
CREDIT NUMBER 5196-MD

Financing Agreement

(Moldova Education Reform Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *February 7*, 2013

FINANCING AGREEMENT

AGREEMENT dated *February 7*, 2013, 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 twenty six million one hundred thousand Special Drawing Rights (SDR 26,100,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are May 15 and November 15 in each year.

- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is USD.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project, through the MOE, 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, namely that the Recipient's Law No. 91, dated April 26, 2012, has been amended, suspended, abrogated, repealed or waived, without the Association's prior consent, so as to affect materially and adversely the ability of the Recipient to carry out the Project or to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that any 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 Additional Condition of Effectiveness consists of the following, namely that the Recipient, through the MOE, has adopted the POM satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date one hundred and fifty (150) days after the date of this Agreement.
- 5.03. 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 ten (10) years after the date 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
MD2005 Chisinau
Republic of Moldova

Facsimile:

(37322) 225393

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

[Signature]
Authorized Representative

Name: *Veaceslav Neguta*

Title: *Minister of Finance*

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: *Abdoulaye Seck*

Title: *Country Manager*

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the quality of education while supporting the efficiency reforms being implemented in the education sector.

The Project consists of the following parts:

Part A. Strengthening the Quality of Education

Provision of financing of payments under the Eligible Expenditure Program (EEP) in support of the strengthening of the quality of education in the Recipient's general education subsector, in accordance with the provisions set forth in Section IV of Schedule 2 to this Agreement, specifically in the following key areas:

- (i) developing and implementing quality assurance standards for receiving schools;
- (ii) establishing teacher and school directors' training and remuneration programs;
- (iii) improving student assessment systems (both national and international); and
- (iv) improving the quality of data and management systems.

Part B. Improving the Efficiency of the Education Sector

Provision of financing of payments under the Eligible Expenditure Program (EEP) in support of improving the efficiency of the education sector by eliminating excess capacity and creating a leaner education system, in accordance with the provisions set forth in Section IV of Schedule 2 to this Agreement.

Part C. Improving the MOE's Capacity to Monitor the Reform

Provision of consultants' services, non-consulting services, training and operating costs to support strengthening of the institutional capacities of the MOE to implement, measure and monitor the Project, through, *inter alia*:

- (i) developing and implementing receiving school standards;
- (ii) developing human resources;
- (iii) improving the Recipient's EMIS;
- (iv) monitoring school drop outs;

- (v) supporting, including through training, the implementation of per student financing nationwide;
- (vi) conducting social marketing campaigns in support of the reform program;
- (vii) supporting the implementation of a school census; and
- (viii) providing Project implementation support.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through the Division of Pre-university Education within the MOE, shall carry out the agreed activities in order to achieve the agreed results of the Project. A Project coordinator, subordinated to the head of the Division of Pre-university Education, shall be appointed to ensure the coordination of Project implementation, with terms of reference described in the POM and acceptable to the Association.
2. With respect to Part C of the Project, the Recipient, through the MOE, shall appoint a Project assistant, a procurement officer and a financial management officer, all subordinated to the head of the Division of Pre-university Education and under terms of reference described in the POM and acceptable to the Association.
3. The Recipient shall ensure that the MOE carries out the Project in accordance with the provisions of the POM and shall not amend, waive or abrogate any provisions of the POM without the Association's prior approval.
4. The Recipient shall cause the Court of Accounts to carry out the annual financial audit of the EEP, in a manner acceptable to the Association, and shall provide such audit reports to the Association, in accordance with Section II.B.3 of this Agreement.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

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 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, by the Court of Accounts, in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of Financial Statements shall cover the period of one fiscal year of the Recipient. Audited Financial Statements for each such period shall be: (i) furnished to the Association not later than six (6) months after the end of such period; and (ii) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

A. General

1. **Non-consulting Services.** All non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Non-consulting Services

The following method may be used for procurement of non-consulting services for those contracts specified in the Procurement Plan: Shopping.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants' Qualifications; (c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (d) Single-source procedures for the Selection of 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) Teacher salaries under the EEP under Parts A and B of the Project	25,120,000	100% of the amount up to withdrawal ceiling set forth in the table in paragraph B.2 (a) of this Section
(2) Consultants' services (including audits), non-consulting services, Training and Operating Costs under Part C of the Project	980,000	100%
TOTAL AMOUNT	26,100,000	

3. For the purposes of this Schedule:

- (i) the term "Training" means expenditures incurred by the Recipient for costs associated with training and/or study tours agreed upon between the Recipient and the Association; and
- (ii) the term "Operating Costs" means expenditures incurred by the Recipient on account of Project implementation for travel, rent of premises, office supplies, communication costs, bank charges, printing and publications (electronic and/or paper), translation, consumables, and salaries, including the relevant social charges, but excluding salaries for civil servants, and other expenditures to be agreed upon between the Recipient and the Association.

B. Withdrawal Conditions; Withdrawal Period

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments under Category (1) with respect to each tranche, as set forth in the table in paragraph B.2 (a) of this Section, for which a withdrawal request has been submitted, unless the Recipient, through the MOE, has submitted evidence satisfactory to the Association that payments under the EEP have been made to eligible beneficiaries by the Recipient in accordance and in compliance with the procedures set forth in the Recipient's applicable laws and regulations.
- 2. Notwithstanding the provisions of Part A of this Section and without limitation to the provision set forth in paragraph 1 above, withdrawals under Category (1) above may be made by the Recipient as follows:

- (a) Withdrawals shall be made in one (1) up to sixteen (16) tranches and in amounts not exceeding the total of the ceilings per each respective DLI provided in the table below, subject to submission to the Association of evidence satisfactory to the Association and as defined in the POM that the following DLIs have been achieved:

Disbursement-Linked Indicator (DLI)	Withdrawal ceiling (expressed in SDR)
1) Standards for Receiving Schools approved	1,700,000
2) 30% of Receiving Schools meet the approved school quality assurance standards	2,700,000
3) 50% of Receiving Schools meet the approved school quality assurance standards	2,700,000
4) 70% of Receiving Schools meet the approved school quality assurance standards	2,700,000
5) Updated program for training of school directors and teachers officially approved and implementation initiated	1,276,667
6) 30% of school directors and 10% of teachers trained based on the revised program for training of school directors and teachers	1,276,667
7) New remuneration system of school directors and teachers adopted	1,276,667
8) Enrollment of the Recipient in PISA 2015 confirmed	1,276,667
9) Results of Moldova participation in PISA 2015 analyzed, and publicly disseminated	1,276,667
10) Revised national assessment of all 4 th and 9 th grades students completed and its results analyzed, publicly disseminated and used by the MOE	1,276,667
11) Consolidated Education Management Information System (EMIS) established and approved	1,276,667
12) School Report Cards produced by the consolidated EMIS and sent to all schools with comparative performance outcomes and trends at regional and country level	1,276,667
13) 80% of primary and general secondary schools have their budgets approved according to the new per student formula methodology	1,276,667
14) 980 classes reorganized in primary and secondary schools from the baseline in 2011/2012 school year	1,276,667
15) Student-teacher ratio for grades 1-12 is increased from 10.5:1 to 11.5:1	1,276,667
16) System in place to closely monitor and mitigate drop outs in general education (using EMIS)	1,276,663

- (b) If, at any time, the Association determines that any portion of the amounts disbursed by the Recipient under Category (1) was made: (a) for expenditures which are not eligible under the EEP; or (b) not in compliance with the provisions of Section IV.B.2 (a), the Recipient shall

promptly refund any such amount to the Association as the Association shall specify by notice to the Recipient.

3. The Closing Date is August 31, 2018.

SCHEDULE 3
Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing May 15, 2018 to and including November 15, 2027	1.65%
Commencing May 15, 2028 to and including November 15, 2037	3.35%

* 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 and revised in January 2011.
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 under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
4. "Court of Accounts" means the Recipient's court of accounts, as established pursuant Law No. 261-XVI, dated December 5, 2008.
5. "Disbursement-Linked Indicator" or "DLI" means any of the indicators set forth in Section IV.B. of Schedule 2 to this Agreement.
6. "Division of Pre-university Education" means "*Directia Invatamint Preuniversitar*", the division of pre-university education within the MOE established pursuant to the Recipient's Resolution No. 585, dated August 8, 2012.
7. "EEP" means "Eligible Expenditure Program", namely a portion of the Recipient's budgetary allocation for financing teacher salaries under Parts A and B of the Project.
8. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II to this Appendix.
9. "MOE" means the Recipient's Ministry of Education or any successor thereto.
10. "MOF" means the Recipient's Ministry of Finance or any successor thereto.
11. "PISA" means the Programme for International Student Assessment launched by the Organization of Economic Cooperation and Development (OECD), an international study which aims to evaluate education systems worldwide by testing the skills and knowledge of 15-year-old students.
12. "POM" means the Project manual referred to in Section I.A.3 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written approval of the Association.

13. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
14. "Procurement Plan" means the Recipient's procurement plan for the Project, dated December 4, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be amended from time to time in accordance with the provisions of said paragraphs.
15. "Receiving Schools" means schools receiving students from closed or reorganized schools, selected in accordance with the criteria set forth in the POM.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

 - (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
 - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."
2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).

Prin prezenta confirm că textul alăturat este o copie certificată de pe Acordul de finanțare între Republica Moldova și Asociația Internațională pentru Dezvoltare privind realizarea Proiectului de Reformă a Educației din Moldova (Chișinău, 7 februarie 2013), originalul căruia este depozitat la Arhiva Tratatelor a Ministerului Afacerilor Externe și Integrării Europene.



Moraru

Lilian MORARU,
Director adjuncț al Direcției Generale
Drept Internațional a Ministerului
Afacerilor Externe și Integrării
Europene al Republicii Moldova