

CONFORMED COPY

CREDIT NUMBER 4119 MD

Development Credit Agreement

(Competitiveness Enhancement Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 14, 2005



CREDIT NUMBER 4119 MD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 14, 2005, between the REPUBLIC OF MOLDOVA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) by an agreement of even date between the Borrower and the Association (the Development Grant Agreement), the Association has agreed to make a grant to the Borrower in a principal amount of three million three hundred and fifty thousand Special Drawing Rights (SDR 3,350,000) (the Development Grant) to assist in financing the Project on the terms and conditions set forth in the Development Grant Agreement;

(C) by an agreement of even date between the Borrower and the Association (the PHRD Grant Agreement), the Association has agreed to make a grant to the Borrower in a principal amount of four million five hundred thousand Dollars (the PHRD Grant) to assist in financing the technical assistance for Parts A and B the Project on the terms and conditions set forth in the PHRD Grant Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

"Section 5.08. Treatment of Taxes

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of,

the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association."; and

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words "corrupt or fraudulent" with the words "corrupt, fraudulent, collusive or coercive".

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Accreditation Center" means the Borrower's Accreditation Center in conformity assessment of products established as a public legal entity to evaluate products' conformity, in accordance with the Borrower's Governmental Decree No. 1646 dated December 31, 2003;

(b) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement.

(c) "MOE" means the Borrower's Ministry of Economy and Trade;

(d) "MOF" means the Borrower's Ministry of Finance;

(e) "MSTQ" means Measurements, Standards, Testing and Quality;

(f) "Matching Grant" means a grant to be provided by the MOE (as defined hereinafter) through the MGFA (as defined hereinafter) out of the Matching Grant Facility (as defined hereinafter) to Matching Grant Beneficiaries (as hereinafter defined) from the proceeds of the Loan for the purposes of carrying out activities under Part C of the Project;

(g) "Matching Grant Agreement" means an agreement to be entered into between a Matching Grant Beneficiary (as defined hereinafter) and the MGFA (as defined hereinafter,) the content and terms and conditions of which are set forth in the Matching Grant Manual (hereinafter defined), as the same may be amended from time to time, pursuant to paragraph 3 of Part B to Schedule 4 of this Agreement;

(h) “Matching Grant Beneficiary/ies” means the collective or individual enterprise(s) or entrepreneur(s), legally established in the Borrower’s territory and meeting the eligibility criteria set forth in the Matching Grant Manual (hereinafter defined) for assistance under Part C of the Project;

(i) “Matching Grant Facility” means the mechanism to provide Matching Grants to eligible Matching Grant Beneficiaries for the purposes of co-financing the activities implementing Part C of the Project, under terms and conditions satisfactory to the Association;

(j) “Matching Grant Facility Administrator” or “MGFA” means the entity to be selected in accordance with the terms set forth in paragraph 1 of Part B to the Schedule 4 to this Agreement;

(k) “Matching Grant Manual” means the manual setting forth the eligibility criteria, selection process and implementation for the purposes of carrying out Part C of the Project;

(l) “National Commission for Regulation of Entrepreneurial Activity” means the commission in charge of the coordination of the business regulatory reform carried out by the Borrower in accordance with the Borrower’s Law on Optimization of the Normative Framework of Regulation of Entrepreneurial Activity No. 424-XV dated December 16, 2004, and which composition, role and functions are to be amended in accordance with a law to be adopted by the Borrower under terms satisfactory to the Association;

(m) ”National Institute for Standardization and Metrology” or “NISM” means the Borrower’s institute in charge of standards and metrology at the national level under the SSM (as defined hereinafter) in accordance with the Borrower’s Governmental Decision No. 586 dated June 16, 2005 and established in accordance with the Borrower’s law No. 23-XVI dated April 14, 2005 modifying the Borrower’s law No. 64-XII dated May 31, 1990;

(n) “Operational Manual ” means the manual, satisfactory to the Association, setting forth the operational and administrative procedures for the implementation of the Project and referred to in paragraph 5 of Part A of Schedule 4 to this Agreement, as the same may be amended from time to time with the agreement of the Association;

(o) “PIU” means the Borrower’s project implementation unit in charge of the daily management of the Project in accordance with paragraph 4 of Part A of the Schedule 4 to this Agreement established under the Borrower’s Governmental Decision No. 895 dated August 25, 2005;

(p) “PSC” means the Project Steering Committee in charge of the overall supervision and major policy guidance relating to the implementation of the Project, in accordance with paragraph 3 of Part A of Schedule 4 to this Agreement established under the Borrower’s Governmental Decision No. 895 dated August 25, 2005;

(q) “Procurement Plan” means the Borrower’s procurement plan, dated September 21, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(r) “Project Implementation Memorandum” means the agreement to be entered in accordance with paragraph 2 of Part A of Schedule 4 to this Agreement;

(s) “Regulatory Reform Secretariat” means the Borrower’s entity established to support the implementation of the regulatory reform process under the Law on Optimization of the Normative Framework of Regulation of Entrepreneurial Activity No. 424-XV dated December 16, 2004;

(t) “Service of Standardization and Metrology” or “SSM” means the Borrower’s service in charge of standards and metrology under the supervision of the MOE established in accordance with the Borrower’s Governmental Decision No. 357 dated April 23, 2005, Governmental Decision No.586 dated June 16, 2005 and the Borrower’s law No. 23-XVI dated April 14, 2005 modifying the Borrower’s law No. 64-XII dated May 31, 1990; and

(u) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to three million three hundred and fifty thousand Special Drawing Rights (SDR 3,350,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit and (ii) amounts paid (or, if the Association shall so agree, to be paid) by the PIU on account of withdrawals made by a Matching Grant Beneficiary to

meet the reasonable cost of consulting services required to carry out the activities under a Matching Grant in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing March 15, 2016 and ending September 15, 2045. Each installment to and including the installment payable on September 15, 2025

shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the MOE with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the sustainability of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Borrower shall:
- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
 - (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.]

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph (a) of Part C.1 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing

separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;

- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation ; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified,

(a) that the Borrower shall have enacted new laws concerning the reform of the business regulatory reform or amended, suspended or abrogated such existing laws without the Association's prior review and consultation so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

- (b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement(s) providing therefor.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, or termination is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) Section 5.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following events are specified as conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) that the PHRD Grant Agreement has been executed on behalf of the Borrower; and

(b) that the Development Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Telephone:

Facsimile:

(37322) 238844

(37322) 213508

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF MOLDOVA

By /s/ Mihail Manoli

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shigeo Katsu

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods		
(a) under Part B.2 of the Project	1,000,000	100%
(b) others	810,000	100%
(2) Consultants' services and Training	1,022,000	100%
(3) Matching Grants	410,000	100%
(4) Operating costs	18,000	100%
(5) Unallocated	<u>90,000</u>	
TOTAL	<u>3,350,000</u>	

2. For the purposes of this Schedule:

(a) the term "Operating costs" means the expenditures incurred by the PIU on account of Project implementation, including minor office equipment, furniture and supplies, utilities, communications and internet fees, copying, reproduction and publication costs, travel and per diem costs of PIU associated with the implementation of the Project activities, and such other expenditures as may be agreed upon by the Association; and

(b) the term "Training" means training activities (other than consultants' services) to be carried out under the Project, as approved by the Association on the basis of the annual training and study tour plans acceptable to the Association.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of : (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the

equivalent of SDR 40,000, may be made on account of payments made for expenditures before that date but after September 15, 2005; (b) payments made for expenditures for Category 1(a) of table 1 to this Schedule unless the Borrower has made sufficient progress in the implementation of Part B.1 of the Project in a manner satisfactory to the Association; and (c) payments made for the Category (3) of table 1 of this Schedule unless the MGFA has been selected in accordance with paragraph 1 of Part B of Schedule 4 of this Agreement and a manner satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$100,000 equivalent per contract; (b) services of individual consultants costing less than \$25,000 equivalent per contract; (c) services of consulting firms under contracts costing less than \$50,000 equivalent per contract, (d) Matching Grants, and (e) Operating Costs and Training, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in enhancing competitiveness of enterprises through the improvement of the business environment and the provision of adequate standards, testing and quality improvement services for enterprises.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Business Environment Improvement

Improving the business environment through:

1. The provision of continuous support for developing and implementing a business regulatory reform, including the development of a business regulatory reform strategy, the review and drafting of relevant regulations and norms, the setting up of publicly available information systems and the carrying out of public awareness campaigns, information dissemination programs, monitoring activities and training for the Borrower's relevant entities, business community and civil society.
2. The strengthening of institutional capacity building of governmental entities involved in business regulatory reform implementation, management, monitoring and impact assessment, including the National Commission for Regulation of Entrepreneurial Activity and the Regulatory Reform Secretariat.
3. The introduction of the Regulatory Impact Assessment (RIA) in the Borrower's legislative process.

Part B: Modernization of MSTQ Systems

Improving the Borrower's enterprises' capacity to compete in domestic and international markets by strengthening the Borrower's metrology, standardization, accreditation, conformity assessment and consumer protection functions through the provision of goods, technical assistance and training, for:

1. The revision and improvement of relevant MSTQ regulations and implementation of an institutional reorganization reform and capacity building.
2. The strengthening of the NISM's metrology and testing capacity, including the upgrading of select laboratories.

3. The strengthening of the NISM's standardization capacity through, among others, adapting and translating relevant standards accordingly.
4. The strengthening of the Accreditation Center's institutional capacity.
5. The upgrading of the conformity assessment functions and selected conformity assessment entities.

Part C: Enterprise Access to MSTQ Services

Establishment and operation of a Matching Grant Facility to help strengthen the competitiveness of the Borrower's enterprises' by facilitating access of qualifying enterprises to external expertise to improve quality standards and certification, all in accordance with the Matching Grant Manual.

Part D: Access to Finance

Facilitating access to finance of enterprises by:

1. Carrying out the preparatory work and creating conducive environment for the establishment of a credit information system at the national level, including the preparation and adoption of a relevant regulatory framework, the carrying out of the institutional capacity building and the provision of training and technical assistance to relevant stakeholders to make use of the information credit services; and
2. Providing technical assistance and training to local financial institutions as well as government entities to support the development of a local credit guarantee system.

Part E: Project Management

Support for the overall implementation and coordination of the Project, including financial management, procurement, monitoring and evaluation.

* * *

The Project is expected to be completed by June 30, 2009.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. Limited International Bidding. Goods estimated to cost less than \$300,000 equivalent per contract which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Highly specialized metrology equipment which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Commercial Practices: Technical services estimated to cost less than \$25,000 equivalent per contract and to be financed under the Matching Grant Facility made for sub-projects under Part C of the Project, may be procured in accordance with commercial practices acceptable to the Bank.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

6. Commercial practices: Services estimated to cost less than \$25,000 equivalent per contract and to be financed under the Matching Grant Facility made for sub-projects

under Part C of the Project, may be procured in accordance with commercial practices acceptable to the Bank.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods and services (other than consultants' services) estimated to cost the equivalent of \$100,000 or more procured on the basis of International Competitive Bidding, Limited International Bidding and all Direct Contracting; (b) the first two shopping contracts; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$50,000 or more. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association, and (d) the first two Matching Grants Agreements for technical and consulting services under the Matching Grant Facility. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

Part A: Project Implementation

1. For the purposes of the Project, the MOE shall, among others, be responsible for the overall implementation of the Project. The Borrower, through the MOE, shall ensure that the appropriate departments in the MOE and other public entities under the Borrower's government carry out the Project implementation with due diligence and efficiency.

2. (a) The Borrower, through the MOE, shall enter by not later than April 15, 2006 into a Project Implementation Memorandum with the Service for Standardization and Metrology and the NISM for Part B of the Project to ensure the coordination and cooperation of all entities involved in the implementation of the Project, under terms and conditions which shall have been approved by the Association.

(b) The Borrower, through the MOE, shall exercise its rights under the Project Implementation Memorandum in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Project, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Project Implementation Memorandum or any provision thereof.

3. The Borrower shall maintain until completion of the Project, with composition and under terms of reference satisfactory to the Association, the PSC, consisting of high level representatives from the key ministries and governmental bodies, members of the academia and representatives of the business community, and other representatives as determined by the Borrower's government. The PSC shall be responsible for reviewing the progress of the Project activities, overseeing the operations of the PIU and advising on any major policy issues related to the implementation of the Project.

4. The Borrower shall maintain the PIU until completion of the Project with staff, resources and terms of reference satisfactory to the Association and in accordance with the Operational Manual and shall assign to it responsibility for overall daily management of the Project, including:

(a) financial management and disbursement, including preparation of withdrawal applications under the Credit;

(b) management of the Special Account referred to in Section 2.02 (b) of this Agreement;

(c) maintenance of records and accounts related to the Project and arranging for the audit thereof;

- (d) administration of procurement procedures and contracts for the Project;
- (e) preparation of quarterly progress reports and submission thereof to the Borrower and the Association not later than forty-five (45) days after the end of each quarter, in accordance with Section 4.01 of this Agreement; and
- (f) preparation of FMRs for the Project as referred to in Section 4.02 of this Agreement.

5. The Borrower shall carry out the Project in accordance with the requirements set forth or referred to in the Operational Manual and this Agreement and shall not assign, amend, abrogate or waive any provision of the Operational Manual without prior approval of the Association.

6. The Borrower shall maintain throughout the implementation of the Project the Regulatory Reform Secretariat with staff, functions and responsibilities satisfactory to the Borrower and Association until at least the completion of the activities to be carried out under Part A of the Project.

Part B: Matching Grant Facility

1. For the purposes of implementing Part C of the Project, the Borrower, through the MOE, shall select a non-governmental entity (the Matching Grant Facility Administrator) under an open and competitive process (the Matching Grant Facility Administrator or "MGFA"), all under terms and conditions satisfactory to the Association and under the supervision of the MOE.

2. The MGFA shall administer, manage and use the proceeds of the Matching Grant Facility in a manner consistent with the purposes and objectives of the Project and in accordance with the eligibility criteria, selection procedures and implementation conditions set forth in the Matching Grant Manual, under terms satisfactory to the Association. The Borrower or MGFA shall not assign, amend, abrogate or waive any provision of the Matching Grant Manual without prior approval of the Association

3. The MGFA shall provide financing, on a grant basis, to beneficiary enterprises (Matching Grant Beneficiaries) selected in accordance with open and transparent procedures, as established in the Matching Grant Manual, and pursuant to a standard agreement, in a format and substance acceptable to the Borrower and the Association, to be entered into between the MGFA and a Beneficiary (the Matching Grant Agreement). Such agreement shall include, *inter alia*:

- (i) a description of the activity of the Beneficiary to be co-financed with the Matching Grant Facility, together with an estimate of the cost thereof;

- (ii) the amount to be provided to the Beneficiary under a Matching Grant Agreement, its terms and conditions and a disbursement schedule;
- (iii) an amount of co-financing provided by the Beneficiary and/or evaluation of in-kind contribution to the activity co-financed by the Matching Grant Facility;
- (v) the obligation of the Beneficiary to procure services to be financed under the Matching Grant Agreement in accordance with the procedures set forth in the Matching Grant Manual;
- (vi) the obligation of the Beneficiary to report to the MGFA on the progress of the implementation of the activity co-financed by the Matching Grant Facility and to enable representatives of said entity, the Borrower and the Association, if the Association shall so request, to visit the facilities where the co-financed activities are implemented and administered;
- (vii) the obligation of the Beneficiary to maintain records and accounts for expenditures incurred and financed from the proceeds of the Matching Grant Facility made available to the Beneficiary under the Matching Grant Agreement, and
- (viii) the right of the MGFA to suspend, cancel or request a refund of the Matching Grant or a portion thereof in case of the failure of the Beneficiary to perform any of its obligations under the Matching Grant Agreement.

Part C: Monitoring and Evaluation

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about February 15, 2008, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by May 15, 2008, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1) to (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means an amount equivalent to US\$ 490,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US\$ 300,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is

requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the [respective] Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.