

CONFORMED COPY

TF 020811

Dutch Grant Agreement

(First Private Sector Development Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

as Administrator of Dutch Funds
provided by the
MINISTER FOR DEVELOPMENT COOPERATION
OF THE NETHERLANDS

Dated December 13, 1995

TF 020811

DUTCH GRANT AGREEMENT

AGREEMENT, dated December 13, 1995 between REPUBLIC OF MOLDOVA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as Administrator (the Administrator) of the Dutch Grant (as hereinafter defined) provided by the Minister for Development Cooperation of the Netherlands (the Minister).

WHEREAS the Recipient has requested the assistance of the International Bank for Reconstruction and Development (the Bank) and the Minister in the financing of various activities undertaken in connection with implementation of reforms in the Recipient's financial and enterprise sectors;

WHEREAS the Bank intends to make a loan for this purpose on the terms and conditions to be set forth in a Loan Agreement to be entered into between the Recipient and the Bank (the Loan Agreement) in support of the First Private Development Project;

WHEREAS the Minister wishes to make available to the Recipient a grant in the amount of one million six hundred thousand Dutch guilders (Dfls 1,600,000) (the Dutch Grant) to assist the Recipient in the financing of certain activities required for implementation of the First Private Development Project;

WHEREAS pursuant to the General Arrangement for Administration, entered into between the Minister, the Bank and the International Development Association, dated May 24, 1995, and the Arrangement between the Minister and the Bank, dated August 17, 1995 (the Arrangements), the Minister has appointed the Bank, and the Bank has agreed, to administer grant funds to be made available by the Minister for the financing of the said activities in accordance with the provisions of the Arrangements and has authorized the Bank to do all such acts and things as may be necessary or appropriate to carry out such administration, including entering into this Grant Agreement on behalf of the Minister; and

WHEREAS the Recipient acknowledges that the financial assistance extended to the Recipient under this agreement (the Dutch Grant Agreement) shall be considered part of the bilateral development aid extended by the Government of the Netherlands to the Recipient;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04; and
- (x) Article XI.

(b) The General Conditions shall be modified as follows:

- (i) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the International Bank for Reconstruction and Development acting as Administrator of the Dutch Grant pursuant to the Arrangements, except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
- (ii) the term "Borrower", whenever used in the General Conditions, means the Recipient;
- (iii) the term "Loan Agreement", whenever used in the General Conditions, means this Agreement;
- (iv) the term "Loan", whenever used in the General Conditions, means the Dutch Grant extended to the Recipient under this Agreement;
- (v) the term "Loan Account", whenever used in the General Conditions, means the Dutch Grant Account opened by the Administrator on its books, in the name of the Grantee, to which the amount of the Dutch Grant is Loaned;
- (vi) Section 2.01, paragraph 11, shall be modified to read:

"the term 'Project' wherever used in the General Conditions, means the Technical Assistance described in Schedule 2 to this Agreement.";
- (vii) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in Dutch guilders; provided, however, that if the expenditures to be financed out of the proceeds

of the Dutch Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."; and

(viii) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date, or such later date as may be agreed for this purpose between the Grantee and the Administrator, the Grantee shall prepare and furnish to the Administrator a report of such scope and in such detail as the Administrator shall reasonably request, on the execution of the Project, the performance by the Grantee and the Administrator of their respective obligations under the Dutch Grant Agreement and the accomplishment of the purposes of the Dutch Grant."

Section 1.02. Wherever used in this Agreement, 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) "Dutch guilders" and "Dfls" mean the currency of the Netherlands;

(b) "SME" or "Small and Medium Scale Enterprise" means a commercial entity registered according to the applicable rules and regulations of the Recipient, in which more than 50% of the proprietary interest is held by persons or companies other than the Recipient, the Recipient's local authorities or any subdivision thereto, or entities controlled by the Recipient, and which employs up to 200 persons; and

(c) "Selected PFIs" means banks and other financial institutions established and operating according to the applicable rules of the Recipient and approved by the Administrator to receive technical assistance in setting up credit lines for SMEs.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount of one million six hundred thousand Dutch guilders (Dfls 1,600,000).

Section 2.02. The amount of the Dutch Grant may be withdrawn from the Dutch Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods and consultants' services required for the Project and to be financed out of the Dutch Grant.

Section 2.03. The Closing Date shall be November 30, 1997 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Technical Assistance and Financial Covenants

Section 3.01. The Recipient shall carry out the Technical Assistance with due diligence and efficiency and in conformity with appropriate administrative, financial, banking, accounting and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Technical Assistance Project.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of goods and consultants' services required for the Technical Assistance and to be financed out of the proceeds of the grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03 For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Administrator and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Administrator, a plan for the future operation of the Technical Assistance; and

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

Section 3.04 (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Technical Assistance.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;
- (ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain or cause to be retained until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Dutch Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Administrator's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE IV

Transfer of Rights and Obligations

Section 4.01. In accordance with the Arrangements, the rights and obligations of the Administrator under this Agreement may be transferred to the Minister. The Recipient accepts and agrees that, upon notice by the Administrator to the Recipient to that effect, the Minister shall, ipso facto, from the date specified in such notice, be substituted in all rights and obligations of the Administrator under this Agreement as if the Minister had been an original party to this Agreement, without any further action or formality being required on the part of any party and, from such date, the Administrator shall cease to have any rights or obligations as a party under this Agreement.

ARTICLE V

Effectiveness

Section 5.01. This Agreement shall upon its signature by the parties hereto become effective as of the date first above written and shall continue in effect until the Dutch Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VI

Representation

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

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

Telex:

(3732) 228610

For the Administrator:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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

REPUBLIC OF MOLDOVA

By /s/ Valeriu Chitan

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as Administrator of Dutch Funds provided by the
MINISTER FOR DEVELOPMENT COOPERATION OF THE
NETHERLANDS

By /s/ Basil G Kavalsky

Authorized Representative

SCHEDULE 1

Withdrawal of the Dutch Grant

1. The table below sets forth the Categories of items to be financed out of the Dutch Grant, the allocation of the amount of the Dutch Grant to each Category and the

percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Dutch Grant Allocated (Expressed in Dfls Equivalent)	% of Expenditures to be Financed
(1) Goods	73,500	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(2) Consultants' Services	1,526,500	100%
TOTAL	1,600,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient; and

(b) the term "local expenditures" means expenditures in the currency of the Recipient for goods or services supplied from the territory of the Recipient.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed the equivalent of Dfls 30,000 may be made in respect of Category 2 on account of payments made for expenditures before that date but after November 1, 1995.

4. The Administrator may require withdrawals from the Dutch Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for (i) goods not exceeding \$50,000 equivalent, and (ii) consultants' services not exceeding \$100,000 for firms and \$50,000 for individuals consultants, under such terms and conditions as the Administrator shall specify by notice to the Recipient.

SCHEDULE 2

Description of Technical Assistance

The objective of the Technical Assistance is to assist the Recipient in implementing the First Private Sector Development Project.

The Technical Assistance consists of the following parts, subject to such modification thereof as the Recipient and the Administrator may agree upon from time to time to achieve such objective:

1. Provision of technical assistance (advisers and training) to at least two Selected PFIs with setting up a lending program for SMEs.

2. Financing of computers and specialized SME lending software to at least two Selected PFIs.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Administrator in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract and \$50,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: Review by the Administrator of Procurement Decisions

1. Prior Review

With respect to the first two contracts for goods procured in accordance with the provisions of Part B of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). Contracts shall be based on the standard forms of contract for consultants' services issued by the Administrator, with such modifications thereto as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Administrator other standard forms acceptable to the Administrator shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to (a) the terms of reference for such contracts (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Administrator, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

