

DRAFT /EIB/13.9.2010

SUBJECT TO REVIEW AND APPROVAL BY EIB MANAGEMENT

**FI N°
Serapis N°**

2008- 0144

MOLDOVA – WATER SECTOR PROJECT

Finance Contract

between the

Republic of Moldova

and the

European Investment Bank

Brussels, 16 September 2010

CONTENTS

| | |
|---|-------------------|
| ARTICLE 1 CREDIT AND DISBURSEMENT | <u>39</u> |
| 1.01 AMOUNT OF CREDIT | <u>39</u> |
| 1.02 DISBURSEMENT PROCEDURE..... | <u>39</u> |
| 1.03 CURRENCY OF DISBURSEMENT | <u>310</u> |
| 1.04 CONDITIONS OF DISBURSEMENT | <u>310</u> |
| 1.05 DEFERMENT OF DISBURSEMENT | <u>312</u> |
| 1.06 CANCELLATION AND SUSPENSION | <u>313</u> |
| 1.07 CANCELLATION AFTER EXPIRY OF THE CREDIT | <u>314</u> |
| 1.08 UP-FRONT FEE | <u>314</u> |
| 1.09 COMMITMENT FEE..... | <u>314</u> |
| 1.10 SUMS DUE UNDER ARTICLE 1 | <u>314</u> |
| ARTICLE 2 THE LOAN | <u>315</u> |
| 2.01 AMOUNT OF LOAN | <u>315</u> |
| 2.02 CURRENCY OF REPAYMENT, INTEREST AND OTHER CHARGES..... | <u>315</u> |
| 2.03 CONFIRMATION BY THE BANK | <u>315</u> |
| ARTICLE 3 INTEREST | <u>315</u> |
| 3.01 RATE OF INTEREST | <u>315</u> |
| 3.02 INTEREST ON OVERDUE SUMS | <u>316</u> |
| ARTICLE 4 REPAYMENT | <u>316</u> |
| 4.01 NORMAL REPAYMENT..... | <u>316</u> |
| 4.02 VOLUNTARY PREPAYMENT | <u>316</u> |
| 4.03 COMPULSORY PREPAYMENT..... | <u>317</u> |
| 4.04 APPLICATION OF PARTIAL PREPAYMENTS | <u>318</u> |
| ARTICLE 5 PAYMENTS | <u>318</u> |
| 5.01 DAY COUNT CONVENTION..... | <u>318</u> |
| 5.02 TIME AND PLACE OF PAYMENT | <u>318</u> |
| 5.03 SET-OFF | <u>319</u> |
| ARTICLE 6 BORROWER UNDERTAKINGS AND REPRESENTATIONS | <u>319</u> |
| 6.01 USE OF LOAN AND AVAILABILITY OF OTHER FUNDS..... | <u>319</u> |
| 6.02 COMPLETION OF PROJECT | <u>319</u> |
| 6.03 INCREASED COST OF PROJECT | <u>319</u> |
| 6.04 PROCUREMENT PROCEDURE | <u>319</u> |
| 6.05 CONTINUING PROJECT UNDERTAKINGS..... | <u>319</u> |
| 6.06 INTEGRITY COMMITMENT | <u>320</u> |
| 6.07 PROJECT MANAGEMENT UNIT | <u>321</u> |
| 6.08 COMPLIANCE WITH LAWS..... | <u>321</u> |
| 6.09 GENERAL REPRESENTATIONS AND WARRANTIES | <u>321</u> |
| ARTICLE 7 SECURITY | <u>322</u> |
| ARTICLE 8 INFORMATION AND VISITS | <u>322</u> |
| 8.01 INFORMATION CONCERNING THE PROJECT | <u>322</u> |
| 8.02 INFORMATION CONCERNING THE BORROWER AND/OR THE FINAL BENEFICIARIES | <u>323</u> |
| 8.03 VISITS BY THE BANK | <u>324</u> |
| ARTICLE 9 CHARGES AND EXPENSES | <u>324</u> |
| 9.01 TAXES, DUTIES AND FEES..... | <u>324</u> |
| 9.02 OTHER CHARGES..... | <u>324</u> |
| ARTICLE 10 EVENTS OF DEFAULT | <u>324</u> |
| 10.01 RIGHT TO DEMAND REPAYMENT | <u>324</u> |
| 10.02 OTHER RIGHTS AT LAW | <u>325</u> |
| 10.03 INDEMNITY | <u>326</u> |
| 10.04 NON-WAIVER | <u>326</u> |
| 10.05 APPLICATION OF SUMS RECEIVED | <u>326</u> |

| | |
|---|-------------------|
| ARTICLE 11 LAW AND JURISDICTION | <u>326</u> |
| 11.01 GOVERNING LAW..... | <u>326</u> |
| 11.02 ARBITRATION | <u>326</u> |
| 11.03 AGENT OF SERVICE | <u>327</u> |
| 11.04 EVIDENCE OF SUMS DUE | <u>327</u> |
| 11.05 WAIVER OF IMMUNITY | <u>327</u> |
| ARTICLE 12 FINAL CLAUSES | <u>327</u> |
| 12.01 NOTICES TO EITHER PARTY | <u>327</u> |
| 12.02 FORM OF NOTICE | <u>328</u> |
| 12.03 CHANGES TO PARTIES..... | <u>328</u> |
| 12.04 LANGUAGE | <u>328</u> |
| 12.05 RECITALS, SCHEDULES AND ANNEX..... | <u>328</u> |
| SCHEDULE A | <u>330</u> |
| PROJECT SPECIFICATION AND REPORTING | <u>330</u> |
| PROJECT INFORMATION TO BE SENT TO THE BANK AND METHOD OF TRANSMISSION | <u>331</u> |
| SCHEDULE B | <u>333</u> |
| DEFINITIONS OF EURIBOR AND LIBOR..... | <u>333</u> |
| SCHEDULE C | <u>336</u> |
| FORMS FOR BORROWERS..... | <u>336</u> |

THIS CONTRACT IS MADE BETWEEN:

The Republic of Moldova, represented by the Ministry of Finance, having its address at 7, Cosmonauts Street, MD-2005 Chisinau, Republic of Moldova and, for the signing of this contract, by Vladimir Filat, the Prime Minister, having his office at 1 Piata Marii Adunari Nationale, MD-2033 Chisinau, Republic of Moldova

(the "**Borrower**)

of the first part, and

The European Investment Bank having its seat at 98-100 blvd Konrad Adenauer, Luxembourg, L-2950 Luxembourg, represented by Philippe Maystadt, the President

(the "**Bank**)

of the second part.

WHEREAS:

- (1) On 1 November 2006 the Republic of Moldova and the Bank signed a Framework Agreement governing the Bank's activities in the Republic of Moldova (hereinafter referred to as the "**Framework Agreement**") which is in full force and effect and shall continue to be in full force and effect throughout the lifetime of this Contract.
- (2) In a letter dated 17 June 2008 the Borrower requested financing of the Project (as defined below) and the Project falls under the scope of the Framework Agreement.
- (3) The Republic of Moldova, acting through the Borrower, has stated that: (i) it is undertaking a project for the rehabilitation and extension of water supply and sanitation systems in six (6) smaller towns and their surroundings in the Republic of Moldova (namely *Floresti, Soroca, Hincesti, Orhei, Leova* and *Ceadir-Lunga*) (the "**Project**") as more particularly described in the technical description (the "**Technical Description**") set out in Schedule A; (ii) the Ministry of Environment of the Republic of Moldova (the "**Promoter**") will have general supervision of and responsibility for the implementation of the Project, including the establishment of a central Project Management Unit (the "**PMU**") at the level of, and coordinated by, the Promoter; and (iii) the Borrower will enter into grant agreements, directly or indirectly through the Rayons, with the relevant municipalities and the relevant Final Beneficiaries (as defined below); pursuant to the provisions of such grant agreements, the Borrower will use the funds received from the Bank under this Contract to pay the relevant Project invoices forwarded to it by the local water utility companies for the 6 relevant towns (each such local water utility company, a "**Final Beneficiary**" and, together, the "**Final Beneficiaries**") through the PMU.
- (4) The total cost of the Project is estimated by the Bank to be EUR 30,000,000 (thirty million euros) and the Borrower has stated that it intends to finance the Project as follows:

| <u>Source</u> | <u>Amount (M EUR)</u> |
|-----------------------------------|-----------------------|
| Credit from the Bank | 10 |
| Loan from EBRD (as defined below) | 10 |
| Grant from NIF (as defined below) | 10 |
| TOTAL | 30 |

- (5) In order to fulfil the financing plan set out in Recital (4), the Borrower has requested from the Bank a credit in the amount of EUR 10,000,000 (ten million euros).
- (6) The Statute of the Bank provides that the Bank shall ensure that its funds are used as rationally as possible in the interests of the European Union (the "**EU**"); and, accordingly, the terms and conditions of the Bank's loan operations must be consistent with relevant EU policies.
- (7) The Bank considering that the financing of the Project falls within the scope of its functions, and having regard to the statements and facts cited in these Recitals, has decided to give effect to the Borrower's request providing to it a credit in an amount of EUR 10,000,000 (ten million euros) under this Finance Contract (the "**Contract**"); provided that the amount of the Bank loan shall not, in any case, exceed 50% (fifty per cent) of the total cost of the Project set out in Recital (4).
- (8) The Borrower has authorised the borrowing of the sum of EUR 10,000,000 (ten million euros) represented by this credit on the terms and conditions set out in this Contract. As per the legal opinion to be issued substantially in the form set out in Annex I and pursuant to the evidence to be provided under Article 1.04A(b) hereof, Vladimir Filat, Prime Minister, is duly authorised to sign this Contract for and on behalf of the Borrower.

- (9) According to Council/EP Decision 633/2009 on granting a European Union guarantee to the Bank against all losses under loans and loan guarantees for projects outside the EU and the agreement entered into between the European Commission (the “**Commission**”) and the Bank implementing such decision (the “**Guarantee Agreement**”), in the event of non-payment, the Commission, by a guarantee, covers all payments not received by the Bank and due to it in relation to the Bank’s financing operations entered into with, *inter alia*, the Borrower (the “**EU Guarantee**”).
- (10) Pursuant to and subject to the terms of a loan agreement dated 16 June 2010 between the European Bank for Reconstruction and Development (“**EBRD**”) and the Borrower (hereafter referred to as the “**EBRD Loan Agreement**”) the EBRD has agreed to provide a loan in a total amount of up to EUR 10,000,000 (ten million euros) for the purposes of financing the Project (the “**EBRD Loan**”). In addition, EBRD is expected to enter into project agreements with each Final Beneficiary with respect to the implementation of the Project (each such agreement an “**EBRD Project Agreement**” and, together, the “**EBRD Project Agreements**”, and the EBRD Project Agreements and the EBRD Loan Agreement together, the “**EBRD Loan Documentation**”). It is a condition to disbursements under the EBRD Loan Agreement that the terms of all of the EBRD Project Agreements are being complied with.
- (11) (a) The Bank, EBRD and the Commission have entered into the “Cooperation within the framework of the Neighbourhood Investment Facility (“**NIF**”)” framework agreement, in force as of 21 December 2009 (the “**NIF Framework Agreement**”) and (b) the Bank, EBRD and the Commission will enter into an implementation agreement setting out the terms and conditions of cooperation within the framework of the NIF for the purposes of implementation of their respective financing agreements concluded with the Borrower (the “**NIF Implementation Agreement**” and together with the NIF Framework Agreement, the “**NIF Documentation**”). The Bank, EBRD and the Commission have agreed that EBRD will act as lead finance institution in connection with the cooperation on the Project pursuant to the NIF Documentation.
- (12) References in this Contract to Articles, Recitals, Schedules and Annexes are, save if explicitly stipulated otherwise, references respectively to articles of, and recitals, schedules and annexes to this Contract.
- (13) In this Contract:

“**Acceptance Deadline**” for a notice under Article 4.02C of this Contract means:

- (i) 16h00 Luxembourg time on the day of delivery, if the notice is delivered by 14h00 Luxembourg time on a Business Day; or
- (ii) 11h00 Luxembourg time on the next following day which is a Business Day, if the notice is delivered after 14h00 Luxembourg time on any such day or is delivered on a day which is not a Business Day.

“**Accepted Tranche**” means a Tranche in respect of a Disbursement Offer which has been duly accepted by the Borrower in accordance with its terms on or before the Disbursement Acceptance Deadline.

“**Business Day**” means a day (other than a Saturday or Sunday) on which the Bank and commercial banks are open for general business in Luxembourg.

“**Change-of-Law Event**” has the meaning given to it in Article 4.03A(3).

“**Contract**” has the meaning given to it in Recital (7).

“**Credit**” has the meaning given to it in Article 1.01.

“**Disbursement Acceptance**” means a copy of the Disbursement Offer duly countersigned by the Borrower.

“**Disbursement Acceptance Deadline**” means the date and time of expiry of a Disbursement Offer as specified therein.

“**Disbursement Offer**” means a letter substantially in the form set out in Schedule C.1.

“**Environment**” means the following, in so far as they affect human well-being: (a) fauna and flora; (b) soil, water, air, climate and the landscape; and (c) cultural heritage and the built environment and includes occupational health and safety and the Project’s social effects.

“Environmental Law” means EU law (to the extent implemented by the law of the Republic of Moldova or specified by the Bank prior to the date of this Contract) and national laws and regulations of the Republic of Moldova, as well as applicable international treaties, of which a principal objective is the preservation, protection or improvement of the Environment.

“EURIBOR” has the meaning given to it in Schedule B.

“Final Availability Date” means 16 September 2013.

“Fixed Rate” means an annual interest rate determined by the Bank in accordance with the applicable principles from time to time laid down by the governing bodies of the Bank for loans made at a fixed rate of interest, denominated in the currency of the Tranche and bearing equivalent terms for the repayment of capital and the payment of interest.

“Fixed Rate Tranche” means a Tranche disbursed on a Fixed Rate basis.

“Floating Rate” means a fixed-spread floating interest rate, that is to say an annual interest rate equal to the Relevant Interbank Rate plus the Spread, determined by the Bank for each successive Floating Rate Reference Period.

“Floating Rate Reference Period” means each period from one Payment Date to the next relevant Payment Date and the first Floating Rate Reference Period shall commence on the date of disbursement of the Tranche.

“Floating Rate Tranche” means a Tranche disbursed on a Floating Rate basis.

“Group” means the Borrower and its subsidiaries.

“Indemnifiable Prepayment Event” means a prepayment event under Article 4.03A other than paragraphs 4.03A(1) and 4.03A(2).

“LIBOR” has the meaning given to it in Schedule B.

“Loan” means the aggregate amount of Tranches disbursed from time to time by the Bank under this Contract.

“Market Disruption Event” has the meaning given to it in Article 1.06B.

“Material Adverse Change” means, in relation to the Borrower or the Promoter any event or change of condition affecting the Borrower or the Promoter, respectively, which, in the opinion of the Bank: (1) materially impairs the ability of the Borrower to perform its financial or any of its other obligations under this Contract or of the Promoter to perform its obligations in connection with the Project; (2) materially impairs the business, prospects or financial condition of the Borrower or the Promoter; or (3) adversely affects any security provided by the Borrower or the Promoter.

“Maturity Date” means the last repayment date of a Tranche specified pursuant to Article 4.01A(b)(ii).

“Payment Date” means the semi-annual dates specified in the Disbursement Offer until the Maturity Date, save that, in case any such date is not a Relevant Business Day, it means:

- (i) for a Fixed Rate Tranche, the following Relevant Business Day, without adjustment to the interest due under Article 3.01; and
- (ii) for a Floating Rate Tranche, the next day, if any, of that calendar month that is a Relevant Business Day or, failing that, the nearest preceding day that is a Relevant Business Day, in all cases with corresponding adjustment to the interest due under Article 3.01.

“Prepayment Amount” means the amount of a Tranche to be prepaid by the Borrower in accordance with Article 4.02A.

“Prepayment Date” means the date, which shall be a Payment Date, on which the Borrower proposes to effect prepayment of a Prepayment Amount.

“Prepayment Notice” means a written notice from the Borrower specifying, amongst other things, the Prepayment Amount and the Prepayment Date in accordance with Article 4.02A.

“Project” has the meaning given to it in Recital (3).

“Rayon” means in respect of each municipality as referred to in Recital (3) above, the region to which it is linked for administrative purposes in accordance with the laws of Moldova.

“Redeployment Rate” means the Fixed Rate in effect on the day of the indemnity calculation for fixed-rate loans denominated in the same currency and which shall have the same terms for the payment of interest and the same repayment profile to the Maturity Date as the Prepayment Amount.

“Relevant Business Day” means:

- (i) for EUR, a day which is a business day according to the TARGET operating days calendar; and
- (ii) for any other currency, a day on which banks are open for general business in the principal domestic financial centre of the relevant currency.

“Relevant Interbank Rate” means:

- (i) EURIBOR for a Tranche denominated in EUR;
- (ii) LIBOR for a Tranche denominated in GBP or USD; and
- (iii) the market rate and its definition chosen by the Bank and separately communicated to the Borrower, for a Tranche denominated in any other currency.

“Scheduled Disbursement Date” means the date on which a Tranche is scheduled to be disbursed in accordance with Article 1.02B.

“Security” and **“Security Interest”** means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security.

“Spread” means (i) for Tranches disbursed in euro, 75 basis points (0.75%) per annum and (ii) for Tranches disbursed in any currency other than euro, the fixed spread above the Relevant Interbank Rate determined by the Bank and notified to the Borrower in the relevant Disbursement Offer.

“Technical Description” has the meaning given to it in Recital (3).

“Tranche” means each disbursement made or to be made under this Contract.

NOW THEREFORE it is hereby agreed as follows:

ARTICLE 1
Credit and disbursement

1.01 **Amount of Credit**

By this Contract the Bank establishes in favour of the Borrower, and the Borrower accepts, the credit in an amount of EUR 10,000,000 (ten million euros) for the financing of the Project (the “**Credit**”).

1.02 **Disbursement procedure**

1.02A **Tranches**

The Bank shall disburse the Credit in up to 10 Tranches. The amount of each Tranche, if not being the undrawn balance of the Credit, shall be in a minimum amount of EUR 1,000,000 (one million euros).

1.02B **Disbursement Offer**

From time to time up to 15 (fifteen) days before the Final Availability Date at the Borrower’s request, the Bank shall send to the Borrower a Disbursement Offer for the disbursement of a Tranche. The Disbursement Offer shall specify:

- (a) the amount, currency and EUR equivalent of the Tranche;
- (b) the Scheduled Disbursement Date, which shall be a Relevant Business Day, falling at least 15 (fifteen) days after the date of the Disbursement Offer and on or before the Final Availability Date;
- (c) the interest rate basis of the Tranche;
- (d) the interest payment periodicity for the Tranche, in accordance with the provisions of Article 3.01;
- (e) the first Payment Date for the Tranche;
- (f) the terms for repayment of principal for the Tranche, in accordance with the provisions of Article 4.01;
- (g) the first and last repayment dates of principal for the Tranche;
- (h) The Fixed Rate or, as applicable, in case of a Floating Rate, the Spread, in each case applicable until the Maturity Date; and
- (i) the Disbursement Acceptance Deadline.

1.02C **Disbursement Acceptance**

The Borrower may accept a Disbursement Offer by delivering a Disbursement Acceptance to the Bank no later than the Disbursement Acceptance Deadline. The Disbursement Acceptance shall be accompanied:

- (a) by the IBAN code (or appropriate format in line with local banking practice) and SWIFT BIC of the EIB Loan Account to which disbursement of the Tranche should be made in accordance with Article 1.02D; and
- (b) if it has not been provided previously, by evidence of the authority of the person or persons authorised to sign the Disbursement Acceptance and the specimen signature of such person or persons.

If a Disbursement Offer is duly accepted by the Borrower in accordance with its terms on or before the Disbursement Acceptance Deadline, the Bank shall make the Accepted Tranche available to the Borrower in accordance with such Disbursement Offer and subject to the terms and conditions of this Contract.

The Borrower shall be deemed to have refused any Disbursement Offer which has not been duly accepted in accordance with its terms on or before the Disbursement Acceptance Deadline.

1.02D **Disbursement Account**

Disbursement shall be made to the account of the Borrower as the Borrower shall notify in writing to the Bank not later than 15 (fifteen) days before the Scheduled Disbursement Date (with IBAN code or with the appropriate format in line with local banking practice).

Only one account may be specified for each Tranche.

1.03 **Currency of disbursement**

Subject to availability, disbursement of each Tranche shall be made in EUR or any other currency that is widely traded on the principal foreign exchange markets.

For the calculation of the sums available to be disbursed in currencies other than EUR, and to determine their equivalent in EUR, the Bank shall apply the rate published by the European Central Bank in Frankfurt, available on or shortly before submission of the Disbursement Offer as the Bank shall decide.

1.04 **Conditions of disbursement**

1.04A **First Tranche**

The disbursement of the first Tranche under Article 1.02 is conditional upon receipt by the Bank in form and substance satisfactory to it, on or before the date falling five Business Days prior to date of presentation of the Disbursement Offer, of the following documents or evidence:

- (a) (i) a legal opinion issued by the Minister of Justice of the Borrower in the English language substantially in the form set out in Annex I, such opinion shall be supported by a resolution of the Borrower authorising its entry into the Contract and (ii) evidence of due ratification of this Contract in accordance with the applicable laws of the Republic of Moldova;
- (b) evidence in the English language of the powers of Vladimir Filat, Prime Minister, to sign this Contract on behalf of the Borrower;
- (c) evidence that the Borrower has obtained all necessary consents, authorisations, licences or approvals of governmental or public bodies or authorities required in connection with this Contract and the Project;
- (d) evidence that the EBRD Loan Documentation and the NIF Implementation Agreement have been duly executed and delivered and all conditions precedent to their effectiveness have been fulfilled or waived and that the Borrower has the right to make drawings thereunder;
- (e) evidence of acceptance by the agent of service of its appointment;
- (f) evidence that the central Project Management Unit (“**PMU**”), to be established and operated by the Promoter in order to coordinate, manage, monitor and evaluate all aspects of the implementation of the Project, as provided for in Article 6.07 has been established and is fully operational to the satisfaction of the Bank and evidence on the mandating of an international consultant acceptable to the Bank to provide technical assistance to the PMU on terms of reference acceptable to the Bank;
- (g) evidence that all exchange control consents specified by the Bank or indicated in the legal opinion given under paragraph (a) above as being necessary have been obtained to permit the Borrower to receive disbursements as provided in this Contract, to repay the Loan and to pay interest and all other amounts due hereunder;
- (h) evidence that fully operational local project implementation units (each, a “**Local PIU**”) in the relevant utility have been established, to the satisfaction of the Bank;
- (i) a general procurement notice issued by the Borrower announcing the programme of works, goods and services for the Project to be published in the Official Journal of the European Communities; and
- (j) evidence of payment of the up-front fee in full pursuant to Article 1.08.

1.04B All Tranches

The disbursement of each Tranche under Article 1.02, including the first, is conditional upon:

- (a) receipt by the Bank in form and substance satisfactory to it, on or before the date falling five Business Days prior to date of presentation of the Disbursement Offer for the proposed Tranche, of the following documents or evidence:
 - (i) a certificate from the Borrower in the form of Schedule C.2;
 - (ii) evidence demonstrating that, following drawdown of the relevant Tranche, the aggregate amount of the Credit drawn down will not exceed the aggregate expenditure incurred or contractually committed by the Borrower in respect of the Project up to the date of the relevant Disbursement Offer;
 - (iii) evidence demonstrating that the EBRD Loan Documentation and the NIF Documentation continue to be fully effective, valid and enforceable and all disbursement conditions thereto have been fulfilled;
 - (iv) confirmation that the EU Guarantee is valid, binding and enforceable and that no events or circumstances have occurred which could, in the reasonable opinion of the Bank, adversely affect the legal, valid, binding and enforceable nature of the EU Guarantee or the Bank's right to make a demand thereunder;
 - (v) confirmation that the Framework Agreement has entered into and remains in force and is valid, binding and enforceable and that no events or circumstances have occurred which could, in the reasonable opinion of the Bank, adversely affect the legal, valid, binding and enforceable nature of the Framework Agreement;
 - (vi) if so requested by the Bank, certified true copies of a contract or contracts for a minimum aggregate value of the Tranche to be disbursed and of the Tranches already disbursed, if any, in respect of items specified in the Technical Description as eligible for financing under the Credit, which contract or contracts shall have been executed on terms satisfactory to the Bank;
 - (vii) a copy of any other authorisation or other document, opinion or assurance which the Bank has notified the Borrower is necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, the Contract or the security or the validity and enforceability of the same;
 - (viii) evidence of the authority of the person or persons authorised to sign Disbursement Acceptance and the authenticated specimen signature of such person or persons, unless it has been previously provided;
 - (ix) the Promoter shall demonstrate that (a) all investments are in line with the Project description and have been duly checked by the central PMU and (b) at least 80% of the funds of the last Tranche and 100% of the funds of the previous Tranches have been effectively allocated to the Final Beneficiaries before requesting a new disbursement;
 - (x) with respect to those Final Beneficiaries who the Borrower intends will receive any part of the proceeds of the disbursement of the proposed Tranche, evidence that such relevant Final Beneficiaries have each been duly incorporated as a Regional Operating Company (each, a "**ROC**") and the relevant Service Agreement has been signed with the relevant municipality and the participating villages;
 - (xi) the tariffs in the relevant ROC shall be in force in accordance with a schedule of tariff increases acceptable to the Bank; and
- (b) that on the Scheduled Disbursement Date for the proposed Tranche:
 - (i) the representations and warranties which are repeated pursuant to Article 6.09 are correct in all respects; and

- (ii) no event or circumstance which constitutes or would with the passage of time or giving of notice under this Contract constitute an event of default under Article 10.01 or a prepayment event under Article 4.03 has occurred and is continuing unremedied or unwaived or would result from the proposed Tranche.

1.04C Pro rata disbursement

Notwithstanding anything in this Contract to the contrary, unless waived in writing by the Bank, the obligation of the Bank to disburse any Tranche shall also be subject to the condition that the Bank has received evidence, in form and substance satisfactory to it, that following disbursement of the Tranche, the aggregate percentage of the Credit disbursed by the Bank will be equivalent to the aggregate percentage of the EBRD Loan disbursed by the EBRD (provided that, for the purposes of this Article 1.04C (*Pro rata disbursement*) only, disbursements made by the Bank or the EBRD in relation to the payment of their own fees, shall not be included in the calculation of whether or not the aggregate percentage of the Credit disbursed by the Bank will be equivalent to the aggregate percentage of the EBRD Loan disbursed by the EBRD).

1.05 Deferment of disbursement

1.05A Grounds for deferment

Upon the written request of the Borrower, the Bank shall defer the disbursement of any ~~Notified~~Accepted Tranche in whole or in part to a date specified by the Borrower being a date falling not later than 6 (six) months from its Scheduled Disbursement Date. In such case, the Borrower shall pay the deferment indemnity as determined pursuant to Article 1.05B below.

Any request for deferment shall have effect in respect of a Tranche only if it is made at least 5 (five) Business Days before its Scheduled Disbursement Date.

If any of the conditions referred to in Article 1.04 is not fulfilled as at the specified date and at the Scheduled Disbursement Date, and the Bank is of the opinion that it will not be satisfied, disbursement will be deferred to a date agreed between the Bank and the Borrower falling not earlier than 5 (five) Business Days following the fulfilment of all conditions of disbursement.

1.05B Deferment indemnity

If the disbursement of any ~~Notified~~Accepted Tranche is deferred, whether at the request of the Borrower or by reason of non-fulfilment of the conditions of disbursement, the Borrower shall, upon demand by the Bank, pay an indemnity on the amount of disbursement deferred. Such indemnity shall accrue from the Scheduled Disbursement Date to the actual disbursement date or, as the case may be, until the date of cancellation of the ~~Notified~~Accepted Tranche in accordance with this Contract at a rate equal to R1 minus R2, where:

“R1” means the rate of interest that would have applied from time to time pursuant to Article 3.01 and, if the Tranche had been disbursed on the Scheduled Disbursement Date; and

“R2” means the Relevant Interbank Rate less 0.125% (12.5 basis points); provided that for the purpose of determining the Relevant Interbank Rate in relation to this Article 1.05, the relevant periods provided for in Schedule B shall be successive periods of 1 (one) month commencing on the Scheduled Disbursement Date.

Furthermore, the indemnity:

- (a) if the deferment exceeds one (1) month in duration, shall accrue at the end of every month;
- (b) shall be calculated using the day count convention applicable to R1;
- (c) where R2 exceeds R1, shall be set at zero; and
- (d) shall be payable in accordance with Article 1.10.

1.05C **Cancellation of disbursement deferred by 6 (six) months**

The Bank may, by notice in writing to the Borrower, cancel a disbursement which has been deferred under Article 1.05A by more than 6 (six) months in aggregate. The cancelled amount shall remain available for disbursement under Article 1.02.

1.06 Cancellation and suspension

1.06A **Borrower's right to cancel**

The Borrower may at any time by notice in writing to the Bank cancel, in whole or in part and with immediate effect, the undisbursed portion of the Credit. However, the notice shall have no effect in respect of ~~a-Notified~~an Accepted Tranche which has a Scheduled Disbursement Date falling within 5 (five) Business Days of the date of the notice.

1.06B **Bank's right to suspend and cancel**

- (a) The Bank may, by notice in writing to the Borrower, suspend and/or cancel the undisbursed portion of the Credit in whole or in part at any time and with immediate effect:
- (i) upon the occurrence of an event or circumstance mentioned in Article 10.01 or an event or circumstance which would with the passage of time or giving of notice under this Contract constitute an event of default under Article 10.01;
 - (ii) if a Material Adverse Change occurs as compared with the Borrower's condition at the date of this Contract; or
 - (iii) if a Market Disruption Event has occurred and is continuing.
- (b) Furthermore, to the extent that the Bank may cancel the Credit under Article 4.03A, the Bank may also suspend it. Any suspension shall continue until the Bank ends the suspension or cancels the suspended amount.
- (c) For the purposes of this Article, "**Market Disruption Event**" means:
- (i) the Bank determines that there are exceptional circumstances adversely affecting the Bank's access to its sources of funding;
 - (ii) in the opinion of the Bank, the cost to the Bank of obtaining funds from its sources of funding would be in excess of the applicable Relevant Interbank Rate for the relevant currency and period of a Tranche;
 - (iii) the Bank determines that by reason of circumstances affecting its sources of funding generally adequate and fair means do not exist for ascertaining the applicable Relevant Interbank Rate for the relevant currency and period of a Tranche;
 - (iv) in the opinion of the Bank, funds are not reasonably likely to be available to it in the ordinary course of business to fund a Tranche in the currency requested or for the relevant period, if applicable and appropriate to the specific lending operation; or
 - (v) it is not possible for the Bank to obtain funding in sufficient amounts for it to fund a disbursement, if applicable and appropriate to the specific lending operation, or there is a material upheaval in the international debt, money or capital markets.

1.06C **Indemnity for suspension and cancellation of a Tranche**

1.06C(1) **SUSPENSION**

If the Bank suspends ~~a-Notified~~an Accepted Tranche, whether upon an Indemnifiable Prepayment Event or an event mentioned in Article 10.01, the Borrower shall indemnify the Bank under Article 1.05B.

1.06C(2) **CANCELLATION**

If pursuant to Article 1.06A, the Borrower cancels:

- (a) ~~a-Notified~~an Accepted Tranche, it shall indemnify the Bank under Article 4.02B;
- (b) any part of the Credit other than ~~a-Notified~~an Accepted Tranche, no indemnity is payable.

If the Bank cancels ~~a-Notified~~an Accepted Tranche upon an Indemnifiable Prepayment Event or pursuant to Article 1.05C, the Borrower shall indemnify the Bank under Article 4.02B. If the Bank cancels ~~a-Notified~~an Accepted Tranche upon an event mentioned in Article 10.01, the Borrower shall indemnify the Bank under Article 10.03. Save in these cases, no indemnity is payable upon cancellation of a Tranche by the Bank.

An indemnity shall be calculated on the basis that the cancelled amount is deemed to have been disbursed and repaid on the Scheduled Disbursement Date or, to the extent that the disbursement of the Tranche is currently deferred or suspended, on the date of the cancellation notice.

1.07 **Cancellation after expiry of the Credit**

Any time following the expiry of a period of 4 (four) months after the Final Availability Date, the Bank may by notice to the Borrower and without liability arising on the part of either party, cancel any part of the Credit in respect of which no Disbursement Acceptance has been made in accordance with Article 1.02C.

1.08 **Up-front fee**

Within 30 Business Days following the date of due ratification of this Contract in accordance with the applicable laws of the Republic of Moldova, the Borrower shall pay or cause to be paid to the Bank an up-front fee in an amount of EUR 50,000 (fifty thousand euros) (the “**Up-front Fee**”).

The Borrower authorises and instructs the Bank that if the Up-front Fee is not paid to the Bank within 30 Business Days following the date of due ratification of this Contract in accordance with the applicable laws of the Republic of Moldova, then the Bank may at its discretion disburse a Tranche in an amount equal to the Up-front Fee and pay such amount to itself on behalf of the Borrower. Such Tranche shall be a Floating Rate Tranche in euro and shall be deemed as a Tranche disbursed by the Bank for the purposes of Article 2.01.

For the avoidance of doubt, in such circumstances and for the purposes of this Article 1.08 only, the minimum Tranche size specified in Article 1.02A and the conditions of disbursement set out in Article 1.04 (other than the condition set out in Article 1.04A(a)) shall not apply to any such disbursement pursuant to this Article 1.08, and the next subsequent disbursement of a proposed Tranche shall be regarded as the “first Tranche” for the purposes of Article 1.04A.

In addition, and for the avoidance of doubt, if the Credit is cancelled pursuant to Article 1.05 or 1.06 or otherwise at any time prior to the payment by the Borrower to the Bank of the Up-front Fee, then the Up-front Fee shall remain due and become immediately payable by the Borrower out of the Borrower's own funds and without the facility to disburse a Tranche as described in the preceding paragraph.

1.09 **Commitment fee**

The Borrower shall pay to the Bank a commitment fee calculated on the daily undrawn uncanceled balance of the Credit from the date of this Contract at a rate of 0.10% (10 basis points) per annum, the accrued commitment fee being payable in arrears:

- (a) each 15 June and 15 December of each year, commencing, for the avoidance of doubt, following the ratification of this Contract, until the Final Availability Date,;
- (b) on the Final Availability Date; and
- (c) on the date of any earlier cancellation or suspension of the Credit under Article 1.05 or Article 1.06.

If the date on which the commitment fee is due to be paid is not a Relevant Business Day, payment shall be made on the next day, if any, of that calendar month that is a Relevant Business Day or, failing that, the nearest preceding day that is a Relevant Business Day, in all cases with a corresponding adjustment to the amount of commitment fee due.

1.10 **Sums due under Article 1**

Sums due under Articles 1.05 and 1.06 shall be payable in the currency of the Tranche concerned. They shall be payable within 7 (seven) days of the Borrower's receipt of the Bank's demand or within any longer period specified in the Bank's demand.

ARTICLE 2 The Loan

2.01 Amount of Loan

The Loan shall comprise the aggregate amount of Tranches disbursed by the Bank under the Credit, as confirmed by the Bank pursuant to Article 2.03.

2.02 Currency of repayment, interest and other charges

Interest, repayments and other charges payable in respect of each Tranche shall be made by the Borrower in the currency of the Tranche.

Any payment under Article 9.02 shall be made in the currency specified by the Bank having regard to the currency of the expenditure to be reimbursed by means of that payment.

2.03 Confirmation by the Bank

Within 10 (ten) days after disbursement of each Tranche, the Bank shall deliver to the Borrower the amortisation table referred to in Article 4.01 showing the disbursement date, currency, the amount disbursed, the repayment terms and the interest rate of and for that Tranche (with respect to each Tranche, an “**Amortisation Table**”).

ARTICLE 3 Interest

3.01 Rate of interest

Fixed Rates and Spreads are available for periods of not less than 4 (four) years or, in the absence of a repayment of principal during that period, not less than 3 (three) years.

3.01A Fixed Rate Tranches

The Borrower shall pay interest on the outstanding balance of each Fixed Rate Tranche at the Fixed Rate semi-annually in arrears on the relevant Payment Dates as specified in the Disbursement Offer, commencing on the first such Payment Date following the date on which the disbursement of the Tranche was made. If the period from the date on which disbursement was made to the first Payment Date is 30 days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

Interest shall be calculated on the basis of Article 5.01(a) at an annual rate that is the Fixed Rate.

3.01B Floating Rate Tranches

The Borrower shall pay interest on the outstanding balance of each Floating Rate Tranche at the Floating Rate semi-annually in arrears on the relevant Payment Dates, as specified in the Disbursement Offer commencing on the first such Payment Date following the date of disbursement of the Tranche. If the period from the date of disbursement to the first Payment Date is 30 days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

The Bank shall notify the Floating Rate to the Borrower within 10 (ten) days following the commencement of each Floating Rate Reference Period.

If pursuant to Articles 1.05 and 1.06 disbursement of any Floating Rate Tranche takes place after the Scheduled Disbursement Date the interest rate applicable to the first Floating Rate Reference Period shall be determined as though disbursement had taken place on the Scheduled Disbursement Date.

Interest shall be calculated in respect of each Floating Rate Reference Period on the basis of Article 5.01(b).

3.02 **Interest on overdue sums**

Without prejudice to Article 10 and by way of exception to Article 3.01, interest shall accrue on any overdue sum payable under the terms of this Contract from the due date to the date of payment at an annual rate equal to the Relevant Interbank Rate plus 2% (200 basis points) and shall be payable in accordance with the demand of the Bank. For the purpose of determining the Relevant Interbank Rate in relation to this Article 3.02, the relevant periods within the meaning of Schedule B shall be successive periods of one month commencing on the due date.

However, interest on a Fixed Rate Tranche shall be charged at the annual rate that is the sum of the rate defined in Article 3.01A plus 0.25% (25 basis points) if the annual rate referred to in the above paragraph does not adequately cover the loss suffered by the Bank as a result of the late payment for any given relevant period.

If the overdue sum is in a currency other than the currency of the Loan, the following rate per annum shall apply, namely the Relevant Interbank Rate that is generally retained by the Bank for transactions in that currency plus 2% (200 basis points), calculated in accordance with the market practice for such rate.

ARTICLE 4 **Repayment**

4.01 **Normal repayment**

4.01A **Repayment by instalments**

- (a) The Borrower shall repay each Tranche by instalments on the Payment Dates specified in the relevant Disbursement Offer in accordance with the terms of the Amortisation Table delivered pursuant to Article 2.03.
- (b) Each amortisation table shall be drawn up on the basis that:
 - (i) repayment shall be made by equal semi-annual instalments of principal; and
 - (ii) the first repayment date of each Tranche shall be a Payment Date falling not later than the first Payment Date immediately following the fifth anniversary of the Scheduled Disbursement Date of the Tranche and the last repayment date shall be a Payment Date falling not earlier than 4 (four) years and not later than 25 (twenty-five) years from the Scheduled Disbursement Date.

4.02 **Voluntary prepayment**

4.02A **Prepayment option**

Subject to Articles 4.02B, 4.02C and 4.04, the Borrower may prepay all or part of any Tranche, together with accrued interest and indemnities if any, upon giving a Prepayment Notice with at least 1 (one) month's prior notice specifying the Prepayment Amount and the Prepayment Date.

Subject to Article 4.02C the Prepayment Notice shall be binding and irrevocable.

4.02B **Prepayment indemnity**

4.02B(1) **FIXED RATE TRANCHE**

- (a) If the Borrower prepays a Fixed Rate Tranche the Borrower shall pay to the Bank on the Prepayment Date an indemnity equal to the present value (as of the Prepayment Date) of the excess, if any, of:
 - (i) the interest that would accrue thereafter on the Prepayment Amount over the period from the Prepayment Date to the Maturity Date, if it were not prepaid; over
 - (ii) the interest that would so accrue over that period, if it were calculated at the Redeployment Rate, less 0.15% (fifteen basis points).

The said present value shall be calculated at a discount rate equal to the Redeployment Rate, applied as of each relevant Payment Date.

4.02B(2) FLOATING RATE TRANCHE

The Borrower may prepay a Floating Rate Tranche only on a relevant Payment Date, and such prepayment shall be without indemnity.

4.02C **Prepayment mechanism**

The Bank shall notify the Borrower, not later than 15 (fifteen) days prior to the Prepayment Date, of the Prepayment Amount, of the accrued interest due thereon and of the indemnity payable under Article 4.02B or, as the case may be, that no indemnity is due.

Not later than the Acceptance Deadline, the Borrower shall notify the Bank either:

- (a) that it confirms the Prepayment Notice on the terms specified by the Bank; or
- (b) that it withdraws the Prepayment Notice.

If the Borrower gives the confirmation under paragraph (a) above, it shall effect the prepayment. If the Borrower withdraws the Prepayment Notice or fails to confirm it in due time, it may not effect the prepayment. Save as aforesaid, the Prepayment Notice shall be binding and irrevocable.

The Borrower shall accompany the prepayment by the payment of accrued interest and indemnity, if any, due on the Prepayment Amount.

4.03 Compulsory prepayment

4.03A **Grounds for prepayment**

4.03A(1) PROJECT COST REDUCTION

If the total cost of the Project should be reduced from the figure stated in Recital (4) to a level at which the amount of the Credit exceeds 50% (fifty per cent) of such cost, the Bank may in proportion to the reduction forthwith, by notice to the Borrower, cancel the Credit and/or demand prepayment of the Loan.

4.03A(2) PARI PASSU TO ANOTHER TERM LOAN

If the Borrower voluntarily prepays a part or the whole of any other loan originally granted to it for a term of more than 5 (five) years (a "**Term Loan**") otherwise than out of the proceeds of a loan having a term at least equal to the unexpired term of the Term Loan prepaid, the Bank may, by notice to the Borrower, cancel the Credit and demand prepayment of the Loan, in such proportion as the prepaid amount of the Term Loan bears to the aggregate outstanding amount of all Term Loans.

The Bank shall address its notice to the Borrower within 30 (thirty) days of receipt of notice under Article 8.02(c)(iii).

For the purposes of this Article, "**loan**" includes any loan, bond or other form of financial indebtedness or any obligation for the payment or repayment of money.

4.03A(3) CHANGE OF LAW

The Borrower shall promptly inform the Bank if a Change-of-Law Event has occurred or is likely to occur in respect to the Borrower. In such case, or if the Bank has reasonable cause to believe that a Change-of-Law Event has occurred or is about to occur, the Bank may request that the Borrower consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request. If, after the earlier of (a) the lapse of 30 (thirty) days from the date of such request for consultation or (b) the occurrence of the anticipated Change-of-Law Event, the Bank may, by notice to the Borrower, cancel the Credit and demand prepayment of the Loan, together with accrued interest and all other amounts accrued and outstanding under this Contract. The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article "**Change-of-Law Event**" means the enactment, promulgation, execution or ratification of or any change in or amendment to any law, rule or regulation (or in the application or official interpretation of any law, rule or regulation) that occurs after the date of this Contract which results or is reasonably likely to result in a Material Adverse Change.

4.03B Prepayment mechanics

Any sum demanded by the Bank pursuant to Article 4.03A, together with any interest or other amounts accrued and outstanding and any indemnity due under Article 4.03C, shall be paid on the date indicated by the Bank which date shall fall not less than 30 (thirty) days from the date of the Bank's notice of demand and shall be applied in accordance with Article 10.05.

4.03C Prepayment indemnity

In the case of an Indemnifiable Prepayment Event, the indemnity, if any, shall be determined in accordance with Article 4.02B(1) for a Fixed Rate Tranche and Article 4.02B(2) for a Floating Rate Tranche.

If, moreover, pursuant to any provision of Article 4.03A the Borrower prepays a Tranche on a date other than a relevant Payment Date, the Borrower shall indemnify the Bank in such amount as the Bank shall certify is required to compensate it for receipt of funds otherwise than on a relevant Payment Date.

4.04 Application of partial prepayments

If the Borrower partially prepays a Tranche, the Prepayment Amount shall be applied pro rata to each outstanding instalment.

A prepaid amount may not be reborrowed. This Article 4 shall not prejudice Article 10.

**ARTICLE 5
Payments**

5.01 Day count convention

Any amount due by way of interest, indemnity or fee from the Borrower under this Contract, and calculated in respect of a fraction of a year, shall be determined on the following respective conventions:

- (a) for a Fixed Rate Tranche, a year of 360 (three hundred and sixty) days and a month of 30 (thirty) days; and
- (b) for a Floating Rate Tranche, a year of 360 (three hundred and sixty) days (but 365 (three hundred and sixty five) days (invariable) for GBP) and the number of days elapsed.

5.02 Time and place of payment

Unless otherwise specified, all sums other than sums of interest, indemnity and principal are payable within 7 (seven) days of the Borrower's receipt of the Bank's demand.

Each sum payable by the Borrower under this Contract shall be paid to the respective account notified by the Bank to the Borrower. The Bank shall indicate the account not less than 15 (fifteen) days before the due date for the first payment by the Borrower and shall notify any change of account not less than 15 (fifteen) days before the date of the first payment to which the change applies. This period of notice does not apply in the case of payment under Article 10.

A sum due from the Borrower shall be deemed paid when the Bank receives it.

5.03 **Set-off**

The Bank may set off any matured obligation due from the Borrower under this Contract (to the extent beneficially owned by the Bank) against any obligation (whether or not matured) owed by the Bank to the Borrower regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Bank may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If either obligation is unliquidated or unascertained, the Bank may set off in an amount estimated by it in good faith to be the amount of that obligation.

ARTICLE 6
Borrower undertakings and representations

The undertakings in this Article 6 remain in force from the date of this Contract for so long as any amount is outstanding under this Contract or the Credit is in force.

A. Project undertakings

6.01 **Use of Loan and availability of other funds**

The Borrower shall use the proceeds of the Loan exclusively for the execution of the Project.

The Borrower shall ensure that it has available to it the other funds listed in Recital (4) and that such funds are expended, to the extent required, on the financing of the Project.

6.02 **Completion of Project**

The Borrower shall carry out the Project in accordance with the Technical Description as may be modified from time to time with the approval of the Bank, and complete it by the final date specified therein.

6.03 **Increased cost of Project**

If the total cost of the Project exceeds the estimated figure set out in Recital (4), the Borrower shall obtain the finance to fund the excess cost without recourse to the Bank, so as to enable the Project to be completed in accordance with the Technical Description. The plans for funding the excess cost shall be communicated to the Bank without delay.

6.04 **Procurement procedure**

The Borrower undertakes to purchase equipment, secure services and order works for the Project by open international tender, where required, or other acceptable procurement procedure complying, to the Bank's satisfaction, with its policy as described in its Guide to Procurement in force at the date of this Contract.

6.05 **Continuing Project undertakings**

The Borrower shall:

- (a) **Maintenance:** maintain, repair, overhaul and renew all property forming part of the Project as required to keep it in good working order;
- (b) **Project assets:** unless the Bank shall have given its prior consent in writing, retain title to and possession of all or substantially all the assets comprising the Project or, as appropriate, replace and renew such assets and maintain the Project in substantially continuous operation in accordance with its original purpose; provided that the Bank may withhold its consent only where the proposed action would prejudice the Bank's interests as lender to the Borrower or would render the Project ineligible for financing by the Bank under its Statute or under Article 309 of the Treaty of Rome;
- (c) **Rights and Permits:** maintain in force all rights of way or use and all permits necessary for the execution and operation of the Project;
- (d) **Environment:** implement and operate the Project in conformity with Environmental Law;

- (e) **EU law:** execute and operate the Project in accordance with the relevant standards of EU law to the extent implemented by the laws of the Republic of Moldova or specified by the Bank prior to the date of this Contract;
- (f) **PMU:** the Borrower shall procure that the Promoter shall, to the Bank's satisfaction, adequately staff and maintain a central PMU until Project completion;
- (g) **Final Beneficiaries:** prior to their signature, the Borrower shall present grant agreements with the Rayons and/or municipalities and/or Final Beneficiaries, as relevant, with individual terms and obligations acceptable to the Bank for non-objection;
- (h) **EIA:** the Borrower shall not commit any Bank funds against projects that require an environmental impact assessment ("**EIA**") according to EU or national law without publishing the EIA's Non-Technical Summary, or procuring the final beneficiary to publish the respective documents, and providing the Bank with the respective web link. For projects for which the Competent Authority does not require an EIA, the Promoter shall submit a copy of the decision by the Competent Authority and the basis for it, as well as evidence of public disclosure of this decision;
- (i) **Water sector:** the Borrower shall procure that the Promoter shall keep the Bank informed of all relevant aspects concerning the water and wastewater sector in the Republic of Moldova, such as changes in sector organisation, institutional capacity building, investment planning and funding;
- (j) **Water Law:** the Borrower shall procure that the Promoter shall keep the Bank informed on the coming into force of the Moldovan Law on Water; and
- (k) **Water VAT:** the Borrower shall seek to address VAT issues for water services to the satisfaction of the Bank.

6.06 Integrity Commitment

The Borrower warrants and undertakes that none of the Borrower or the Promoter has committed, and no person to its present knowledge has committed, any of the following acts and that it will not commit, and no person, with its consent or prior knowledge, will commit any such act, that is to say:

- (i) the offering, giving, receiving or soliciting of any improper advantage to influence the action of a person holding a public office or function or a director or employee of a public authority or public enterprise or a director or official of a public international organisation in connection with any procurement process or in the execution of any contract in connection with those elements of the Project described in the Technical Description, or
- (ii) any act which improperly influences or aims improperly to influence the procurement process or the implementation of the Project to the detriment of the Borrower or the Promoter, including collusion between tenderers.

For this purpose, the knowledge of any officer mentioned in Article 12.01 and each senior officer of the Promoter and of the PMU shall be deemed the knowledge of the Borrower. The Borrower undertakes to inform the Bank if it should become aware of any fact or information suggestive of the commission of any such act and to adopt the necessary redress measures.

The Borrower will institute, maintain and comply with internal procedures and controls in compliance with applicable national laws and best practices, for the purpose of ensuring that no transaction is entered into with, or for the benefit of, any of the individuals or institutions named on updated lists of sanctioned persons promulgated by the United Nations Security Council or its committees pursuant to Security Council Resolutions 1267 (1999), 1373 (2001) (www.un.org/terrorism) and/or by the Council of the EU pursuant to its Common Positions 2001/931/CFSP and 2002/402/CFSP and their related or successor resolutions and/or implementing acts in connection with Money Laundering or Financing of Terrorism matters.

6.07 **Project Management Unit**

In order to coordinate, manage, monitor and evaluate all aspects of Project implementation, including the procurement of goods, works and services for the Project, the Borrower shall procure that the Promoter, unless otherwise agreed with the Bank, establishes and at all times during execution of the Project operates a Project Management Unit (“PMU”) with adequate resources and suitably qualified personnel as well as an international consultant as referred to in Article 1.04A(f), under terms of reference acceptable to the Bank. The Borrower shall procure that the Promoter entrusts the PMU with the overall coordination of the Project and the responsibility for the implementation of the Project, comprising the supervision of procurement and contracting by the Local PIUs. The PMU shall act as the Bank’s counterpart in all technical, procurement and administration matters.

The Borrower, through the Promoter, undertakes to ensure that the Bank can, at the sole discretion of the Bank, directly access the international consultant at any time.

B. General undertakings

6.08 **Compliance with laws**

The Borrower shall, and shall procure that the Promoter shall, comply in all respects with all laws to which it or the Project is subject where failure to do so results or is reasonably likely to result in a Material Adverse Change.

6.09 **General Representations and Warranties**

The Borrower represents and warrants to the Bank that:

- (a) it has the power to execute, deliver and perform its obligations under this Contract and all necessary action has been taken to authorise the execution, delivery and performance of the same by it;
- (b) this Contract constitutes its legally valid, binding and enforceable obligations;
- (c) the execution and delivery of, the performance of its obligations under and compliance with the provisions of this Contract do not and will not:
 - (i) contravene or conflict with any applicable law, statute, rule or regulation, or any judgement, decree or permit to which it is subject;
 - (ii) contravene or conflict with any agreement or other instrument binding upon it which might reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Contract;
- (d) there has been no Material Adverse Change since the date of this Contract;
- (e) no event or circumstance which constitutes an event of default under Article 10.01 has occurred and is continuing unremedied or unwaived;
- (f) no litigation, arbitration, administrative proceedings or investigation is current or to its knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against it or any of its subsidiaries any unsatisfied judgement or award;
- (g) the Promoter has obtained all necessary consents, authorisations, licences or approvals of governmental or public bodies or authorities in connection with this Contract and the Project and all such consents, authorisations, licences or approvals are in full force and effect and admissible in evidence; and
- (h) its payment obligations under this Contract rank not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments.

The representations and warranties set out above shall survive the execution of this Contract and are deemed repeated on each Scheduled Disbursement Date and each Payment Date.

ARTICLE 7 Security

The undertakings in this Article 7 remain in force from the date of this Contract for so long as any amount is outstanding under this Contract or the Credit is in force.

7.01 Pari Passu ranking

The Borrower shall ensure that its payment obligations under this Contract rank, and will rank, not less than pari passu in right of payment with all other present and future unsecured obligations under any of its External Debt Instruments except for obligations mandatorily preferred by law applying to companies generally.

In particular, if the Bank makes a demand under Article 10.01 or if an event or potential event of default under any unsecured and unsubordinated External Debt Instrument of the Borrower or of any of its agencies or instrumentalities has occurred and is continuing, the Borrower shall not make (or authorize) any payment in respect of any other such External Debt Instrument (whether regularly scheduled or otherwise) without simultaneously paying, or setting aside in a designated account for payment on the next Payment Date a sum equal to, the same proportion of the debt outstanding under this Contract as the proportion that the payment under such External Debt Instrument bears to the total debt outstanding under that Instrument. For this purpose, any payment of an External Debt Instrument that is made out of the proceeds of the issue of another instrument, to which substantially the same persons as hold claims under the External Debt Instrument have subscribed, shall be disregarded.

In this Contract, “**External Debt Instrument**” means (a) an instrument, including any receipt or statement of account, evidencing or constituting an obligation to repay a loan, deposit, advance or similar extension of credit (including without limitation any extension of credit under a refinancing or rescheduling agreement), (b) an obligation evidenced by a bond, debenture or similar written evidence of indebtedness or (c) a guarantee of an obligation arising under an External Debt Instrument of another lender; provided in each case that such obligation is governed by a system of law other than the law of the Borrower.

7.02 Security

Should the Borrower grant to a third party any security for the performance of any External Debt Instrument or any preference or priority in respect thereof, the Borrower shall, if so required by the Bank, provide to the Bank equivalent security for the performance of its obligations under this Contract or grant to the Bank equivalent preference or priority.

7.03 Clauses by inclusion

If the Borrower concludes with any other medium or long term financial creditor a financing agreement that includes a loss-of-rating clause or a covenant or other provision regarding its financial ratios, if applicable, that is stricter than any equivalent provision of this Contract, the Borrower shall so inform the Bank and shall, at the request of the Bank, execute an agreement to amend this Contract so as to provide for an equivalent provision in favour of the Bank.

ARTICLE 8 Information and visits

8.01 Information concerning the Project

The Borrower shall, or shall procure that the Promoter shall:

- (a) deliver to the Bank:
 - (i) the information in content and in form, and at the times, specified in Schedule A.2 or otherwise as agreed from time to time by the parties to this Contract; and

- (ii) any such information or further document concerning the financing, procurement, implementation, operation and environmental impact of or for the Project as the Bank may reasonably require within a reasonable time;

provided always that if such information or document is not delivered to the Bank on time, and the Borrower does not rectify the omission within a reasonable time set by the Bank in writing, the Bank may remedy the deficiency, to the extent feasible, by employing its own staff or a consultant or any other third party, at the Borrower's expense and the Borrower shall provide such persons with all assistance necessary for the purpose;

- (b) submit for the approval of the Bank without delay any material change to the Project, including, inter alia, in respect of the price, design, plans, timetable or to the expenditure programme or financing plan for the Project, in relation to the disclosures made to the Bank prior to the signing of this Contract;
- (c) promptly inform the Bank of:
 - (i) any action or protest initiated or any objection raised by any third party or any genuine complaint received by the Borrower or any material litigation that is commenced or threatened against it with regard to environmental or other matters affecting the Project; and
 - (ii) any fact or event known to the Borrower, which may substantially prejudice or affect the conditions of execution or operation of the Project; and
- (d) deliver to the Bank in form and substance satisfactory to the Bank an annual report on environmental and social matters; and
- (e) immediately inform the Bank in writing of the occurrence of the due ratification of this Contract in accordance with the applicable laws of the Republic of Moldova.

8.02 Information concerning the Borrower and/or the Final Beneficiaries

The Borrower shall, or, as the case may be shall cause the Promoter or the Final Beneficiaries to:

- (a) deliver to the Bank:
 - (i) each year, within one month after the approval of the State Budget, a summary of it in tabular form;
 - (ii) annually audited financial statements of the Promoter and each Final Beneficiary prepared in accordance with IAS or general accounting standards used in the Republic of Moldova;
 - (iii) from time to time, such further information on its or the Promoter's or a Final Beneficiary's general financial situation as the Bank may reasonably require;
- (b) ensure that its accounting records fully reflect the operations relating to the financing, execution and operation of the Project; and
- (c) inform the Bank immediately of:
 - (i) any material alteration to the statutes or shareholding structure of any Final Beneficiary after the date of its incorporation;
 - (ii) any fact which obliges it to prepay any financial indebtedness or any EU funding;
 - (iii) any event or decision that constitutes or may result in the events described in Article 4.03A;
 - (iv) any intention on its part to grant any security over any of its assets in favour of a third party;
 - (v) any intention on its part to relinquish ownership of any material component of the Project;
 - (vi) any fact or event that is reasonably likely to prevent the substantial fulfilment of any obligation of the Borrower under this Contract;
 - (vii) any event listed in Article 10.01 having occurred or being threatened or anticipated; or

(viii) any litigation, arbitration or administrative proceedings or investigation which is current, threatened or pending which might if adversely determined result in a Material Adverse Change.

8.03 **Visits by the Bank**

The Borrower shall allow persons designated by the Bank to visit the sites, installations and works comprising the Project and to conduct such checks as they may wish, and shall provide them, or ensure that they are provided, with all necessary assistance for this purpose.

The Borrower shall allow persons designated by the Bank, as well as persons designated by other European Community institutions or bodies when so required by the relevant mandatory provisions of European Community law, to visit the sites, installations and works comprising the Project and to conduct such checks as they may wish, and shall provide them, or ensure that they are provided, with all necessary assistance for this purpose.

The Borrower acknowledges that the Bank may be obliged to divulge such information relating to the Borrower and the Project to any competent European Community institution or body in accordance with the relevant mandatory provisions of European Community law.

ARTICLE 9
Charges and expenses

9.01 **Taxes, duties and fees**

The Borrower shall pay all taxes, duties, fees and other impositions of whatsoever nature, including stamp duty and registration fees, arising out of the execution or implementation of this Contract or any related document and in the creation, perfection, registration or enforcement of any security for the Loan to the extent applicable.

The Borrower shall pay all principal, interest, indemnity and other amounts due under this Contract gross without deduction of any national or local impositions whatsoever; provided that, if the Borrower is obliged to make any such deduction, it will gross up the payment to the Bank so that after deduction, the net amount received by the Bank is equivalent to the sum due.

9.02 **Other charges**

The Borrower shall bear all charges and expenses, including professional, banking or exchange charges incurred in connection with the preparation, execution, implementation, and termination of this Contract or any related document, any amendment, supplement or waiver in respect of this Contract or any related document, and in the amendment, creation, management and realisation of any security for the Loan.

ARTICLE 10
Events of default

10.01 **Right to demand repayment**

The Borrower shall repay all or part of the Loan forthwith, together with accrued interest and other outstanding amounts, upon written demand being made by the Bank in accordance with the following provisions.

10.01A **Immediate demand**

The Bank may make such demand immediately:

(a) if the Borrower fails on the due date to repay any part of the Loan, to pay interest thereon or to make any other payment to the Bank as provided in this Contract;

- (b) if any information or document given to the Bank by or on behalf of the Borrower or any representation or statement made or deemed to be made by the Borrower in this Contract or in connection with the negotiation of this Contract is or proves to have been incorrect or misleading in any material respect;
- (c) if, following any default in relation thereto, the Borrower is required or is capable of being required or will, following expiry of any applicable contractual grace period, be required or be capable of being required to prepay, discharge, close out or terminate ahead of maturity any other loan or obligation arising out of any financial transaction or any commitment for any other loan or obligation arising out of any financial transaction is cancelled or suspended;
- (d) if the Borrower is unable to pay its debts as they fall due, or suspends its debts, or makes or, without prior written notice to the Bank, seeks to make a composition with its creditors;
- (e) if the Borrower defaults in the performance of any obligation in respect of any other loan or financial instrument granted by the Bank or to the Bank;
- (f) if any distress, execution, sequestration or other process is levied or enforced upon the property of the Borrower or any property forming part of the Project and is not discharged or stayed within 14 (fourteen) days;
- (g) if a Material Adverse Change occurs, as compared with the Borrower's condition at the date of this Contract;
- (h) if it is or becomes unlawful for the Borrower to perform any of its obligations under this Contract or this Contract is not effective in accordance with its terms or is alleged by the Borrower to be ineffective in accordance with its terms;
- (i) if any obligation assumed by the Borrower as stated in the Framework Agreement ceases to be fulfilled as regards any loan made to any borrower in the Borrower's territory from the resources of the Bank, or the European Union, or
- (j) if the conditions for cover under the EU Guarantee are not fulfilled or if the EU Guarantee ceases to be valid, effective or enforceable in accordance with its terms;
- (k) if the Borrower defaults in the performance of any of its obligations under the EBRD Loan Documentation or the NIF Documentation; or
- (l) if the Borrower defaults in the performance of any obligation in respect of any other loan or financial instrument granted by the Bank or the EU or to the Bank or any other obligation to be fulfilled in connection with the receipt of any funds by the Borrower from the European Union.

10.01B Demand after notice to remedy

The Bank may also make such demand:

- (a) if the Borrower fails to comply with any obligation under this Contract not being an obligation mentioned in Article 10.01A; or
- (b) if any fact stated in the Recitals materially alters and is not materially restored and if the alteration either prejudices the interests of the Bank as lender to the Borrower or adversely affects the implementation or operation of the Project,

unless the non-compliance or circumstance giving rise to the non-compliance is capable of remedy and is remedied within a reasonable period of time specified in a notice served by the Bank on the Borrower.

10.02 Other rights at law

Article 10.01 shall not restrict any other right of the Bank at law to require prepayment of the Loan.

10.03 **Indemnity**

10.03A **Fixed Rate Tranches**

In case of demand under Article 10.01 in respect of any Fixed Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with a sum calculated in accordance with Article 4.02B on any amount that has become due and payable. Such sum shall accrue from the due date for payment specified in the Bank's notice of demand and be calculated on the basis that prepayment is effected on the date so specified.

10.03B **Floating Rate Tranches**

In case of demand under Article 10.01 in respect of any Floating Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with a sum equal to the present value of 0.15% (fifteen basis points) per annum calculated and accruing on the amount due to be prepaid in the same manner as interest would have been calculated and would have accrued, if that amount had remained outstanding according to the original amortisation schedule of the Tranche, until the Maturity Date.

The value shall be calculated at a discount rate equal to the Redeployment Rate applied as of each relevant Payment Date.

10.03C **General**

Amounts due by the Borrower pursuant to this Article 10.03 shall be payable on the date of prepayment specified in the Bank's demand.

10.04 **Non-Waiver**

No failure or delay or single or partial exercise by the Bank in exercising any of its rights or remedies under this Contract shall be construed as a waiver of such right or remedy. The rights and remedies provided in this Contract are cumulative and not exclusive of any rights or remedies provided by law.

10.05 **Application of sums received**

Sums received by the Bank following a demand under Article 10.01 shall be applied first in payment of expenses, interest and indemnities and secondly in reduction of the outstanding instalments in inverse order of maturity. The Bank may apply sums received between Tranches at its discretion.

ARTICLE 11
Law and jurisdiction

11.01 **Governing Law**

This Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by English law.

11.02 **Arbitration**

Any dispute arising out of or connected with this Contract, including a dispute as to the validity or existence of this Contract and/or this Article 11.02, shall be resolved by arbitration in The Hague conducted in the English language by three arbitrators pursuant to the rules of the United Nations Commission on International Trade Law ("**UNCITRAL**"), save that, unless the parties agree otherwise:

- (a) the third arbitrator, who shall act as chairman of the tribunal, shall be chosen by the two arbitrators appointed by or on behalf of the parties. If he is not chosen by the two arbitrators within 30 days of the date of appointment of the later of the two party-appointed arbitrators to be appointed, he shall be appointed by the London Court of International Arbitration (the "**LCIA**");
- (b) no arbitrator shall be of the same nationality as any party (and for the purposes of this Article, the nationality of the Bank shall be deemed to be Luxembourg);

- (c) neither party shall be required to give general discovery of documents, but may be required only to produce specific, identified documents which are relevant to the dispute;
- (d) the tribunal shall not take or provide and the Borrower shall not seek from any judicial authority, any interim measures or pre-award relief against the Bank; and
- (e) the parties agree to waive any right of appeal against the arbitration award.

The appointing authority shall be the LCIA.

11.03 **Agent of Service**

The Borrower hereby appoints the Head of Mission of the Republic of Moldova to the European Communities, avenue Franklin Roosevelt 55, 1050 Bruxelles as its agent of service for the purposes of accepting service on its behalf of any writ, notice, order, judgement or other legal process.

11.04 **Evidence of sums due**

In any legal action arising out of this Contract the certificate of the Bank as to any amount or rate due to the Bank under this Contract shall in the absence of manifest error be prima facie evidence of such amount or rate.

11.05 **Waiver of immunity**

To the extent that the Borrower may in any jurisdiction claim for itself or its assets immunity from suit, enforcement, attachment or other legal process, the Borrower hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

11.06 **Contracts (Rights of Third Parties) Act 1999**

None of the terms of this Contract are intended to be enforceable by any third party and the provisions of the Contracts (Rights of Third Parties) Act 1999 are excluded and shall not apply.

ARTICLE 12
Final clauses

12.01 **Notices to either party**

Notices and other communications given under this Contract addressed to either party to this Contract shall be made to the address or facsimile number as set out below, or to such other address or facsimile number as a party previously notifies to the other in writing:

| | |
|------------------|--|
| For the Bank | Attention: Ops B 98-100 boulevard Konrad Adenauer L-2950 Luxembourg Facsimile no.: +352 4379 67495 |
| For the Borrower | Attention: Ministry of Finance of the Republic of Moldova, Public Debt Department 7, Cosmonauts Street MD-2005 Chisinau Republic of Moldova Facsimile no.: +373 2222-5393 |

12.02 **Form of notice**

Any notice or other communication given under this Contract must be in writing.

Notices and other communications for which fixed periods are laid down in this Contract or which themselves fix periods binding on the addressee may be made by hand delivery, registered letter or facsimile. The date of delivery, registration or, as the case may be, the stated date of receipt of transmission shall be conclusive for the determination of a period.

Other notices and communications may be made by hand delivery, registered letter or facsimile.

Without affecting the validity of any notice delivered by facsimile according to the paragraphs above, a copy of each notice delivered by facsimile shall also be sent by letter to the relevant party on the next following Business Day at the latest.

Notices issued by the Borrower pursuant to any provision of this Contract shall, where required by the Bank, be delivered to the Bank together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the Borrower and the authenticated specimen signature of such person or persons.

12.03 **Changes to parties**

The Borrower may not assign or transfer any of its rights or obligations under this Contract without the prior written consent of the Bank.

The Bank may assign all or part of its rights and benefits or transfer (by way of novation, sub-participation or otherwise) all or part of its rights, benefits and obligations under this Contract.

12.04 **Language**

All documents and information to be provided by the Borrower to the Bank, or procured by the Borrower to be provided to the Bank by any other entity including without limitation the Promoter, shall be provided in the English language.

12.05 **Recitals, Schedules and Annex**

The Recitals and following Schedules form part of this Contract:

| | |
|------------|-------------------------------------|
| Schedule A | Technical Description and Reporting |
| Schedule B | Definition of EURIBOR and LIBOR |
| Schedule C | Forms for Borrower |

The following Annex is attached hereto:

| | |
|---------|--|
| Annex I | Form of Legal Opinion from the Ministry of Justice |
|---------|--|

IN WITNESS WHEREOF the parties hereto have caused this Contract to be executed in 3 (three) originals in the English language and have respectively caused Daniela Cujba, Head of Mission of the Republic of Moldova to the European Communities and Edina Csànyi, legal counsel to initial each page of this Contract on their behalf.

At Brussels, this 16 September 2010

Signed for and on behalf of the
REPUBLIC OF MOLDOVA

Signed for and on behalf of the
**EUROPEAN INVESTMENT
BANK**

V. Filat

P. Maystadt



Project Specification and Reporting
A.1 Technical Description (Article 6.02)

Purpose, Location

The proposed project consists of investments targeted at the rehabilitation and extension of water supply and sewerage systems in six town areas (Floresti, Soroca, Leova, Orhei, Hincesti and Ceadir Lunga) with a total population of 200,000 inhabitants, in the Republic of Moldova. The main objective of the project is to improve the coverage, quality, efficiency, and sustainability of water and sewerage services, so as to improve the quality of life of people living in the aforementioned towns and surrounding villages.

Description

The operation concerns the implementation of a country-wide investment programme for the water sector, based on a list of six selected municipalities (see above).

The priority investment programmes for each of the municipalities which shall lead the future ROC have been prepared by the Consultant appointed by the EBRD.

The components eligible for Bank financing shall fall under the following description:

- Studies, Design
- Rehabilitation, upgrade or new construction of (alone or in combination):
 - water resources infrastructure
 - water supply systems
 - extension of drinking water treatment facilities
 - waste water collection systems, including storm water where relevant
 - waste water treatment facilities
 - bulk and consumer metering
- Water and energy efficiency measures
- Works supervision

Calendar

The overall implementation timetable of the project is the period 2010-2013.

A.2 Information Duties under Article 8.01(a)

PROJECT INFORMATION TO BE SENT TO THE BANK AND METHOD OF TRANSMISSION

1. Dispatch of information: designation of the person responsible

The information below has to be sent to the Bank under the responsibility of:

| | |
|-----------------------|---|
| Company | Water Supply and Sanitation Projects Implementation Unit, Ministry of Environment of the Republic of Moldova |
| Contact person | Mrs. Aurelia SAMSON |
| Title | Director |
| Function / Department | PIU |
| Address | 9, Cosmonautilor St, office 712 Chisinau 2005 Republic of Moldova |
| Phone | +373 (22) 22 89 32 |
| Fax | +373 (22) 22 89 60 |
| Email | finance@water.md |

The above-mentioned contact person(s) is (are) the responsible contact(s) for the time being. The Borrower shall inform the EIB immediately in case of any change.

2. Information on specific subjects

The Borrower shall deliver to the Bank the following information at the latest by the deadline indicated below.

| Document / information | Deadline |
|------------------------|----------|
| N.A. | |

3. Information on the project's implementation

The Borrower shall deliver to the Bank the following information on project progress during implementation at the latest by the deadline indicated below.

| Document / information | Deadline | Frequency of reporting |
|---|----------|------------------------|
| Project Progress Report <i>- A brief update on the technical description, explaining the reasons for significant changes vs. initial scope;</i> <i>- Update on the date of completion of each of the main project's components, explaining reasons for any possible delay;</i> <i>- Update on the cost of the project, explaining reasons for any possible cost increases vs. initial budgeted cost;</i> <i>- A description of any major issue with impact on the environment;</i> <i>- Update on procurement procedures;</i> <i>- Update on the project's demand or usage and comments;</i> <i>- Any significant issue that has occurred and any significant risk that may affect the project's operation;</i> <i>- Any legal action concerning the project that may be ongoing.</i> | 30.04 | Annual |

4. Information on the end of works and first year of operation

The Borrower shall deliver to the Bank the following information on project completion and initial operation at the latest by the deadline indicated below.

| Document / information | Date of delivery to the Bank |
|---|--|
| <p>Project Completion Report, including:</p> <ul style="list-style-type: none"> - <i>A brief description of the technical characteristics of the project as completed, explaining the reasons for any significant change;</i> - <i>The date of completion of each of the main project's components, explaining reasons for any possible delay;</i> - <i>The final cost of the project, explaining reasons for any possible cost increases vs. initial budgeted cost;</i> - <i>The number of new jobs created by the project: both jobs during implementation and permanent new jobs created;</i> - <i>A description of any major issue with impact on the environment;</i> - <i>Update on procurement procedures (outside EU);</i> - <i>Update on the project's demand or usage and comments;</i> - <i>Any significant issue that has occurred and any significant risk that may affect the project's operation;</i> - <i>Any legal action concerning the project that may be ongoing.</i> | <p><i>15 months after project completion</i></p> |
| <p>Language of reports</p> | <p><i>English</i></p> |

Definitions of EURIBOR and LIBOR

A. EURIBOR

"EURIBOR" means:

- (a) in respect of a relevant period of less than one month, the rate of interest for deposits in EUR for a term of one month;
- (b) in respect of a relevant period of one or more whole months, the rate of interest for deposits in EUR for a term for the corresponding number of whole months; and
- (c) in respect of a relevant period of more than one month (but not whole months), the rate resulting from a linear interpolation by reference to two rates for deposits in EUR, one of which is applicable for a period of whole months next shorter and the other for a period of whole months next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the "**Representative Period**"),

as published at 11h00 Brussels time or at a later time acceptable to the Bank on the day (the "Reset Date") which falls 2 (two) Relevant Business Days prior to the first day of the relevant period, on Reuters page EURIBOR 01 or its successor page or, failing which, by any other means of publication chosen for this purpose by the Bank.

If such rate is not so published, the Bank shall request the principal euro-zone offices of four major banks in the euro-zone, selected by the Bank, to quote the rate at which EUR deposits in a comparable amount are offered by each of them as at approximately 11h00, Brussels time, on the Reset Date to prime banks in the euro-zone interbank market for a period equal to the Representative Period. If at least 2 (two) quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations.

If fewer than 2 (two) quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in the euro-zone, selected by the Bank, at approximately 11h00 Brussels time on the day which falls 2 (two) Relevant Business Days after the Reset Date, for loans in EUR in a comparable amount to leading European Banks for a period equal to the Representative Period.

B. LIBOR USD

"LIBOR" means, in respect of USD:

- (a) in respect of a relevant period of less than one month, the rate of interest for deposits in USD for a term of one month;
- (b) in respect of a relevant period of one or more whole months, the rate of interest for deposits in USD for a term for the corresponding number of whole months; and
- (c) in respect of a relevant period of more than one month (but not whole months), the rate resulting from a linear interpolation by reference to two rates for deposits in USD, one of which is applicable for a period of whole months next shorter and the other for a period of whole months next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the "**Representative Period**"),

as set by the British Bankers Association and released by financial news providers at 11h00 London time or at a later time acceptable to the Bank on the day (the "Reset Date") which falls 2 (two) London Business Days prior to the first day of the relevant period.

If such rate is not so released by any financial news provider acceptable to the Bank, the Bank shall request the principal London offices of 4 (four) major banks in the London interbank market selected by the Bank to quote the rate at which USD deposits in a comparable amount are offered by each of them at approximately 11h00 London time on the Reset Date, to prime banks in the London interbank market for a period equal to the Representative Period. If at least 2 (two) such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

If fewer than 2 (two) quotations are provided as requested, the Bank shall request the principal New York City offices of 4 (four) major banks in the New York City interbank market, selected by the Bank, to quote the rate at which USD deposits in a comparable amount are offered by each of them at approximately 11h00 New York City time on the day falling 2 (two) New York Business Days after the Reset Date, to prime banks in the European market for a period equal to the Representative Period. If at least 2 (two) such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

C. LIBOR GBP

"**LIBOR**" means, in respect of GBP:

- (a) in respect of a relevant period of less than one month, the rate of interest for deposits in GBP for a term of one month;
- (b) in respect of a relevant period or of one or more whole months, the rate of interest for deposits in GBP for a term for the corresponding number of whole months; and
- (c) in respect of a relevant period of more than one month (but not whole months), the rate resulting from a linear interpolation by reference to two rates for deposits in GBP, one of which is applicable for a period of whole months next shorter and the other for a period of whole months next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the "Representative Period"),

as set by the British Bankers Association and released by financial news providers at 11h00 London time or at a later time acceptable to the Bank on the day (the "Reset Date") on which the relevant period starts or, if that day is not a Business Day in London, on the next following day which is such a Business Day.

If such rate is not so released by any financial news provider acceptable to the Bank, the Bank shall request the principal London offices of 4 (four) major banks in the London interbank market, selected by the Bank (the "Reference Banks"), to quote the rate at which GBP deposits in a comparable amount are offered by each of them at approximately 11h00 London time on the Reset Date, to prime banks in the London interbank market for a period equal to the Representative Period. If at least 2 (two) such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

If fewer than 2 (two) quotations are provided as requested, the rate will be the arithmetic mean of the rates quoted at approximately 11h00 London time on the Reset Date by major banks in London (selected by the Bank) for loans in GBP in a comparable amount to leading European banks for a period equal to the Representative Period.

D. General

For the purposes of the foregoing definitions:

- (a) "**London Business Day**" means a day on which banks are open for normal business in London and "**New York Business Day**" means a day on which banks are open for normal business in New York.
- (b) All percentages resulting from any calculations referred to in this Schedule will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with halves being rounded up.
- (c) The Bank shall inform the Borrower without delay of the quotations received by the Bank.

(d) If any of the foregoing provisions becomes inconsistent with provisions adopted under the aegis of EURIBOR FBE and EURIBOR ACI in respect of EURIBOR or of the British Bankers Association in respect of LIBOR, the Bank may by notice to the Borrower amend the provision to bring it into line with such other provisions.

Forms for Borrower

C.1 Form of Disbursement Offer/Acceptance (Articles 1.02B and 1.02C)

To: Republic of Moldova
From: European Investment Bank
Date:
Subject: Disbursement Offer/Acceptance for the Finance Contract between the Republic of Moldova and the European Investment Bank dated 16 September 2010 (the "Finance Contract")
FI number Serapis number 2008-0144

Dear Sirs,

We refer to the Finance Contract. Terms defined in the Finance Contract have the same meaning when used in this letter.

Following your request for a Disbursement Offer from the Bank, in accordance with Article 1.02B of the Finance Contract, we hereby offer to make available to you the following Tranche:

- (a) The amount, currency and EUR equivalent to be disbursed:
- (b) Scheduled Disbursement Date:
- (c) Interest rate basis:
- (d) Interest payment periodicity:
- (e) Payment Dates:
- (f) Terms for repayment of principal:
- (g) The first and last principal repayment dates:
- (h) The Fixed Rate or, as applicable, in case of a Floating Rate, the Spread, in each case applicable until the Maturity Date.

To make the Tranche available subject to the terms and conditions of the Finance Contract, the Bank must receive a Disbursement Acceptance in the form of a copy of this Disbursement Offer duly signed on your behalf, to the following fax number [] no later than the Disbursement Acceptance Deadline of [time] Luxembourg time on [date].

The Disbursement Acceptance must be accompanied (if it has not been previously supplied) by:

- (i) the indication of the bank account (with IBAN code) where disbursement of the Tranche should be made; and
- (ii) evidence of the authority of the person or persons authorised to sign it on behalf of the Borrower and the specimen signature of such person or persons.

If not accepted by the above stated time, the offer contained in this document shall be deemed to have been refused and shall automatically lapse.

If you do accept the Tranche as described in this Disbursement Offer, all the related terms and conditions of the Finance Contract shall apply, in particular, the provisions of Article 1.04.

Yours faithfully,

EUROPEAN INVESTMENT BANK

We hereby accept the above Disbursement Offer:

For and behalf of the Republic of Moldova

Date:

C.2 Form of Certificate from Borrower (Article 1.04B)

To: European Investment Bank
From: Republic of Moldova
Date: [●]
Subject: Finance Contract between European Investment Bank and the Republic of Moldova dated 16 September 2010 (the “**Finance Contract**”)
FI number Serapis number 2008 0144

Dear Sirs,

Terms defined in the Finance Contract have the same meaning when used in this letter.

For the purposes of Article 1.04 of the Finance Contract we hereby certify to you as follows:

- (a) there has been no material change to any aspect of the Project or in respect of which we are obliged to report under Article 8.01, save as previously communicated by us;
- (b) we have sufficient funds available to ensure the timely completion and implementation of the Project in accordance with Schedule A.1;
- (c) no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an event of default under Article 10.01 has occurred and is continuing unremedied or unwaived;
- (d) no litigation, arbitration administrative proceedings or investigation is current or to our knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against us or any of our subsidiaries any unsatisfied judgement or award;
- (e) the representations and warranties to be made or repeated by us under Article 6.09 are true in all respects; and
- (f) no Material Adverse Change has occurred, as compared with our condition at the date of the Finance Contract.

Yours faithfully,

For and on behalf of the REPUBLIC OF MOLDOVA

Date:

Form of Legal Opinion on the Finance Contract

European Investment Bank
98-100 Bd. Konrad Adenauer
L-2950 Luxembourg
Grand Duchy of Luxembourg

To the attention of the Legal Directorate

< / >, < / >

Re: **MOLDOVA – Water Sector Project Finance Contract**

Dear Sirs,

I, the undersigned, Minister of Justice of the Republic of Moldova, am giving this opinion pursuant to Article 1.04 A(i) of the Finance Contract (the "**Finance Contract**") for the Moldova – Water Sector Project in an amount equivalent to EUR 10,000,000, made on < / > between the European Investment Bank (the "**Bank**") and the Republic of Moldova (the "**Borrower**"). All terms used herein and not otherwise defined shall have the same meaning as in the Finance Contract.

I have examined an original of the Finance Contract and I have examined such laws, documents and other matters, as I have deemed necessary or appropriate for the purpose of giving this opinion.

1. Subject to the foregoing, I am of the opinion that:
 - (a) the Finance Contract has been duly executed and delivered on behalf of the Borrower by < / >, < / > as lawful representative(s) of the Borrower.
 - (b) the execution of the Finance Contract by < / > as lawful representative(s) of the Borrower has been made upon the provisions of **[INSERT DETAILS OF RELEVANT LAW]**.
2. No provision exists in the Republic of Moldova, which would make it necessary that the Finance Contract be filed, recorded or enrolled with any court or authority in order to ensure its legality, validity or enforceability.
3. The choice of English law as the law governing the Finance Contract is valid and enforceable.

4. By virtue of the provisions of the Finance Contract, any dispute between the parties shall be settled by final and binding arbitration in accordance with the UNCITRAL Arbitration Rules. Any award of such tribunal of arbitration against the Borrower in relation to the Finance Contract may be enforced in the Republic of Moldova.
5. No taxes, duties, fees or other charges, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by the Republic of Moldova, the _____ or any political subdivision or taxing authority thereof or therein are payable in connection with the execution and delivery of the Finance Contract, nor in connection with any payment to be made by the Borrower to the Bank pursuant to the same Finance Contract.
6. All necessary exchange control consents, which may be necessary to receive disbursements, to repay the same and to pay interest and all other amounts due under the Finance Contract are in effect.
7. The waiver of immunity under Article 11.05 of the Finance Contract is a legally valid and binding obligation of the Borrower.

Based on the foregoing, I am of the opinion that all requirements currently applicable to the Borrower and/or governing the Finance Contract in relation to the laws of the Republic of Moldova have been complied with and that the Finance Contract constitutes valid and binding obligations of the Borrower enforceable in accordance with their terms.

Yours faithfully,

< / >

Document comparison by Workshare Professional on Wednesday 15 September 2010 09:47:04

| Input: | |
|---------------|--|
| Document 1 ID | file://C:/Documents and Settings/davia/Desktop/20080144 xxxxx FINANCONT MD Moldova Watersector Project_final draft_AFTER NC.doc |
| Description | 20080144 xxxxx FINANCONT MD Moldova Watersector Project_final draft_AFTER NC |
| Document 2 ID | file://G:/Public/SG-JU-JUOPS-CEE/02 PECO/Contract/MOLDOVA/Water Sector/20080144 xxxxx FINANCONT MD Moldova Watersector Project execution version.doc |
| Description | 20080144 xxxxx FINANCONT MD Moldova Watersector Project execution version |
| Rendering set | standard |

| Legend: | |
|-------------------|---------------------------|
| | <u>Insertion</u> |
| | Deletion |
| | Moved from |
| | <u>Moved to</u> |
| | Style change |
| | Format change |
| | Moved deletion |
| Inserted cell | |
| Deleted cell | |
| Moved cell | |
| Split/Merged cell | |
| Padding cell | |

| Statistics: | |
|----------------|-------|
| | Count |
| Insertions | 83 |
| Deletions | 92 |
| Moved from | 0 |
| Moved to | 0 |
| Style change | 0 |
| Format changed | 0 |
| Total changes | 175 |