program as the basis for budgeting and decision-making in the road sector.

2. Unless the Association agrees otherwise, the Recipient shall increase the resources available for the maintenance works on public roads to reach an amount equivalent to $16 million in 2008, $18 million in 2009 and $20 million in 2010 and use such additional resources for maintenance contracts on public roads. Periodic maintenance contracts on public roads shall be conducted through national competitive bidding.

Section II. Project Monitoring, Reporting and Evaluation

A. Reports

1. (a) The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Road Sector Program and prepare related reports satisfactory to the Association (“Program Reports”).

(b) The Recipient shall also cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare 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 (“Project Reports”).

(c) Each report under paragraphs (a) and (b) above shall be presented in the form of a consolidated report which shall cover the period of one calendar quarter, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause the Project Implementing Entity to maintain 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 Project Implementing Entity, shall prepare and furnish to the Association, as part of the Project Reports to be prepared under paragraph (b) of Part A.1 of this Section, not later than 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. The Recipient shall cause the Project Implementing Entity to 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 Project Implementing Entity, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. 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 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 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. The Procurement Plan shall specify the circumstances under which such methods may be used:
C. Particular Methods of Procurement of Consultants’ Services

1. 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.

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality- and Cost-based Selection (QCBS)</td>
</tr>
<tr>
<td>(b) Quality-based Selection (QS)</td>
</tr>
<tr>
<td>(c) Fixed-budget Selection (FBS)</td>
</tr>
<tr>
<td>(d) Least Cost Selection</td>
</tr>
<tr>
<td>(e) Individual Consultants</td>
</tr>
</tbody>
</table>

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 (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance 100% (inclusive of Taxes) of Eligible Expenditures.

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:

<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 and consultants’ services and training for the Project</td>
<td>10,260,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Refund of Project Preparation Advance</td>
<td>540,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>10,800,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of the table in Part A.2 of Section IV of this Agreement, the term “Training” means the expenditures incurred to finance in-country and overseas training to be undertaken under the Project to support the objectives of the Project, under terms acceptable to the Association.

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, 2011.
# 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 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>commencing June 15, 2017 to and including December 15, 2026</td>
<td>1%</td>
</tr>
<tr>
<td>commencing June 15, 2027 to and including December 15, 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

Definitions

1. “Anti-Corruption Action Plan” means the anti-corruption plan of the Project Implementing Entity for the investments and services under the Road Sector Program, dated February 12, 2007, and referred to in paragraph E of Section I of Schedule 2 to this Agreement, which may be updated from time to time in a manner satisfactory to the Association.


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


5. “Dollar” and “$” mean the lawful currency of the United States of America.

6. “Environmental Management Plan” or “EMP” means the plan to be prepared by the Recipient under terms satisfactory to the Association and covering among others the environmental mitigation measures anticipated for investments under the Project.

7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).

8. “Implementation Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.

9. “MTRI” means the Recipient’s Ministry of Transport and Road Industry, or its legal successor thereof.

10. “Operations Manual” means the manual to be issued by the Recipient for the purposes of Part D.2 of Section I of Schedule 2 to this Agreement, and including the environmental management plan.

12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 12, 2007 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.

13. “Project Implementing Entity” means the State Roads Administration, a public enterprise established in accordance with the Government Decision No. 678, dated July 19, 2001 “On the Establishment of the State Road Administration”, the Government Decision No. 38, dated January 17, 2002 “On Approving the Regulation, Structure and Staffing of the Ministry of Transportation and Communications” and the Order of the Minister of Transportation and Communications No. 16, dated February 7, 2002 and functioning on the basis of Statutes registered with the State Registration Chamber as of April 15, 2002.


15. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on November 28, 2006 and on behalf of the Recipient on December 5, 2006.

16. “Road Sector Program Steering Committee” means the committee established by the Recipient pursuant to the Order of the Prime Minister, dated November 21, 2006 for the purposes of carrying out Section I.A.2 of Schedule 2 of this Agreement.