



ACORD DE FINANȚARE
dintre Republica Moldova și Asociația Internațională
pentru Dezvoltare în vederea realizării Proiectului de
Ameliorare a Competitivității II (PAC II)

Chișinău, 15 iulie 2014



COPIE CERTIFICATĂ
TEXT ÎN LIMBA ENGLEZĂ

CREDIT NUMBER 5509-MD

Financing Agreement

(Second Competitiveness Enhancement Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *July 15*, 2014

CREDIT NUMBER 5509 -MD

FINANCING AGREEMENT

AGREEMENT dated *July 15*, 2014 entered into between the REPUBLIC OF MOLDOVA ("Recipient") and the 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 the amount of nine million seven hundred thousand Special Drawing Rights (SDR 9,700,000) (variously, "Credit" and "Financing"), to assist in financing Parts 1 and 2 of 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 May 15 and November 15 in each year.

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

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project, through the MOE and the MOF (with regards to Part 3 (a) of the Project), 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 Operational Manual has been adopted by the Recipient; and
 - (b) the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty-five years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Minister of Finance.

5.02. The Recipient's Address is:

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

Facsimile:

(37322) 225393

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
Washington, D.C.

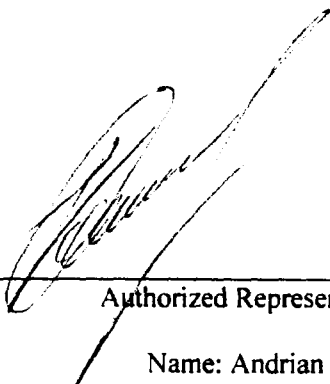
248423 (MCI)

1-202-477-6391

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

REPUBLIC OF MOLDOVA

By



Authorized Representative

Name: Andrian Candu

Title: Deputy Prime Minister, Minister of Economy

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Abdoulaye Seck

Title: Country Manager

SCHEDULE 1

Project Description

The objective of the Project is to increase the export competitiveness of the Recipient's enterprises and decrease the regulatory burden they face

The Project consists of the following parts:

Part I. Regulatory Reform

- (a) Improving the timely delivery of the Recipient's business regulatory reform strategies and the quality of the business enabling environment through:
 - (i) strengthening the Recipient's oversight of the business regulatory reform strategy implementation through, *inter alia*, developing and implementing methodologies to monitor the implementation of the reform strategies by the Recipient's public authorities;
 - (ii) increasing the accountability of the Recipient's public authorities through measuring and disclosing information on the impacts caused by the actions of the Recipient's public authorities on the business community through, *inter alia*: developing a system for monitoring and reporting based on performance indicators for the Recipient's public authorities with a business regulatory function, including a Performance Monitoring Action Plan;
 - (iii) reviewing the Recipient's legal and regulatory framework and its implementation to avoid unjustified costs on businesses; and
 - (iv) conducting events and communication campaigns in support of regulatory reform.
- (b) Implementing priority reforms to improve export competitiveness through:
 - (i) simplifying the process to obtain Permissive Documents required by the Recipient for an enterprise to do business; and
 - (ii) strengthening the Recipient's competition capacity through, *inter alia*: (A) supporting the dissemination and implementation of the Competition Law; and (B) providing technical assistance to draft

amendments to laws and regulations to remove provisions causing anti-competitive behaviors.

- (c) Provision of financing of payments under the Eligible Expenditure Program (EEP) in support of the business regulatory reform by: (i) establishing and applying performance indicators for the Recipient's entities with a business regulatory function; and (ii) the introduction of reforms to reduce regulatory barriers and remove anti-competitive obstacles in legislation and regulation, all in accordance with the provisions set forth in Section IV of Schedule 2 to this Agreement.

Part 2. SME Development

- (a) Strengthening the institutional capacity of ODIMM and MIEPO to facilitate business sophistication and integration into global supply chains for SMEs and exporters.
- (b) Establishing a Matching Grant Facility (MGF) to assist Matching Grant Beneficiaries in the implementation of business improvement plans focused on export competitiveness including:
 - (i) providing support to the Recipient to, *inter alia*: (A) develop the Matching Grant Manual; (B) design a communication strategy for the MGF; (C) develop and implement a monitoring and evaluation strategy for Part 2(b)(ii) below; and (D) strengthening the Recipient and, when applicable ODIMM or MIEPO's capacity to supervise the MGF; and
 - (ii) providing Matching Grants to Matching Grant Beneficiaries to implement business improvement plans focused on export competitiveness.
- (c) Provision of financing of payments under the Eligible Expenditure Program (EEP) to support the institutional strengthening of ODIMM and MIEPO by: (i) developing and implementing a strategy for ODIMM that promotes organizational effectiveness and segmentation of delivery assistance mechanisms to meet the needs of SMEs; and (ii) developing and implementing a strategy for MIEPO that promotes organizational effectiveness, market segmentation for improved export promotion delivery assistance mechanisms, all in accordance with the provisions set forth in Section IV of Schedule 2 to this Agreement.

Part 3. Access to Finance

- (a) Provision of Sub-loans by Eligible PFIs to support investment and working capital financing needs of Beneficiary Enterprises.
- (b) Providing support to ODIMM to revise and implement its credit guarantee scheme.
- (c) Provision of technical assistance to MOE, MOF, other relevant Recipient's public authorities and financial institutions in the Recipient's territory on developing value chain financing models.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For the purposes of the Project, the Recipient, through the MOE, shall be responsible for the overall implementation (including the financial management and procurement aspects) of the Project.
2. The Recipient, through the MOE, shall maintain the PIU until completion of the Project with staff, resources and terms of reference acceptable to the Association and in accordance with the Operational Manual and shall assign to it responsibility for overall daily management of the Project. Any additional staff of the PIU financed under the Project shall be selected and hired in accordance with Section III of this Schedule.
3. The Recipient, through the MOE, shall: (a) based on the result of activities under Parts 1(a)(iii) and 1(b) of the Project, prepare and furnish to the Association no later than January 31, 2015, or such later date as the Association shall agree, an action plan (the Action Plan) satisfactory to the Association (which shall include a timetable); and (c) implement said Action Plan in accordance with its terms.

B. Matching Grant Facility

1. The Recipient shall: (a) prepare and adopt a Matching Grant Manual under terms and conditions acceptable to the Association, and (b) thereafter, carry out Part 2(b)(ii) of the Project in accordance with the requirements set forth in the Matching Grant Manual, including eligibility criteria, selection procedures and implementation conditions. The Recipient shall not assign, amend, abrogate or waive any provision of the Matching Grant Manual without prior written approval of the Association. In case of any conflict between the terms of the Matching Grant Manual and those of this Agreement, the terms of this Agreement shall prevail.
2. The Recipient, through the MOE, shall retain staff to administer the Matching Grant Facility (MGF) in numbers, with qualifications, experience and responsibilities acceptable to the Association and set forth in the Operational Manual.
3. The Recipient, through the MOE, shall provide financing, on a grant basis, to Matching Grant Beneficiaries pursuant to a standard agreement, in a format and substance acceptable to the Association, to be entered into between the Recipient

and a Matching Grant Beneficiary (the Matching Grant Agreement). Such agreement shall include, *inter alia*:

- (i) the amount to be provided to the Matching Grant Beneficiary under a Matching Grant Agreement, its terms and conditions and a disbursement schedule;
 - (ii) an amount of co-financing provided by the Matching Grant Beneficiary and/or evaluation of in-kind contribution to the activity co-financed by the Matching Grant Facility, as defined in the Matching Grant Manual;
 - (iii) the obligation of the Matching Grant Beneficiary to procure services to be financed under the Matching Grant Agreement in accordance with the procedures set forth in the Matching Grant Manual;
 - (iv) the obligation of the Matching Grant Beneficiary to carry out its activities in compliance with the Anti-Corruption Guidelines, and, when applicable, prepare EMPs in accordance with the EMF, in form and substance satisfactory to the Association, and to implement said activities in accordance with the relevant EMP.
 - (v) the obligation of the Matching Grant Beneficiary to report to the Recipient on the progress of the implementation of the activity co-financed by the Matching Grant Facility and to enable the Recipient and the Association, if the Association shall so request, to visit the facilities where the co-financed activities are implemented and administered;
 - (vi) the obligation of the Matching Grant Beneficiary to maintain records and accounts for expenditures incurred and financed from the proceeds of the Matching Grant Facility made available to the Matching Grant Beneficiary under the Matching Grant Agreement as established in the Matching Grant Manual, and
 - (vii) the right of the Recipient to suspend, cancel or request a refund of the Matching Grant or a portion thereof in case of the failure of the Matching Grant Beneficiary to perform any of its obligations under the Matching Grant Agreement.
4. Prior to the provision of the first two Matching Grants, the Recipient shall obtain the Association's approval of the selection of the respective Matching Grant Beneficiaries.

C. Operational Manual

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

D. Anti-Corruption

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

E. Safeguards

1. The Recipient shall, and shall cause the Matching Grant Beneficiaries to carry out Part 2(b)(ii) of the Project in accordance with the EMF.
2. The Recipient shall, and shall cause each Matching Grant Beneficiary to, prior to carrying out any activities under Part 2(b) (ii) of the Project, prepare EMPs in accordance with the EMF, in form and substance satisfactory to the Association, and to implement said activities in accordance with the relevant EMP.
3. Under Part 2(b)(ii) of the Project, the Recipient shall ensure that no investments involving the involuntary acquisition of land or the displacement of persons, or investments that involve the use or potential pollution of international waterways are financed with the proceeds of the Credit.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports and Mid-term Review

1. The Recipient 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 Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
2. By July 15, 2018 or such other date as the Association shall agree upon, the Recipient shall carry out jointly with the Association, a mid-term review of the implementation of the activities under the Project (Mid-term Review). The Mid-term Review shall cover the progress achieved in the implementation of the Project. Following such Mid-term Review, the Recipient shall act promptly and

diligently to take any corrective action as shall have been agreed with the Association.

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 5.09 of the General Conditions.
2. The Recipient, through the MOE, shall prepare and furnish to the Association not later than forty-five 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, through the MOE, shall have its 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 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 Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods 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; (c) Direct Contracting; and (d) Procurement in Loans to Financial Intermediary Institutions and Entities.

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 method, 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 the 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; (g) Single-source procedures for the Selection of Individual Consultants; and (h) Selection of Consultants in Loans to Financial Intermediary Institutions and Entities.

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May

2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

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

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Non-Consulting Services, consultants' services (including audits) Training and Incremental Operating Costs under Parts 1(a), 1(b), 2 (a), and 2 (b)(i) of the Project; and audits under Parts 1(c), 2(b)(ii) and 2(c) of the Project.	5,822,000	100%
(2) Matching Grants under Part 2(b)(ii) of the Project	1,940,000	100%
(3) Payments for EEPs under Parts 1(c) and 2(c) of the Project	1,938,000	100% of the amount up to the withdrawal ceiling set forth in the table in Schedule 4
TOTAL AMOUNT	<u>9,700,000</u>	

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 SDR 1,940,000 equivalent may be made for payments made prior to this date but on or

after May 7, 2014, for Eligible Expenditures under Categories (1) and (3);

- (b) for payments made under Category (2) unless the Recipient has: (i) adopted the Matching Grant Manual with terms and conditions acceptable to the Association; and (ii) retained staff to administer the MGF in accordance with Section I.B.2 of Schedule 2 to this Agreement; and
- (c) for payments made under Category (3) unless evidence has been furnished in a manner satisfactory to the Association: (i) that payments under the EEPs have been made in accordance with the Recipient's applicable legislation; (ii) of the Recipient's achievement of the respective Disbursement Linked Result (DLR) under the Disbursement-Linked Indicators (DLIs) for the respective time period as referred to in Schedule 4 to this Agreement and in form and substance satisfactory to the Association.

2 Notwithstanding the provisions of part B.1(c) of this Section,

- (a) if the Association is not satisfied that any of the DLR under the DLIs has been achieved by the date by which said DLR under the DLI is set to be achieved, the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Financing then allocated to the respective DLR which, in the opinion of the Association, corresponds to the extent of EEP execution and achievement of said DLR under the DLI; (b) when satisfied that said DLR under the DLI has been complied with, authorize that the unwithdrawn amount by which the corresponding disbursement had been reduced be carried forward to the immediately subsequent withdrawal; and/or (c) cancel all or a portion of the proceeds of the Financing then allocated to said DLR under the DLI.
- (b) if the Association is satisfied that a DLR under a DLI has been achieved before the date by which said DLR under a DLI is set to be achieved, the Association may decide, at its sole discretion and at any time, by notice to the Recipient, to authorize the withdrawal of such amount of the unwithdrawn proceeds of the Financing then allocated to the respective DLR which, in the opinion of the Association, corresponds to the extent of EEP execution and achievement of said DLR under the DLI.
- (c) if, at any time, the Association determines that any portion of the amounts disbursed by the Recipient under Category (3) was made: (i) for expenditures which are not eligible under the EEP; or (ii) not in

compliance with the provisions of part B.1(c) of this Section, the Recipient shall promptly refund any such amount to the Association as the Association shall specify by notice to the Recipient.

3. The Closing Date is January 31, 2020.

Section V. Other Undertakings

1. The Recipient, through the MOE 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 Association a procurement progress report (Procurement Report), in form and substance acceptable to the Association, 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 Association on the results of the Procurement Progress Report completed for the Recipient's previous calendar year and thereafter implement such recommended measures, as agreed with the Association.

ANNEX A
to
SCHEDULE 2

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

Without limitation upon the provisions of Section III of Schedule 3 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 an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines.

Registration of Contractors and Suppliers: Registration shall not be used to assess bidders' qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid, and a foreign bidder recommended for contract award shall be given a reasonable opportunity to register, with the reasonable cooperation of the Recipient, 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 Association 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 Association shall be used for large, complex

and/or specialized works. The verification of the information upon which a bidder was prequalified, including current commitments, shall be carried out at the time of contract award, along with the bidder's capability with respect to personnel and equipment. In the procurement of goods and works where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by 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 Association's prior written concurrence.

Bid Submission and Bid Opening: Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be opened in public, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to bidders unopened. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association's prior review.

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

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

Bid Validity: The bid validity period required by the bidding documents shall be sufficient to account for any period that may be required for the approval and registration of the contract as contemplated in the PPL. If justified by exceptional circumstances, an extension of bid validity may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the registration process, 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 Association.

Guarantees: Guarantees shall be in the format included in the bidding documents. The bid guarantee shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested. No advance payments shall be made 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 Association shall include provisions stating the Association'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 the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Guidelines.

Contract Modifications: With respect to contracts subject to the Association's prior review, the Recipient shall obtain the Association's no objection before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than fifteen percent (15%); or (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing November 15, 2019 to and including May 15, 2029	1.65%
commencing November 15, 2029 to and including May 15, 2039	3.35%

* 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.

SCHEDULE 4

Disbursement-Linked Indicators

DLI	DLRs Due on 12/31/2015	Amount Allocated (expressed in SDR)	DLRs Due on 12/31/2017	Amount Allocated (expressed in SDR)	DLRs Due on 12/31/2019	Amount Allocated (expressed in SDR)
1. Establish and apply performance indicators for the Recipient's public authorities with a business regulatory function.	<p>1.1 Performance indicators and baselines are established for selected Recipient's public authorities, with a business regulatory function, all acceptable to the Association; and</p> <p>a system is in place for monitoring and publicly reporting the above mentioned performance indicators in accordance with the Performance Monitoring Action Plan</p>	161,500	<p>1.2 Performance indicators and baselines are established for selected Recipient's public authorities with a business regulatory function, different from those selected for the period ending on 12/31/2015, all acceptable to the Association:</p> <p>a system is in place for monitoring and publicly reporting the above mentioned performance indicators in accordance with the Performance Monitoring Action Plan</p> <p>the above mentioned performance indicators are monitored and publicly reported in 2016 and 2017 in accordance with the Performance</p>	161,500	<p>1.3 Performance indicators and baselines are established for all the Recipient's agencies with a business regulatory function;</p> <p>a system is in place for monitoring and publicly reporting the above mentioned performance indicators in accordance with the Performance Monitoring Action Plan;</p> <p>the above mentioned performance indicators are monitored and publicly reported in 2018 and 2019 in accordance with the</p>	161,500

DLI	DLRs Due on 12/31/2015	Amount Allocated (expressed in SDR)	DLRs Due on 12/31/2017	Amount Allocated (expressed in SDR)	DLRs Due on 12/31/2019	Amount Allocated (expressed in SDR)
			Monitoring Action Plan; and the targets for each performance indicator are revised and validated for 2018 and 2019.		Performance Monitoring Action Plan; the targets for each performance indicator are revised and validated for 2020; and the strategy for carrying out performance indicator monitoring and validation is adopted by the Recipient	
2. Implementation of the Action Plan to reduce regulatory barriers and remove anti-competitive elements of legislation and regulation	2.1 Two (2) cumulative actions of the Action Plan implemented	161,500	2.2 Four (4) cumulative actions of the Action Plan implemented	161,500	2.3 Six (6) cumulative actions of the Action Plan implemented	161,500
3. Adoption and implementation of a revised strategy of ODIMM that promotes organizational effectiveness and reflects segmentation of delivery assistance mechanisms and enterprise needs.	3.1 ODIMM revised strategy, acceptable to the Association, is adopted by the Recipient; and the Recipient allocated adequate budget to ODIMM based on said strategy;	161,500	3.2 ODIMM revised strategy is implemented, budgeted, monitored and evaluated effectively in 2016 and 2017	161,500	3.3 ODIMM revised strategy is implemented, budgeted, monitored and evaluated effectively in 2018 and 2019; ODIMM revised strategy is updated, in a manner acceptable to the Association and adopted	161,500

4.

Amount Allocated (expressed in SDR)	DLI	DLRs Due on 12/31/2015	Amount Allocated (expressed in SDR)	DLRs Due on 12/31/2017	Amount Allocated (expressed in SDR)	DLRs Due on 12/31/2019	Amount Allocated (expressed in SDR)
						by MOE; and the Recipient allocated adequate budget to ODIMM based on its strategy.	
161,500	4. Adoption and implementation of a revised strategy of MIEPO promotes organizational effectiveness and reflects market segmentation and improved export promotion delivery assistance mechanisms.	4.1 MIEPO's revised strategy, acceptable to the Association, is adopted by the Recipient; and the Recipient allocated adequate budget to MIEPO based on said strategy.	161,500	4.2 MIEPO's revised strategy is implemented, budgeted, and monitored and evaluated effectively in 2016 and 2017	161,500	4.3 MIEPO strategy is implemented, budgeted, monitored and evaluated effectively in 2018 and 2019; said strategy is updated, in a manner acceptable to the Association and adopted by MOE; and the Recipient allocated adequate budget to MIEPO based on its strategy.	161,500
161,500							

APPENDIX

Section I. Definitions

1. "Action Plan" means the Recipient's plan referred to in Section I.A.3. of Schedule 2 to this Agreement, as it may be amended from time to time with the prior written agreement of the Association.
2. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
3. "Beneficiary Enterprise" means an enterprise satisfying the appropriate criteria as set forth in the LOC Operational Manual, to which an Eligible PFI provides a Sub-Loan.
4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. "Category A Activity" means an activity that in the opinion of the Association, is likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people.
6. "Competition Law" means the Recipient's Law No. 183, dated July 11, 2012.
7. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
8. "Disbursement Linked Indicator" or "DLI" means in respect of a Category (3), the indicator related to said Category as set forth in the table in Schedule 4 to this Agreement.
9. "Disbursement Linked Result" or "DLR" means in respect of a given DLI, the result under said DLI as set forth in the table in Schedule 4 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of Section IV of Schedule 2 to this Agreement.
10. "Eligible Expenditure Program" or "EEP" means a portion of the Recipient's budgetary allocation for financing employee's compensation and mandatory state social insurance contribution for the Recipient's staff incurred by the Recipient for carrying out the activities under Parts 1(c) and 2(c) of the Project.

11. "Eligible PFI" means a commercial bank registered according to the applicable laws and regulations of the Recipient and selected by the Recipient, with prior written approval by the Association, to participate in the Project pursuant to criteria set forth in the LOC Operational Manual.
13. "Environmental Management Framework" or "EMF" means the Recipient's environmental management framework, satisfactory to the Association, dated March 25, 2014, describing the environmental mitigation, monitoring and institutional measures under the Project, as the same may be amended from time to time with the Association's prior approval.
14. "Environmental Management Plan" or "EMP" means a site-specific environmental management plan prepared under Parts 2(b) or 3(a) of the Project in accordance with the EMF, describing the environmental mitigation measures anticipated for activities under said Parts of the Project and the parties responsible for monitoring environmental impacts.
15. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.
16. "ICT" means information and communication technologies.
17. "Incremental Operating Costs" means expenditures incurred by the Recipient on account of Project implementation for travel; rent of premises and utilities office supplies; communication costs; bank charges; operation, maintenance and insurance of vehicles; maintenance of office equipment; printing, publications and advertisements (electronic and/or paper); translation; consumables; salaries and mandatory state social insurance contribution for non-professional staff assigned to the PIU (excluding salaries of the Recipient's civil servants and permanent employees); and other expenditures to be agreed upon between the Recipient and the Association, all based on the semi-annual budgets acceptable to the Association.
18. "LOC Operational Manual" means the manual setting forth the eligibility criteria, selection process, on-lending terms and implementation for the purposes of carrying out the activities under Part 3(a) of the Project.
19. "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.
20. "Matching Grant" means a grant to be provided by the Recipient out of the Matching Grant Facility to each Matching Grant Beneficiary from the proceeds of the Financing for the purposes of carrying out activities under Part 2(b) (ii) of

the Project, including: (A) improving existing products and services; (B) creating new products and services; (C) improving production processes; (D) improving business management; (E) improving the business' image; (F) finding new customers and markets; and (G) creating and strengthening partnerships within the value chain; but excluding any Category A Activity.

21. "Matching Grant Beneficiaries" means SMEs selected in accordance with open and transparent procedures, as established in the Matching Grant Manual, which will benefit from the provision of Matching Grants under Part 2(b)(ii) of the Project.
22. "Matching Grant Facility" means the mechanism to provide Matching Grants to eligible Matching Grants Beneficiaries for the purposes of co-financing the activities implementing Part 2(b) of the Project, under terms and conditions satisfactory to the Association.
23. "Matching Grant Manual" means the manual setting forth the eligibility criteria, selection process of Matching Grant Beneficiaries and activities to be financed under Part 2(b) of the Project (including a negative list of activities) and implementation for the purposes of carrying out the activities under Part 2(b) of the Project.
24. "MIEPO" means the Recipient's Export Promotion and Investment Attraction Agency created pursuant to the Recipient's Government Decision No. 105 dated February 9, 1999, as amended to the date of this Agreement.
25. "MOE" means the Recipient's Ministry of Economy, or any of its successor or successors thereto.
26. "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 Incremental Operating Costs or Training.
27. "ODIMM" means the Recipient's SME Development Agency created pursuant to the Recipient's Government Decision No. 659 dated October 21, 1993, as amended to the date of this Agreement.
28. "Operational Manual" means the manual adopted by the Recipient acceptable to the Association and including the EMF, and setting out the operational and administrative procedures, responsibilities, and rules for the implementation of the Project, and including, *inter alia*, arrangements for Project implementation, the monitoring and evaluation guide, and arrangements for procurement under the Project.

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29. "Permissive Documents" means the documents required by the Recipient for an enterprise to do business.
30. "Performance Monitoring Action Plan" means the Recipient's plan developed under Part 1(a)(ii) Schedule 1 of this Agreement, as it may be amended from time to time with the prior written agreement of the Association.
31. "PIU" means the Project Implementing Unit created pursuant to Government Decision No. 895, dated August 25, 2005.
32. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
33. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 7, 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.
34. "RIA" means the regulatory impact assessment required for legislation and regulation that affect businesses, pursuant to the Borrower's law No. 235, dated July 20, 2006.
35. "RIA Secretariat" means the Recipient's unit responsible of RIA.
36. "SME" means small and medium enterprise in the territory of the Recipient.
37. "Sub-loan" means a loan made or proposed to be made by an Eligible PFI, out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in Section IV.A of Schedule 2 to the Loan Agreement, for purposes of financing all or a portion of the expenditures incurred by a Beneficiary Enterprise for goods, services, works and/or working capital under a Sub-project.
38. "Sub-loan Agreement" means the agreement to be entered into between a Beneficiary Enterprise and an Eligible PFI pursuant to the provisions set forth in the LOC Operational Manual for the provision to the Beneficiary Enterprise of a Sub-loan for the carrying out of a Sub-project.
39. "Sub-project" means a specific investment project or financing for working capital, selected in accordance with the criteria set forth in the LOC Operational Manual, which is proposed to be carried out by a Beneficiary Enterprise, in whole or in part through the utilization of the proceeds of a Sub-loan.
40. "Training" means expenditures (other than those for consultants' services) incurred by the Recipient 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, all for the purposes of, and directly related to, the training activities (including study tours) described in the Project, all based on the semi-annual budgets acceptable to the Association.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. Service Charge and Interest Charge

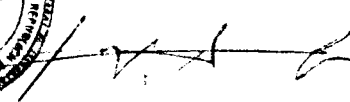
- (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
 - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”
2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
 4. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”
 5. 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”.

6. 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).

Prin prezenta confirm că textul alăturat este o copie certificată de pe Acordul de finanțare dintre Republica Moldova și Asociația Internațională pentru Dezvoltare în vederea realizării Proiectului de Ameliorare a Competitivității II (PAC II) (Chișinău, 15 iulie 2014), originalul căruia este depozitat la Arhiva Tratatelor a Ministerului Afacerilor Externe și Integrării Europene.




Dumitru SOCOLAN,
Șef al Direcției Generale Drept
Internațional a Ministerului Afacerilor
Externe și Integrării Europene al
Republicii Moldova