

LOAN NUMBER 9524-MD
GCFF TF NUMBER TF0C1728

Financing Agreement

**(Moldova Emergency Response, Resilience and Competitiveness
Development Policy Operation 2)**

between

REPUBLIC OF MOLDOVA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MOLDOVA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS (A) having satisfied itself as to the feasibility and priority of the Program that aimed to support the Borrower to: (i) increase support to refugees and households, and (ii) build resilience and enhance competitiveness to reduce vulnerabilities to future shocks.

(B) following an international effort to provide development support to countries most affected by refugees, funding from the Global Concessional Financing Facility was received by the Bank for purposes of providing concessionality to this Agreement;

(C) under the terms of a Financial Procedures Arrangement with the Trustee of the Global Concessional Financing Facility dated August 10, 2016, the Bank has agreed to provide a concessional contribution to the Borrower (the Concessional Portion of the Financing as hereinafter defined) as part of an integrated financing under the terms of this Agreement (the Financing as hereinafter defined); and

(D) furthermore, the Bank has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Borrower's maintenance of an adequate macroeconomic policy framework.

NOW THEREFORE, the Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 — LOAN

- 2.01. The Bank agrees to provide financing to the Borrower ("Financing"), consisting of the following:

- (a) A loan in an amount of ninety-two million one hundred thousand Euros (€ 92,100,000) ("Loan"), as such amount may be converted from time to time through a Currency Conversion; and
 - (b) A concessional contribution in an amount of twenty-five million Dollars (\$25,000,000) ("Concessional Portion of the Financing")
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are June 15 and December 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
 - (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon paragraph (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely, the situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following, namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Ministry of Finance
Constantin Tanase Street, 7
MD-2005 Chisinau
Republic of Moldova; and

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
(373 22) 262661	cancelaria@mf.gov.md

- 6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

United States of America; and

(b) the Bank's Electronic Address is:

Telex:

248423(MCI) or
64145(MCI)

Facsimile:

1-202-477-6391

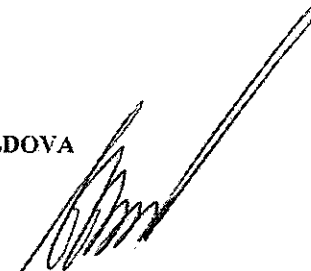
E-mail:

abanjeri@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF MOLDOVA

By



Authorized Representative

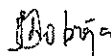
Name: VERONICA SIRETEANU

Title: MINISTER OF FINANCE

Date: June 09, 2023

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Inguna Dobraja

Title: Country Manager

Date: 09-Jun-2023

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:
1. The Borrower has adopted a framework and an associated implementation action plan to provide a more secure legal status to refugees and better integrate them into Moldovan society by: (i) harmonizing the migration and asylum legal processes with EU legislation, and (ii) granting of temporary protection to access services including for housing, schooling, social assistance and employment, as evidenced by Government Decision No. 808 dated November 11, 2022, and published in the Official Gazette on January 19, 2023, and by Government Decision No. 21 dated January 18, 2023, and published in the Official Gazette on January 26, 2023.
 2. The Borrower has adopted a framework and an associated implementation action plan to strengthen civil protection response and management in emergency situations, including from the influx of refugees, as evidenced by Government Decision No. 846 dated December 7, 2022, and published in the Official Gazette on December 12, 2022.
 3. The Borrower has taken measures to strengthen the main anti-poverty program, by adopting a regulation of the Ajutor Social implementation in accordance with Law No. 108/2022 amending Law No. 133/2008, including the establishment of a separate guaranteed minimum income for children and an increase of the income disregard for earned child allowances, as evidenced by Government Decision No. 655 dated September 23, 2022, and published in the Official Gazette on September 29, 2022.
 4. The Borrower has taken measures to enhance energy efficiency by: (i) strengthening the legal framework through partially aligning the Energy Efficiency Law with the EU Directive 2018/2002 of the EU Clean Energy Package as adopted by the Energy Community, as evidenced by Government Decision No.43, dated February 1, 2023, published in the Official Gazette on February 2, 2023 and its submission to the Borrower's Parliament as Legislative Initiative No. 16 dated February 02, 2023; and (ii) introducing energy efficiency policies for public and residential buildings, as evidenced by Law No.187 dated July 14, 2022, and published in the Official Gazette on July 29, 2022, and Government Decision No. 536 dated July 22, 2022, and published in the Official Gazette on July 26, 2022.
 5. The Borrower has taken measures to strengthen the legal framework for deposit guarantee scheme to increase the coverage of banks' deposits and strengthen

capacity of the deposit guarantee fund partially aligning with the EU requirements to improve protection of households' deposits, as evidenced by Government Decision No. 142, dated March 22, 2023 and published in the Official Gazette on March 24, 2023, and its submission to the Borrower's Parliament as Legislative Initiative No. 74 dated March 23, 2023.

6. The Borrower has taken measures to strengthen the legal framework of the corporate governance of SOEs by (i) mandating the Owners of State Enterprises to approve a corporate governance code, (ii) enabling the appointment of independent members to the Board of Directors of state enterprises, (iii) mandating the Owners of State Enterprises to evaluate the members of the Board of Directors of state enterprises, and (iv) mandating the Owners of Public Interest Entities to establish Audit Committees, as evidenced by Government Decision No. 75, dated February 22, 2023, and published in the Official Gazette on February 23, 2023, and its submission to the Borrower's Parliament as Legislative Initiative No. 31, dated February 22, 2023.
7. The Borrower has adopted complementary bylaws to further support the railway sector reorganization and harmonize the national legislation with the EU standards by: (i) regulating the organization and operation of the National Railway Authority; and (ii) regulating public service contracts for railway passenger transport services, as evidenced by Government Decision No. 759 dated November 2, 2022, and published in the Official Gazette on November 11, 2022; and Government Decision No. 47 dated February 1, 2023, published in the Official Gazette on February 14, 2023.
8. The Borrower has facilitated access to the digitalization of services for business by: (i) introducing remote business; and (ii) approving the framework of Public Depository of Financial Statements as evidenced by Government Decision No. 141, dated March 22, 2023 and published in the Official Gazette on March 24, 2023, and its submission to the Borrower's Parliament as Legislative Initiative No. 73 dated March 23, 2023, amending Laws No. 186/2008; 81/2004; 200/2010; 242/2010; 1585/1998; and Government Decision No. 590, dated August 10, 2022, and published in the Official Gazette on September 23, 2022.

Section II. Availability of Loan Proceeds

- A. **General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. **Allocation of Loan Amounts.** The Loan is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds; The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan (expressed in Euros)	Amount of the Concessional Portion of the Financing Allocated (expressed in Dollars)
(1) Single Withdrawal Tranche	92,100,000	25,000,000
TOTAL AMOUNT	92,100,000	25,000,000

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless: (a) each withdrawal is made on a *pari passu* basis and at a eighty percent (80%) to twenty percent (20%) ratio between the amount of the Loan allocated and the amount of the Concessional Portion of the Financing allocated; and (b) the Bank is satisfied: (i) with the Program being carried out by the Borrower; and (ii) with the adequacy of the Borrower's macroeconomic policy framework.

D. Deposit of Loan Amounts.

1. The Borrower, within seven (7) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03(a) of the General Conditions; and (b) the record that an equivalent amount has been accounted for in the Borrower's budget management systems.

E. Audit. Upon the Bank's request, the Borrower shall:

1. have the account referred to in Section 2.03(a) of the General Conditions audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;
2. furnish to the Bank as soon as available, but in any case not later than four (4) months after the date of the Bank's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Bank; and
3. furnish to the Bank such other information concerning the account referred to in Section 2.03(a) of the General Conditions and their audit as the Bank shall reasonably request.

F. Closing Date. The Closing Date is May 24, 2024.

SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

Level Principal Repayments

Principal Payment Date	Installment Share
On each June 15 and December 15 Beginning June 15, 2026 through June 15, 2043	2.78%
On December 15, 2043	2.70%

APPENDIX

Section I. Definitions

1. "Ajutor Social" means the Borrower's social assistance program established pursuant to Law No. 133, dated June 13, 2008, and published in the Official Gazette on September 30, 2008, or any successor thereto acceptable to the Bank.
2. "Audit Committee" means a control body of the Public Interest Entity, responsible for overseeing financial reporting and disclosure, and monitoring entity's audits.
3. "Board of Directors" means the collegial governing body of a State Enterprise, consisting of an odd number of members, of at least three people, which represents the interests of the Owners of State Enterprise.
4. "Energy Efficiency Law" means the Borrower's law on energy efficiency Law No. 139 dated July 19, 2018, and published in the Official Gazette on August 17, 2018, as amended to the date of this Agreement.
5. "EU" means European Union.
6. "EU Clean Energy Package" means the package adopted through the process concluded on May 22, 2019, consistent of 8 new laws including: the Directive on Energy Efficiency (EU) 2018/2002, the Energy Performance of Buildings Directive (EU) 2018/844, the Renewable Energy Directive (EU) 2018/2001, and the Governance of the Energy Union and Climate Action (EU) Regulation 2018/1999.
7. "FGDSB" means the Borrower's Deposit Guarantee Fund for the Banking System, established pursuant to article 2 of Law No. 575-XV dated December 26, 2003, on guarantee of deposits in the banking system.
8. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing", dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022), with the modifications set forth in Section II of this Appendix.
9. "Global Concessional Financing Facility" and "GCFF" each means the financing facility established with a focus on providing concessional financing to middle income countries most affected by the presence of large numbers of refugees, and referred to in the *Preamble* to this Agreement, as having contributed the Concessional Portion of the Financing for the Program.

10. "National Railway Authority" means the Borrower's national railway authority established pursuant to Article 4(1) of the Railway Transport Code Nr. 19, dated February 3, 2022, and published in the Official Gazette on February 18, 2022.
11. "Official Gazette" means the Borrower's official gazette: "Monitorul Oficial al Republicii Moldova".
12. "Owners of Public Interest Entities" means the PPA and exceptionally, line ministries.
13. "Owners of State Enterprises" means the PPA and exceptionally, line ministries.
14. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated April 18, 2023, from the Borrower to the Bank declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule I to this Agreement, and actions to be taken consistent with the program's objectives.
15. "PPA" means the Borrower's Public Property Agency, established pursuant to Government's Decision No. 902, dated November 6, 2017, and published in the Official Gazette on November 10, 2017.
16. "Public Depository on Financial Statements" means the Borrower's single integrated system which collects, stores, generalizes, analyzes, and publishes financial statements, management reports and audit reports of entities.
17. "Public Interest Entity" means a State Enterprise categorized as large entity which exceeds the limits of two of the following criteria: a) total assets valued at 318 million Moldovan Lei, b) income from sales equivalent to 636 million Lei, and c) average number of employees equivalent to 250 during the reporting period.
18. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
19. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule I to this Agreement.
20. "SOE" or "SOEs" means state-owned enterprises, which include state enterprises, joint stock companies and limited liability companies owned partially or entirely by the state.

21. "State Enterprise" means an enterprise that carries out entrepreneurial activity using the goods owned by the Borrower either by transferring them to the enterprise for administration and/or contributing them to the social capital, and by using them as a result of its economic and financial activity.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Wherever used throughout the General Conditions (including the Appendix) the term "*Loan Agreement*" and "*loan agreement*" are modified to read "*Financing Agreement*" and "*financing agreement*", respectively; the terms "*Loan Parties*" and "*Loan Party*" are modified to read "*Financing Parties*" and "*Financing Party*" respectively; the term "*Original Loan Currency*" is modified to read "*Original Financing Currency*"; and the term "*Substitute Loan Currency*" is modified to read "*Substitute Financing Currency*". Furthermore, wherever used in Sections 2.01 to 2.04, 2.06, 3.08 (a), (b), and (d), 5.03 to 5.06, 7.01 to 7.03 (a) to (d), 7.04 (a), 7.05, 9.03 (b), including the titles thereof, the term "*Loan*" is modified to read "*Financing*"; the term "*Loan Account*" is modified to read "*Financing Account*"; the term "*Loan Currency*" is modified to read "*Financing Currency*"; and the term "*Unwithdrawn Loan Balance*" is modified to read "*Unwithdrawn Financing Balance*".
3. In the Appendix, **Definitions**, the following new paragraphs are inserted with the following definitions of "Concessional Portion of the Financing", "Financing", "Financing Account", "Financing Currency", and the remaining paragraphs are renumbered accordingly:
4. "Concessional Portion of the Financing" means the portion of the Financing provided to the Borrower on a non-reimbursable basis in the Financing Agreement."
5. "Financing" means the financing provided for in the Financing Agreement."
6. "Financing Account" means, collectively, the Loan Account and the account opened by the Bank in its books in the name of the Borrower to which the amount of the Concessional Portion of the Financing is credited."
7. "Financing Currency" means the Currency or Currencies in which the Loan and Concessional Portion of the Financing are dominated."

8. "Unwithdrawn Financing Balance" means the amount of the Financing remaining unwithdrawn from the Financing Account from time to time."
9. In the Appendix, **Definitions**, wherever used in the following definitions of the terms "Borrower"; "Closing Date"; "Financing Agreement"; "Original Financing Currency"; "Program"; and "Substitute Financing Currency", the terms "*Loan*" and "*Loan Account*" are modified to read "*Financing*" and "*Financing Account*", respectively.