



EXECUTION COPY

(Operation Number 45094)

LOAN AGREEMENT

(Moldova Road Rehabilitation Project IV)

between

REPUBLIC OF MOLDOVA

and

**EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Dated *28 June* 2013

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LOAN AGREEMENT

AGREEMENT dated *28 June* 2013 between **REPUBLIC OF MOLDOVA** (the "Borrower") and **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT** (the "Bank").

PREAMBLE

WHEREAS, the Bank has been established to provide financing for specific projects to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics;

WHEREAS, the Borrower intends to implement the Project as described in Schedule 1 which is designed to (A) assist the Borrower in the rehabilitation of its national road network and construction of bypasses, as prioritised in the Land Transport Infrastructure Strategy (as defined below) and in the Transport and Logistics Strategy (as defined below), where the latter, when approved, will replace the former, and (B) to facilitate road transportation and increase safety and to assist the Borrower in the reform of its road sector financing and its ability to manage the road network and carry out road works effectively and efficiently;

WHEREAS, the Project will be carried out by the Ministry of Transport and Road Infrastructure, through the State Road Administration, a public enterprise established and operating under the Statutes (the "Project Entity") with financial assistance from the Borrower;

WHEREAS, the Borrower has requested assistance from the Bank in financing part of the Project;

WHEREAS, the Bank is discussing the possibility that the European Union through the Neighbourhood Investment Facility ("NIF") may provide financing in support of Part E of the Project, as described in Schedule 1 (the "Grant Financing") pursuant to the terms and conditions of a separate financing agreement to be concluded between the NIF and the Borrower to be used towards the implementation of the Project (the "NIF Financing Agreement");

WHEREAS, the Borrower intends to contract a loan from the European Investment Bank (the "EIB") in the amount of EUR 150,000,000 to assist in financing Part D of the Project, as described in Schedule 1, subject the terms and conditions set forth in an agreement between the Borrower and EIB (the "EIB Finance Contract"); and

WHEREAS, the Bank intends to make available technical cooperation funds on a grant basis in an amount of up to EUR 500,000, to assist in: (i) developing model road maintenance contracts in line with best international practices; (ii) capacity building for the Project Entity (covering both management of a new contractual arrangement and road safety); and (iii) developing of a privatisation plan for the existing state owned road maintenance companies; and

WHEREAS, the Bank has agreed on the basis of, *inter alia*, the foregoing to make a loan to the Borrower in the amount of up to one hundred fifty million Euro EUR 150,000,000)) to finance Parts A, B and C of the Project, as described in Schedule 1, to be provided in three Tranches, subject to the terms and conditions set forth or referred to in this Agreement and in the project agreement dated the date hereof between the Project Entity and the Bank (the "Project Agreement" as defined in the Standard Terms and Conditions).

NOW, THEREFORE, the parties hereby agree as follows:

ARTICLE I - STANDARD TERMS AND CONDITIONS; DEFINITIONS

Section 1.01. Incorporation of Standard Terms and Conditions

All of the provisions of the Bank's Standard Terms and Conditions dated 1 December 2012 are hereby incorporated into and made applicable to this Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications (such provisions as so modified are hereinafter called the "Standard Terms and Conditions"):

(a) The definition of the "Available Amount" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

"Available Amount" means so much of Tranche 1 and/or Tranche 2 and/or Tranche 3 of the Loan, as the case may be, as shall not, from time to time, have been cancelled or drawn down or made subject to a conditional or unconditional Reimbursement Commitment."

The definition of the "Effective Date" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

"Effective Date" means the date upon which the Loan Agreement becomes effective and Tranche 1 available for drawings in accordance with Section 9.01."

(b) The definition of the "Statutes" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

"Statutes" means any and all founding documents of the Project Entity, including, but not limited to, the Government Decision No. 678 dated 19 July 2001 "On the Establishment of the State Road Administration", the Government Decision No. 38 dated 17 January 2002 "On Approving the Regulation, Structure and Staffing of the Ministry of Transportation and Communications" amended through the Government Decisions No 581 dated 15 June 2005, No 1188 dated 21 October 2008, No 695 dated 18 November 2009; and the Order of the Minister of

Transportation and Communications No. 16 dated 7 February 2002 and the Statutes registered with the State Registration Chambers as of April 15, 2002 and modified and registered with the State Registration Chambers on February 12, 2008.

(c) Section 3.01(b) of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

“Section 3.01. Drawdowns

(b) Applications for Drawdowns

(i) In order to make a Drawdown, a drawdown application shall be submitted to the Bank by the Borrower's Authorised Representative or a person designated by the Borrower's Authorised Representative. Each drawdown application submitted shall be in accordance with, and in the form prescribed by, the EBRD Disbursement Handbook and delivered to the Bank at least fifteen (15) Business Days prior to the proposed value date of the Drawdown. Each drawdown application shall be in substance satisfactory to the Bank, shall specify the respective Tranche of the Loan (Tranche 1 or Tranche 2 or Tranche 3) from which the drawdown is requested, and shall be accompanied by such documents and other evidence sufficient in form and substance to satisfy the Bank that the Borrower is entitled to the amount of the Drawdown and that the amount of the Drawdown will be used exclusively for the purposes specified in the Loan Agreement.

(ii) Except for the last Drawdown or unless the Bank shall otherwise agree, Drawdowns shall be made in amounts of not less than the Minimum Drawdown Amount.”

(d) Section 3.05(a) of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

“Section 3.05. Commitment Charge and Front-End Commission

(a) The Borrower shall pay to the Bank a Commitment Charge at the rate specified in the Loan Agreement payable on the Available Amount plus any amount of the Loan that is subject to a Reimbursement Commitment and is not yet drawn down, provided that the Commitment Charge payable on the amount of the Loan subject to an unconditional Reimbursement Commitment shall be 0.5% per annum greater than the rate of the Commitment Charge specified in the Loan Agreement. The Commitment Charge shall accrue:

(1) for Tranche 1, from the date sixty (60) days after the date of the Loan Agreement;

(2) for Tranche 2, from the date of the Bank's notification to the Borrower whereby the Bank shall confirm that all conditions listed in Section 5.02 of this Agreement have been fulfilled;

(3) for Tranche 3, from the date of the Bank's notification to the Borrower whereby the Bank shall confirm that all conditions listed in Section 5.03 of this Agreement have been fulfilled; and

(4) in the case of Commitment Charge payable on the amount of the Loan subject to an unconditional Reimbursement Commitment, from the date of issuance of such unconditional Reimbursement Commitment;

provided that the Commitment Charge shall accrue and be calculated on the same basis as interest under Section 3.04(b)(ii). The Commitment Charge shall be payable on each Interest Payment Date, as applicable with respect to each of Tranche 1, Tranche 2 and Tranche 3, respectively, (even though no interest may be payable on such date) commencing on the first Interest Payment Date (i) following the Effective Date for Tranche 1; (ii) with respect to Tranche 2, following the date of the Bank's notification to the Borrower whereby the Bank shall confirm that all conditions listed in Section 5.02 of this Agreement have been fulfilled; and (iii) with respect to Tranche 3, following the date of the Bank's notification to the Borrower whereby the Bank shall confirm that all conditions listed in Section 5.03 of this Agreement have been fulfilled."

Section 1.02. Definitions

Wherever used in this Agreement (including the Preamble and Schedules), unless stated otherwise or the context otherwise requires, the terms defined in the Preamble have the respective meanings given to them therein, the terms defined in the Standard Terms and Conditions have the respective meanings given to them therein and the following terms have the following meanings:

"Anti-Corruption Action Plan"

means the anti-corruption plan agreed between the Borrower, the International Development Association and Development, the EIB and the Bank dated 11 January 2007, as updated, which plan shall be applied during the implementation of the Project.

"Borrower's Authorised Representative"

means the Minister of Finance of the Borrower.

"Fiscal Year"

means the Borrower's fiscal year commencing on 1 January and ending on 31 December of each year.

"IFRS"

means International Financial Reporting Standards, issued or adopted by the International Accounting Standards Board and consistently applied.

"Land Transport Infrastructure Strategy"	means the comprehensive programme for the period 2008-2017 consisting of the Road Sector Strategy and the prioritised Road Sector Investment and Expenditure Plan, adopted by the Borrower on 8 February 2008.
"MDL"	means the lawful currency of the Republic of Moldova.
"NIF Implementation Agreement"	means the agreement, if any, between the EBRD and the Commission of the European Union to be entered into in order to, <i>inter alia</i> , coordinate the disbursements of the Loan and the financial contribution being provided by the EU to the Borrower pursuant to the NIF Financing Agreement, if any.
"Project Implementation Agreement"	means a Project implementation agreement entered into between the Project Entity and the Borrower, represented by the Ministry of Finance of the Republic of Moldova, pursuant to Section 3.01(a), in form and substance satisfactory to EBRD, as such agreement may be amended from time to time with the prior written consent of the Bank.
"Resettlement Policy Framework"	means a resettlement policy framework for the Project prepared by the Project Entity under Designated Performance Requirement 5 setting forth principles and entitlements of resettlement in relation to the Project, in form and substance satisfactory to the Bank and as such framework may be amended from time to time with the prior written consent of the Bank.
"Resettlement Action Plan"	means such plan as prepared by the Project Entity under Designated Performance Requirement 5 to address the physical resettlement with respect to each road section to be financed with the proceeds of the Loan, in form and substance satisfactory to the Bank and as such plan may be amended from time to time with the prior written consent of the Bank.
"Road Fund"	means the road fund established pursuant to the Law on the Road Fund No. 720 of 7 March 1996, as amended.
"Road Fund Council"	means the council established pursuant to the Law on the Road Fund No. 720 of 7 March 1996, as amended (last amendment dated 14 September 2012), to monitor the effective use of the Road Fund resources, composed of the

representatives from the ministries and NGOs responsible for the transport and road sector.

"Road Maintenance Reform"

means the reform of the road maintenance system approved by the Government of Moldova on 19 April 2012 which includes, inter alia, an action plan for the consolidation of the state-owned road maintenance companies from 39 companies to 12 and the privatisation of such companies scheduled to be implemented prior to 31 December 2017.

"Road Maintenance Reform Consultant"

means the consultant for the Project to be financed from the technical cooperation funds arranged by the Bank, to be selected and appointed by the Project Entity as per the terms agreed with the Bank, who will be responsible for (i) the development of the privatisation plan and privatisation support for road maintenance companies; (ii) the development of new type of road maintenance contracts (with performance criteria and maintenance standards); (iii) the related capacity building within the Project Entity in all aspects (including privatisation support, introduction of competition in the road maintenance sector, monitoring of performance based contracts and payments); and (iv) the analysis of the current legislation (including regional and local laws and regulations) and proposing changes and amendments which will be required for the implementation of the Road Maintenance Reform.

"Road Sector Investment and Expenditure Plan"

means a ten-year plan for the road sector, outlining priorities for investments and expenditures in the road sector, which forms an integral part of the Land Transport Infrastructure Strategy.

"Road Sector Programme Steering Committee"

means the committee established by the Borrower pursuant to Order of the Prime Minister dated 21 November 2006 and amended on 29 December 2009.

"Road Sector Strategy"

means the strategy for the road sector prepared and presented as an integral part of the Land Transport Infrastructure Strategy and approved by the Borrower on 8 February 2008.

"Transport and Logistics Strategy"

means a strategy for the transport sector for the period of 2013-2022 prepared by the Borrower and which: (i)

incorporates and updates the Land Transport Infrastructure Strategy; (ii) covers other transport subsectors; and, (iii) includes measures aimed at improving the border crossing including customs services.

- "Tranche 1" shall have the meaning ascribed thereto in Section 2.01(b)(1).
- "Tranche 2" shall have the meaning ascribed thereto in Section 2.01(b)(2).
- "Tranche 3" shall have the meaning ascribed thereto in Section 2.01(b)(3).

Section 1.03. Interpretation

In this Agreement, a reference to a specified Article, Section or Schedule shall, except where stated otherwise in this Agreement, be construed as a reference to that specified Article or Section of, or Schedule to, this Agreement.

ARTICLE II - PRINCIPAL TERMS OF THE LOAN

Section 2.01. Amount and Currency

- (a) The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of up to one hundred fifty million Euro (EUR 150,000,000).
- (b) The Loan shall consist of three Tranches, as follows:
- (1) Tranche 1 in the amount of up to sixty three million Euro (EUR 63,000,000);
 - (2) Tranche 2 in the amount of up to forty million Euro (EUR 40,000,000); and
 - (3) Tranche 3 in the amount of up to forty seven million Euro (EUR 47,000,000).

Section 2.02. Other Financial Terms of the Loan

- (a) The Minimum Drawdown Amount shall be:
- (1) EUR 250,000 for any Drawdown requested by the Borrower to finance expenditures in respect of goods, works and services under Category 1; and
 - (2) EUR 40,000 for any Drawdown requested by the Borrower to finance expenditures in respect of goods, works and services under Category 2.

- (b) The Minimum Prepayment Amount shall be EUR 5,000,000.
- (c) The Minimum Cancellation Amount shall be EUR 1,000,000.
- (d) (i) The Interest Payment Dates for Tranche 1 shall be 25 January and 25 July of each year; and (ii) the Interest Payment Dates for Tranche 2 and Tranche 3 shall be 25 May and 25 November of each year.
- (e) (1) The Borrower shall repay Tranche 1 in twenty five (25) equal (or as nearly equal as possible) semi-annual instalments on 25 January and 25 July of each year, with the first Loan Repayment Date for Tranche 1 being the Interest Payment Date falling on or immediately after the third anniversary of this Agreement.

(2) The Borrower shall repay Tranche 2 in twenty five (25) equal (or as nearly equal as possible) semi-annual instalments on 25 May and 25 November of each year, with the first Loan Repayment Date for Tranche 2 being the Interest Payment Date falling on or immediately after the third anniversary of the date of the Bank's notification to the Borrower whereby the Bank shall confirm that all conditions listed in Section 5.02 of this Agreement have been fulfilled.

(3) The Borrower shall repay Tranche 3 in twenty five (25) equal (or as nearly equal as possible) semi-annual instalments on 25 May and 25 November of each year, with the first Loan Repayment Date for Tranche 3 being the Interest Payment Date falling on or immediately after the third anniversary of the date of the Bank's notification to the Borrower whereby the Bank shall confirm that all conditions listed in Section 5.03 of this Agreement have been fulfilled.

(4) Notwithstanding the foregoing, in the event that (i) the Borrower does not draw down the entire amount of Tranche 1 and/or Tranche 2 and/or Tranche 3, as the case may be prior to the first Loan Repayment Date for the relevant Tranche specified in this Section 2.02.(e), and (ii) the Bank extends the Last Availability Date for Tranche 1 and/or Tranche 2 and/or Tranche 3, as the case may be, specified in Section 2.02.(f) below to a date which falls after the respective first Loan Repayment Date for the relevant Tranche, then the amount of each drawdown made on or after the first Loan Repayment Date shall be allocated for repayment in equal amounts to the several Loan Repayment Dates for the relevant Tranche which fall after the date of such drawdown (with the Bank adjusting the amounts so allocated as necessary so as to achieve whole numbers in each case). The Bank shall, from time to time, notify the Borrower of such allocations.
- (f) (1) The Last Availability Date for Tranche 1 shall be the date which is the third anniversary of this Agreement, or such later date that the Bank may in its discretion establish and notify to the Borrower.

(2) The Last Availability Date for Tranche 2 shall be the date which is the fourth anniversary of this Agreement, or such later date that the Bank may in its discretion establish and notify to the Borrower.

(3) The Last Availability Date for Tranche 3 shall be the date which is the fourth anniversary of this Agreement, or such later date that the Bank may in its discretion establish and notify to the Borrower.

If the Available Amount, or any part thereof, is subject to a Fixed Interest Rate, and the Bank postpones the Last Availability Date for the relevant Tranche, the Borrower shall promptly pay to the Bank such amount of Unwinding Costs as shall, from time to time, be notified by the Bank in writing to the Borrower.

(g) The rate of the Commitment Charge shall be 0.5% per annum.

(h) The Loan is subject to a Variable Interest Rate. Notwithstanding the foregoing, the Borrower may, as an alternative to paying interest at a Variable Interest Rate on all or any portion of the Loan then outstanding, elect to pay interest at a Fixed Interest Rate on such portion of the Loan in accordance with Section 3.04(c) of the Standard Terms and Conditions.

Section 2.03. Drawdowns

The Available Amount may be drawn down from time to time in accordance with the provisions of Schedule 2 to finance (1) expenditures made (or, if the Bank so agrees, to be made) in respect of the reasonable cost of goods, works and services required for the Project, and (2) the Front-end Commission.

Section 2.04. Drawdowns in the event the Grant Financing is provided

If the Grant Financing is provided and, the NIF Financing Agreement and/or the NIF Implementation Agreement so require, in no event, unless the Bank otherwise agrees, shall the aggregate amount of the component(s) to be financed by the Grant Financing, requested for drawdown and/or drawn down by the Borrower, exceed at any time the pro rata formula, as may be set forth in the NIF Financing Agreement and/or the NIF Implementation Agreement, with respect to the aggregate amounts disbursed under the Loan Agreement.

Section 2.05. Grant Financing repayment in the event of Cancellation

In the event the Grant Financing is provided and, the NIF Financing Agreement and/or the NIF Implementation Agreement so require, notwithstanding anything in this Agreement to the contrary, if the Borrower cancels all or part of the Available Amount pursuant to Section 3.08 of the Standard Terms and Conditions, it shall immediately repay to the Bank or to NIF, as determined in the NIF Implementation Agreement, any amounts that were theretofore disbursed under the NIF Financing Agreement.

ARTICLE III - EXECUTION OF THE PROJECT

Section 3.01. Other Affirmative Project Covenants

In addition to the general undertakings set forth in Articles IV and V of the Standard Terms and Conditions, the Borrower shall, unless the Bank otherwise agrees:

- (a) pursuant to the Project Implementation Agreement, which shall be in form and substance satisfactory to the Bank, (i) make available to the Project Entity the proceeds of the Loan on terms and conditions acceptable to the Bank and (ii) delegate to the Project Entity the day-to-day management of the Project, including, but not limited to, the consolidated financial and procurement management;
- (b) exercise its rights under the Project Implementation Agreement in such manner as to protect the interests of the Borrower and the Bank, to comply with the provisions of this Agreement and to accomplish the purposes for which the Loan is made;
- (c) not assign, amend, abrogate or waive any provision of the Project Implementation Agreement;
- (d) cause the Project Entity to perform all of its obligations under the Project Agreement, including without limitation its obligations relating to:
 - (1) establishment and operation of a project implementation unit as provided for in Section 2.03 of the Project Agreement;
 - (2) procurement of goods, works and services for the Project as provided for in Section 2.04 of the Project Agreement;
 - (3) environmental and social matters as provided for in Section 2.05 of the Project Agreement;
 - (4) employment and use of consultants to assist in the implementation of the Project as provided for in Section 2.06 of the Project Agreement;
 - (5) preparation and submission of reports on matters relating to the Project and to the Project Entity's operations as provided for in Section 2.07 of the Project Agreement;
 - (7) maintenance of procedures, records and accounts, preparation, auditing and submission to the Bank of financial statements and furnishing to the Bank any other relevant information relating to the Project or the Project Entity's operations as provided for in Section 3.01 of the Project Agreement; and
 - (8) compliance with all covenants regarding financial and operational aspects of the Project and the Project Entity as provided for in Sections 3.02, 3.03 and 3.04 of the Project Agreement;
- (e) throughout the implementation of the Project, maintain, at the national level, the Road Sector Programme Steering Committee, which shall act as a body responsible for the strategic coordination and oversight of the Land Transport Infrastructure Strategy

and, when adopted, of the Transport and Logistics Strategy, and the Project related activities under the terms of reference and in the composition satisfactory to the Bank; provided that, except as the Bank otherwise agrees, the mandate of the Road Sector Programme Steering Committee shall not be amended, abrogated or otherwise revised in a manner that has or could have a material adverse effect on the Project or the ability of the Project Entity to carry out the Project;

(f) take, or cause to be taken, all additional action necessary to provide adequate funds for the completion of the Project, including, in particular, human resources;

(g) implement the Land Transport Infrastructure Strategy and, when adopted, the Transport and Logistics Strategy, as the basis for the annual budget allocations and other decision-making in the road section and ensure that the Land Transport Infrastructure Strategy and, when adopted, the Transport and Logistics Strategy, is not amended, suspended, abrogated, repealed or waived;

(h) increase the budget available for maintenance works on public roads to an amount equal to MDL 1,364,000,000 to be available during the Fiscal Year 2014, an amount equal to MDL 1,499,600,000 to be available during the Fiscal Year 2015 and an amount equal to MDL 1,650,000,000 to be available during the Fiscal Year 2016 or not less than the amounts specified for each respective year in the Transport and Logistics Strategy, when adopted, for which purposes the Borrower shall, among other funding, allocate not less than 80% of revenue received from the fuel excise tax;

(i) ensure that all construction contracts and periodic maintenance contracts on public roads are procured through competitive bidding;

(j) ensure that the Project is, and the Project Entity's operations are, carried out in accordance with the provisions of the Anti-Corruption Action Plan;

(k) ensure that the Statutes of the Project Entity are not amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the ability of the Project Entity to perform any of its obligations under the Project Agreement;

(l) throughout the implementation of the Project maintain the Road Fund Council to monitor the effective use of the Road Fund resources;

(m) subject to the provisions of Section 2.05(c) of the Project Agreement, ensure that the Project Entity shall prepare the technical designs of the road sections to be financed by the proceeds of the Loan based on the recommendations made pursuant to the Road Safety Audit;

(n) subject to the provisions of Section 2.05(d) of the Project Agreement, ensure that starting from 1 January 2016 the road safety audits shall be mandatorily carried out prior to the preparation of the road rehabilitation and construction designs and that the recommendations of such audits are included by the Project Entity in the final road rehabilitation and construction designs;

(o) ensure that the Project Entity appoints the Road Maintenance Reform Consultant by not later than 30 June 2014;

- (p) with the assistance of the Road Maintenance Reform Consultant, develop and approve an action plan for the privatisation of the state-owned road maintenance companies by not later than 30 June 2014;
- (q) with the assistance of the Road Maintenance Reform Consultant, launch a pilot privatisation tender for one or more state-owned road maintenance companies by not later than 31 December 2015, and by not later than 31 December 2017 complete the privatisation of the number of state-owned road maintenance companies, as provided for in the action plan defined by the Road Maintenance Reform Consultant;
- (r) not later than 31 December 2015, amend the relevant laws of the Borrower, as per the recommendations of the Road Maintenance Reform Consultant, to allow the road maintenance to be performed on the basis of multi-annual maintenance contracts;
- (s) ensure that the Project Entity, with the assistance of the Road Maintenance Reform Consultant, shall:
 - (i) develop a template for the multi-annual maintenance contract which shall contain performance criteria based on unit costs and level of service depending on the road category by not later than 31 December 2014;
 - (ii) introduce the template for the multi-annual maintenance contracts into use by not later than 30 June 2016;
 - (iii) develop and introduce road maintenance standards by not later than 30 June 2015;
 - (iv) develop a template for the multi-annual performance based maintenance contracts by not later than 31 December 2015; and
 - (v) develop a road quality database by not later than 31 December 2015 and maintain it at all times thereafter.
- (t) ensure that the general and administrative expenses incurred by the Project Entity in any Fiscal Year shall not exceed income received by the Project Entity from its road administrative activities in that Fiscal Year;
- (u) ensure that the relevant services of the Ministry of Transport and Road Infrastructure of the Borrower oversee the implementation and management of the Project carried out by the Project Entity; and
- (v) adopt the road maintenance standards developed by the Project Entity in accordance with Section 3.04 (i) of the Project Agreement.

ARTICLE IV - SUSPENSION; ACCELERATION; CANCELLATION

Section 4.01. Suspension

The following are specified for purposes of Section 7.01(a)(xvii) of the Standard Terms and Conditions:

- (a) The legislative and regulatory framework applicable to the roads sector in the territory of the Borrower shall have been amended, suspended, abrogated, repealed or waived in a manner that has or could have a material adverse effect on the Project or the operations or the financial condition of the Project Entity or its ability to carry out the Project or to perform any of its obligations under the Project Agreement;
- (b) The Statutes shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the operations or the financial condition of the Project Entity or its ability to carry out the Project or to perform any of its obligations under the Project Agreement;
- (c) Control of the Project Entity shall have been transferred to a party other than the Borrower; or
- (d) The Borrower or the Project Entity shall have failed to perform any of their obligations under the Project Implementation Agreement.

Section 4.02. Acceleration of Maturity

The following are specified for purposes of Section 7.06(f) of the Standard Terms and Conditions:

- (a) any event specified in Section 4.01 which shall have occurred and shall have continued for thirty (30) days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE V - EFFECTIVENESS

Section 5.01. Conditions Precedent to Effectiveness

The following are specified for purposes of Section 9.02(c) of the Standard Terms and Conditions as additional conditions to the effectiveness of this Agreement and the Project Agreement:

- (a) The Project Implementation Agreement, in form and substance satisfactory to the Bank, has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Project Entity to make drawings thereunder (in respect of amount corresponding to Tranche 1 of the Loan), except only the effectiveness of this Agreement, have been fulfilled;

- (b) The Project Entity has developed and adopted the corporate development plan in form and substance satisfactory to the Bank;
- (c) The Borrower has spent not less than MDL 1,025,000,000 in respect of road maintenance works performed in the Fiscal Year of 2012 and has budgeted not less than MDL 1,245,000,000 in its budget for the Fiscal Year 2013 for the maintenance works on public roads;
- (d) The consolidation of the state-owned road maintenance companies has been finalised in accordance with the Road Maintenance Reform;
- (e) The Bank shall have received evidence, satisfactory to the Bank, confirming the Borrower's compliance with its obligations set forth in Section 3.01(e), Section 3.01(g) and Section 3.01(m) of this Agreement;
- (f) The Bank shall have received the Resettlement Policy Framework; and
- (g) The Bank shall have received the Resettlement Action Plan for the road sections to be financed with the proceeds of Tranche 1 Loan, if such plan is required by the Resettlement Policy Framework.

Section 5.02. Conditions Precedent to Commitment of Tranche 2

The Bank shall determine in its sole discretion whether to make Tranche 2 available to the Borrower. Such determination by the Bank shall also be subject to the prior fulfilment, in form and substance satisfactory to the Bank, of the following conditions precedent:

- (a) the Bank shall have received satisfactory feasibility studies for road sections to be financed from the proceeds of Tranche 2;
- (b) the Bank shall have received evidence satisfactory to the Bank confirming the Borrower's compliance with its obligations set forth in Section 3.01(e), Section 3.01(g), Section 3.01(h), as applicable, Section 3.01(m), Section 3.01(o), Section 3.01(p) and Section 3.01(s)(i) of this Agreement;
- (c) The Bank shall have received evidence satisfactory to the Bank that the Project Entity has developed and introduced, procurement manuals for procurement of local contracts for the Project;
- (d) The Bank shall have received the Resettlement Action Plan for the road sections to be financed with the proceeds of Tranche 2 Loan, if such plan is required by the Resettlement Policy Framework;
- (e) in the event the Grant Financing is provided, the NIF Financing Agreement has been executed and delivered, and all conditions precedent to the right of the Borrower to make drawdowns under any NIF Financing Agreement have been fulfilled; and
- (f) in the event the Grant Financing is provided, the NIF Implementation Agreement has been executed and delivered.

Once the Bank has received satisfactory evidence as contemplated in paragraphs (a) through (f) above and has determined in its sole discretion to make the Tranche 2 available to the Borrower, it shall deliver a written notice to the Borrower confirming the availability of Tranche 2.

Section 5.03. Conditions Precedent to Commitment of Tranche 3

The Bank will determine in its sole discretion whether to make Tranche 3 available to the Borrower. Such determination by the Bank shall also be subject to the prior fulfilment, in form and substance satisfactory to the Bank, of the following conditions precedent:

- (a) the Bank shall have received satisfactory feasibility studies for road sections to be financed from the proceeds of Tranche 3;
- (b) the Bank shall have received evidence satisfactory to the Bank confirming the Borrower's compliance with its obligations set forth in Section 3.01(e), Section 3.01(g), Section 3.01(h), as applicable, Section 3.01(m) and Section 3.01(s)(iii) of this Agreement;
- (c) The Bank shall have received the Resettlement Action Plan for the road sections to be financed with the proceeds of Tranche 3 Loan, if such plan is required by the Resettlement Policy Framework;
- (d) in the event the Grant financing is provided, the NIF Financing Agreement has been executed and delivered, and all conditions precedent to the right of the Borrower to make drawdowns under any NIF Financing Agreement have been fulfilled; and
- (e) in the event the Grant financing is provided, the NIF Implementation Agreement has been executed and delivered.

Once the Bank has received satisfactory evidence as contemplated in paragraphs (a) through (e) above and has determined in its sole discretion to make the Tranche 3 available to the Borrower, it shall deliver a written notice to the Borrower confirming the availability of Tranche 3.

Section 5.04. Legal Opinions

(a) For purposes of Section 9.03(a) of the Standard Terms and Conditions, the opinion or opinions of counsel shall be given on behalf of the Borrower by the Minister of Justice and the following are specified as additional matters to be included in the opinion or opinions to be furnished to the Bank:

- (1) the Project Implementation Agreement has been duly authorised or ratified by, and delivered on behalf of, the Borrower and constitutes a valid and legally binding obligation of the Borrower, enforceable in accordance with its terms.

(b) For purposes of Section 9.03(c) of the Standard Terms and Conditions, the opinion or opinions of counsel shall be given on behalf of the Project Entity by the

Minister of Justice and the following are specified as additional matters to be included in the opinion or opinions to be furnished to the Bank:

- (1) the Project Implementation Agreement has been duly authorised or ratified by, and executed and delivered on behalf of, the Project Entity and constitutes a valid and legally binding obligation of the Project Entity, enforceable in accordance with its terms.

Section 5.05. Termination for Failure to Become Effective

The date 180 days after the date of this Agreement is specified for purposes of Section 9.04 of the Standard Terms and Conditions.

ARTICLE VI - MISCELLANEOUS

Section 6.01. Notices

The following addresses are specified for purposes of Section 10.01 of the Standard Terms and Conditions:

For the Borrower:

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

Attention: Minister of Finance

Fax: +373-(22)-22-53-93
+373-(22)-26-28-93

For the Bank:

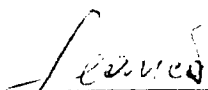
European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

Attention: Operation Administration Department


Fax: +44-20-7338-6100

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed in four copies and delivered at Chisinau, Republic of Moldova as of the day and year first above written.

REPUBLIC OF MOLDOVA

By: 
Name: Iurie Leanca
Title: Prime Minister

**EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

By: 
Name: Sue Barrett
Title: Director, Banking Vice Presidency

SCHEDULE 1 - DESCRIPTION OF THE PROJECT

1. The purpose of the Project is to assist the Borrower (A) in the rehabilitation of its national road network and construction of bypasses, as prioritised in the Land Transport Infrastructure Strategy (as defined below) and in the Transport Logistics Strategy (as defined below), where the latter, when approved, will replace the former, and (B) to facilitate road transportation and increase safety and to assist the Borrower in the reform of its road sector financing and its ability to manage the road network and carry out road works effectively and efficiently.

2. The Project consists of the following Parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time:

Part A: (to be financed from Tranche 1):

1. Rehabilitation of R14 Balti-Sarateni (km 26+600 -km 38+300, km 43+000 - km 61+000 and km 64+370-km 66+670) and R33 Hincesti – Lapusna M1 (km 0 -km 37+200) roads (to be financed from Tranche 1, Category 1).
2. Supervision of civil works for rehabilitation of the above road sections (to be financed from Tranche 1, Category 2).

Part B: (to be financed from Tranche 2):

1. Rehabilitation R9 Soroca – Arionesti road (km 0+000 - km 30+950) and construction of M3 Slobozia Mare bypass (km 0+000 - km 17+030) (to be financed from Tranche 2, Category 1).
2. Supervision of civil works for rehabilitation and construction of the above road sections (to be financed from Tranche 2, Category 2).

Part C: (to be financed from Tranche 3):

1. Rehabilitation of R34 Hincesti-Leova-Cantemir road (part of the section between km 0+000-km 83+000) (to be financed from Tranche 3, Category 1).
2. Supervision of civil works for rehabilitation of the above road sections (to be financed from Tranche 3, Category 2).

Part D: (to be financed under the EIB Finance Contract):

1. Rehabilitation of selected road sections of the road network to be agreed between the Borrower and the EIB.
2. Supervision of civil works for rehabilitation of the above road sections.

Part E: (to be financed under the NIF Financing Agreement, if any):

1. Construction of M3 Vulcanesti bypass and R1 Bahmut bypass.
2. Supervision of civil works for construction of the above bypasses.
3. The Project is expected to be completed by 31 July 2017.

SCHEDULE 2 - CATEGORIES AND DRAWDOWNS

1. The table attached to this Schedule sets forth the Categories, the amount of the Loan allocated to each Category and the percentage of expenditures to be financed in each Category.
2. Notwithstanding the provisions of paragraph 1 above, no Drawdown shall be made in respect of:
 - (a) expenditures incurred prior to the date of the Loan Agreement; and
 - (b) expenditures financed from Tranche 2 and/or Tranche 3, until the Bank has determined in its sole discretion that Tranche 2 and/or Tranche 3, as the case may be, shall be made available to the Borrower in accordance with Section 5.02 and Section 5.03 of the Loan Agreement, respectively.

Attachment to Schedule 2

Category	Amount of the Loan Allocated to the Category	Percentage of Expenditures to be Financed
1) Civil Works for Road Rehabilitation:		
- Tranche 1	57,500,000	100% of contract value excluding any Taxes
- Tranche 2	37,400,000	
- Tranche 3	42,940,000	
2) Consultancy Services for Supervision of Works:-		
- Tranche 1	4,000,000	100% of contract value excluding any Taxes
- Tranche 2	2,600,000	
- Tranche 3	4,060,000	
3) Front-end Commission	1,500,000	100%
Total	150,000,000	