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CONFORMED COPY

CREDIT NUMBER 4794-MD

Financing Agreement

(Disaster and Climate Risk Management Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 12, 2010

CREDIT NUMBER 4794-MD

FINANCING AGREEMENT

AGREEMENT dated August 12, 2010, entered into between REPUBLIC OF MOLDOVA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II - FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to six million and eight hundred thousand Special Drawing Rights (SDR 6,800,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is US Dollars.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A and D of the Project through Ministry of Environment (MoE), Part B of the Project through Ministry of Internal Affairs (MIA), Part C of the Project through Ministry of Agriculture and Food Industry (MAFI) and in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following:

The Agreement between SHS and the Air Traffic Services Authority (“MoldATSA”) to locate and operate weather radar at a MoldATSA-owned facility has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the SHS to perform any of its obligations under the Agreement.

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

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

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following:

The POM has been jointly adopted by the Recipient’s MoE, MIA and MAFI in a manner satisfactory to the Association.

- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement as referred to in the Preamble of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

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

- 6.02. The Recipient's Address is:

Ministry of Finance
Cosmonautilor Street, 7
277005 Chisinau
Republic of Moldova

Facsimile:

(37322) 221307

- 6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

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

REPUBLIC OF MOLDOVA

By /s/ Vladimir Filat

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Robert B. Zoelick

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the State Hydrometeorological Service's ability to forecast severe weather and to improve Moldova's capacity to prepare for and respond to natural disasters.

The Project consists of the following parts:

Part A. Strengthen the SHS's Severe Weather Forecasting Capacity

Provision of goods, works, and consultants' services, including training for:

- (i) development of "early warning" and "nowcasting" capabilities, including through: (a) automating data collection; (b) building a new hydrological station at an existing key reservoir and four (4) meteorological stations as described in the POM; and (c) the establishment of a flash flood forecast modeling system;
- (ii) installment in Chisinau region of a dual polarization Doppler radar technology for localized forecasts; and
- (iii) development of plans for seasonal and climate forecasts.

Part B. Improve Disaster Preparedness and Emergency Response

Provision of goods, works, and consultants' services, including training for:

- (i) preparing feasibility and design studies that will form the basis for establishment of an Emergency Command Center (ECC), including the architectural design of the ECC within the provided space in the DES headquarters and the design of the information management system linking DES with its local offices and key sectoral institutions;
- (ii) establishing and operating the ECC through: (a) the renovation and refurbishment works in the facility; (b) the acquisition of furniture and equipment for the ECC; (c) the IT hardware procurement; (d) the procurement of emergency information management software and (e) the acquisition of communication equipment; and
- (iii) building capacity of DES and evaluating progress in establishing ECC.

Part C. Initiate Activities for Adaptation to Climate Risks in Agriculture

- (i) Provision of goods, works, and consultants' services for the development of a Just-in Time Communication Platform.
- (ii) Provision of technical advisory services to farmers, farmer groups and rural communities for piloting and testing activities aimed at increasing agricultural sector's resilience to adverse weather.

Part D. Project Management

Provision of consultants' services, including training and incremental operating costs for Project implementation, including support for the financial management and procurement functions, monitoring and evaluation.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall appoint and maintain, until the completion of the Project, a Project Steering Committee to provide strategic guidance and facilitate inter-agency coordination during the implementation of the Project. The Steering Committee shall be headed by the Recipient's Minister of State in charge of donor aid coordination and include, as members, representatives of MoF, MoE, MAFI, and MIA, the directors of the State Hydrometeorological Service (SHS) and, respectively, the Department of Exceptional Situations (DES).

2. The Recipient shall implement the respective Parts of the Project through implementing entities established at the level of each ministry represented in the Steering Committee, including the Project monitoring and evaluation activities as follows:

- (i) Part A through the SHS within MoE;
- (ii) Part B through DES within MIA; and
- (iii) Part C of the Project through MAFI

3. During the Project implementation, the Recipient shall carry out the fiduciary arrangements for the entire Project through the existing Project Management Team (PMT) within MoE established under the Persistent Organic Pollutants (POPs) Project.

4. Each implementing entity as described above at Section I.A.2 of this Schedule shall nominate: (a) one focal point to be the primary counterpart for the respective Parts of the Project and to liaise with the PMT; and (b) representatives to committees to evaluate bids received in response to tenders for goods, works and services, in accordance with the POM.

B. Anti-Corruption

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

C. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental Assessment (EA) and the Environmental Management Plan (EMP) developed and adopted by the Recipient in terms and conditions satisfactory to the Bank

and shall not amend, suspend, abrogate, repeal or waive any provisions of the EMP without prior approval of the Bank.

2. The implementation of Project environmental safeguards shall be carried out by the PMT that will assign a staff member with such responsibilities, and adequate experience.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than March 31, 2015 or any later date as agreed by the Recipient and the Association.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

Procurement under National Competitive Bidding is subject to the following additional procedures:

- a. *Eligibility:* Bidding shall not be restricted to domestic firms.
- b. *Procedures:* 'Open Tendering' shall be followed in all cases. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of 30 days for the preparation and submission of bids.

c. *Pre-qualification:* When pre-qualification shall be required for large or complex works, invitations to prequalify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of 30 days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the prequalification documents. Prequalification shall be determined by a 'pass/fail' method and not through use of a merit point system.

d. *Participation by Government-owned enterprises:* Government-owned enterprises in the Republic of Moldova shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Government. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

e. *Participation by Joint Ventures:* Participation shall be allowed from joint ventures on the condition that such joint venture partners will be jointly and severally liable under the Contract.

f. *Bidding Documents:* Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, and shall contain draft contract and conditions of contract, all acceptable to the Bank.

g. *Bid Opening and Bid Evaluation:*

- (a) Bids shall be opened in public, immediately after the deadline for submission of bids.
- (b) Extension of bid validity shall be allowed once only for not more than 60 days. No further extensions should be requested without the prior approval of the Bank.
- (c) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.
- (d) No preference shall apply under National Competitive Bidding.

h. *Price Adjustment:* Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

i. *Rejection of Bids:* All bids shall not be rejected and new bids solicited without the Bank's prior concurrence.

j. *Contracts:* Unless otherwise agreed, all contracts shall be in writing, signed and stamped by authorized signatories of the Purchaser and the Supplier and contain identical terms and conditions of contract to those included in the tender documents.

k. *Securities:* Bid Securities should not exceed 2% (two percent) of the estimated cost of the contract; Performance Securities not more than 10% (ten percent). No advance payments shall be made to Contractors without a suitable Advance Payment security. The wording of all such securities shall be included into the bidding documents and be acceptable to the Bank.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Least-Cost Selection
(b) Selection Based on the Consultants' Qualifications
(c) Individual Consultants
(d) Single/Sole-Source Selection

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the

amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
Goods, works, consultants' services, including training, Incremental Operating Costs and Technical Advisory Services for the Project	6,800,000	100%
TOTAL AMOUNT	6,800,000	

3. For the purpose of this Schedule, the term "Incremental Operating Costs" means expenditures incurred by the Recipient on account of the Project implementation for office supplies, utilities, operating expenses, bank charges, communication, transportation, insurance for goods and salaries for PMT staff, including qualified social charges, but excluding salaries for civil servants.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is September 30, 2014.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15, commencing January 15, 2021 to and including July 15, 2030	5%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section III of this Appendix.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
4. “DES” means the Recipient’s Department of Exceptional Situations established within MIA in charge with emergency management.
5. “ECC” means the Emergency Command Center to be established and operated by DES as referred in Schedule I Part B of this Agreement.
6. “EA” means the Environmental Assessment prepared and adopted by the Recipient on June 3, 2010 for the Project sites and of the proposed construction activities under the Project.
7. “EMP” means the Environmental Management Plan prepared and disclosed by the Recipient on June 3, 2010 for the Project, satisfactory to the Association which includes a Monitoring Plan with measures that will be employed to track the effectiveness of the mitigation measures and describe the environmental indicators to be monitored, along with the monitoring methods, frequency, as well as the monitoring and reporting procedures, including institutional arrangements.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
9. “MAFI” means the Recipient’s Ministry of Agriculture and Food Industry, or any successor thereto.
10. “MIA” means the Recipient’s Ministry of Internal Affairs, or any successor thereto.

11. “MoE” means the Recipient’s Ministry of Environment, or any successor thereto.
12. “MoldATSA” means the Recipient’s Air Traffic Services Authority established through Governmental Decision No. 3 dated January 12, 1994.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 25, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. “Persistent Organic Pollutants (POPs) Project” GEF Trust Fund Grant TF055875 dated February 9, 2006.
16. “POM” means the Project Operational Manual prepared in a manner satisfactory to the Association and adopted by the Recipient’s MoE, MIA and MAFI as an effectiveness condition of this Agreement through a joint regulation.
17. “PMT” means the Project Management Team established within MoE under the POPs Project as defined above.
18. “SHS” means the Recipient’s State Hydrometeorological Service established under the coordination of MoE through Law No. 1536/XIII dated February 29, 1998.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of: (i) a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank; and/or (ii) a declaration by another

financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”