

CONFORMED COPY

CREDIT NUMBER 4320-MD

Financing Agreement

(Health Services and Social Assistance Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 3, 2007

CREDIT NUMBER 4320-MD

FINANCING AGREEMENT

AGREEMENT dated July 3, 2007, entered into between REPUBLIC OF MOLDOVA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

Whereas by an agreement between the Recipient and the Council of Europe Development Bank (the CEB), the CEB will agree to make a loan available to the Recipient in the framework of the implementation of the Health Sector Program (the CEB Project) in an amount of at least €5,800,000 to assist in financing the rehabilitation of the Republican Clinical Hospital on the terms and conditions to be set forth in the CEB Loan Agreement (the CEB Loan Agreement).

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 eleven million three hundred thousand Special Drawing Rights (SDR 11,300,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A and C.1 of the Project through the MOH and Parts B and C.2 of the Project through the MOSPFC, 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 namely of the following: the National Health Strategic Plan has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists namely of the following: the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V - EFFECTIVENESS; TERMINATION

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

- 5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

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

- 6.02. The Recipient's Address is:

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

Facsimile:

(373 - 22) 24-0055

- 6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
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/ Mihail Pop

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ala Pinzari

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase access to quality and efficient health services with the aim of decreasing premature mortality and disability for the local population and improve the targeting of social transfers and services to the poor.

The Project consists of the following parts:

Part A: Health System Modernization

1. Provision of support to the MOH for the development and establishment of national health accounts to enable the MOH to define the sources and uses of all public and private funds in the health sector.
2. Provision of support to the MOH and related health services agencies for the capacity building in policy analysis and development of their monitoring and evaluation policies.
3. Provision of support to the MOH and the National Health Insurance Company for the development and implementation of: (a) a strategy to increase the contributory base for health insurance; and (b) an improved provider-payment system.
4. Improving the quality of primary care delivered in rural areas by, among others: (a) adopting nationwide structural standards for primary care facilities and services; (b) carrying out rehabilitation works of existing health facilities and construction of new health facilities; (c) providing equipment for primary care facilities; and (d) providing continued medical education and management training for health professionals.
5. Provision of support for the capacity assessment of hospitals in the Republic of Moldova and modernization of the health services facilities network in Chisinau, including investments in infrastructure and medical equipment for the Republican Clinical Hospital, in accordance with a prior feasibility study and business plan to be carried out under the Project under terms satisfactory to the Association.

Part B: Social Assistance and Welfare

Provision of support to develop a better targeted and administered cash benefit system through: (a) the establishment of a consolidated data base for all social assistance transfers and services; and (b) the provision of equipment and training to social workers to collect information to enable social welfare services to provide child protection, domestic violence and human trafficking prevention, drug and alcohol abuse recovery services support, and other social services.

Part C: Institutional Support

1. Provision of support to improve the MOH's capacity to plan, manage, evaluate and monitor their respective areas of responsibility, carry out the audit of the Project; and assist the MOH in the implementation of reforms in the health sector.
2. Provision of support to improve the MOSPFC's capacity to plan, manage, evaluate and monitor their respective areas of responsibility; and assist the MOSPFC in the implementation of reforms in the social assistance sector.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. MOH responsible for the overall oversight and day-to-day management of Parts A and C.1 of the Project and preparation of consolidated reports for the Project

The Recipient, through the MOH, shall: (a) ensure that the appropriate departments in the MOH, with the assistance of designated and qualified staff within the MOH, oversee the overall implementation and day-to-day management of Parts A and C.1 of the Project with due diligence and efficiency, all in accordance with the Operations Manual; and (b) prepare the consolidated reports for the Project.

2. MOSPFC responsible for the overall oversight and day-to-day management of Parts B and C.2 of the Project

(a) The Recipient, through the MOSPFC, shall ensure that the appropriate departments in the MOSPFC, with the assistance of designated and qualified staff within the MOSPFC, oversee the overall implementation and day-to-day management of Parts B and C.2 of the Project with due diligence and efficiency, all in accordance with the Operations Manual.

(b) The MOSPFC will be assisted by: (i) a steering committee under composition and terms of reference satisfactory to the Association, established on April 20, 2007 which will endorse, guide and evaluate and monitor the strategic direction of the social assistance program; and (ii) a working group established on April 25, 2007 within the MOSPFC which will provide guidance on the implementation of the social assistance policy framework.

3. Joint Steering Committee

At the national level, the Recipient shall maintain, throughout the implementation of the Project, a high-level Joint Steering Committee to be established by not later than three (3) months after the date of effectiveness of this Agreement, which shall act as a body responsible for the strategic coordination and oversight of the Project activities implemented by the authorities participating in the Project, all under terms of reference and a composition satisfactory to the Association.

4. Operations Manual

(a) The Recipient shall issue, by not later than two (2) months after the date of effectiveness of this Agreement, an Operations Manual under terms satisfactory to the Association, including provisions setting forth the respective implementation, management, reporting and procurement responsibilities of the MOH and MOSPFC under the Project. The Recipient shall take all actions required to ensure that the Operations Manual is applied and followed at all times in the implementation, monitoring and evaluation of the Project.

(b) Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Operations Manual or any of its provisions.

5. Arrangements for Part A.3 of the Project

For the purposes of the implementation of Part A.3 of the Project, the Recipient, through the MOH, shall enter into adequate arrangements with the National Health Insurance Company, under terms satisfactory to the Association.

B. Anti-Corruption

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

C. Safeguards

Environmental Safeguard

The Recipient shall ensure that all measures necessary for the carrying out of the Environmental Management Plan shall be taken in a timely manner and that all legal and administrative planning and environmental permits and authorizations necessary to carry out Part A.4 (b) of the Project are secured in a timely manner and with due diligence.

Section II. Project Monitoring, Reporting and Evaluation

A. Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association (“Project Reports”).
- (b) Each report under paragraph (a) above shall be presented in the form of a consolidated report which shall cover the period of one calendar semester, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient, shall prepare and furnish to the Association, as part of the Project Reports to be prepared under paragraph (b) of Part A.1 of this Section, not later than 45 days after the end of each calendar semester 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, commencing with the fiscal year in which the first disbursement under this Agreement was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance

with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

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

Procurement Methods
(a) National Competitive Bidding
(b) Limited International Bidding
(c) Shopping
(d) Direct Contracting

C. Particular Methods of Procurement of Consultants’ Services

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 Methods
(a) Selection under a Fixed Budget
(b) Least Cost Selection
(c) Selection Based on Consultants’ Qualifications
(d) Single and Sole Source
(e) Individual Consultants

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 Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works consultants' services, including auditing services, and Training and Incremental Operating Costs for Parts A and C.1 of the Project	8,000,000	100%
(2) Goods, works consultants' services, Training and Incremental Operating Costs for Parts B and C.2 of the Project	3,300,000	100%
TOTAL AMOUNT	<u>11,300,000</u>	

For the purposes of this Section:

(a) the term “Training” means expenditures incurred by the Recipient for the purpose of carrying out training activities under the Project, including reasonable costs of transportation, training materials and publications, accommodations and per diem, interpretation services, cost of study tours and workshops, and such other expenditures as may be agreed with the Association.

(b) the term “Incremental Operating Costs” means expenditures incurred to finance the reasonable and necessary incremental expenses incurred by the MOH and MOSPFC on account of Project implementation, management and monitoring, including travel costs of the MOH and MOSPFC staff and consultants; cost of communications (internet and telephone), transportation, supplies, stationery, office equipment and maintenance, and such other expenditures as may be agreed with the Association.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 135,000 equivalent may be made for payments made prior to this date but on or after April 15, 2007, for Eligible Expenditures.
2. The Closing Date is August 31, 2011.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15:	
commencing August 15, 2017 to and including February 15, 2027	1%
commencing August 15, 2027 to and including February 15, 2047	2%

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

APPENDIX**Definitions**

1. “Anti-Corruption Action Plan” means the anti-corruption plan of the Recipient for the investments and services under the Project, dated January 30, 2007, and referred to in paragraph B of Section I of Schedule 2 to this Agreement, which may be updated from time to time in a manner satisfactory to the Association.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “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.
5. “Dollar” and “\$” mean the lawful currency of the United States of America.
6. “Environmental Management Plan” or “EMP” means plan dated March 30, 2007, issued by the Recipient, describing the environmental, mitigation, monitoring and institutional measures to be undertaken under Part A.4 (b) of the Project to ensure that all environmental concerns are adequately taken into account in the carrying out of the works and activities thereunder.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
8. “Joint Steering Committee” means the committee to be established by the Recipient for the purposes of carrying out Section I.A.2 of Schedule 2 of this Agreement.
9. “MOH” means the Recipient’s Ministry of Health, or its legal successor thereof.
10. “MOSPFC” means the Recipient’s Ministry of Social Protection, Family and Child, or its legal successor thereof.
11. “National Health Insurance Company” means Compania Națională de Asigurări în Medicină of Moldova, established pursuant to Government Decision No. 950 dated September 7, 2001.

12. “National Health Strategic Plan” means the plan to be prepared and adopted by the Recipient for the period of 2007-2017 under terms satisfactory to the Association.
13. “Operations Manual” means the manual to be issued by the Recipient for the purposes of Section A.4 of Schedule 2 to this Agreement.
14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 23, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. “Republican Clinical Hospital” means the hospital mentioned in the Decree of the Government No. 326, dated March 21, 2007.