CREDIT NUMBER 6380-MD

Financing Agreement

(Power System Development Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6380-MD

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MOLDOVA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of assisting in financing the project described in Schedule 1 to this Agreement ("Project"). 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) 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 — FINANCING

2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of forty seven million nine hundred thousand Euro (EUR 47,900,000) (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 III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.

2.05. The Interest Charge is the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.

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 Euro.

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 in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) Moldelectrica (ME)'s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the ME to perform any of its obligations under the Implementation Agreement.

(b) ME has failed to comply with any of its obligations under the Implementation Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V —EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Recipient, through MoEI, shall have adopted the Project Operations Manual in a manner satisfactory to the Association.

(b) The Implementation Agreement has been duly executed and delivered on behalf of the Recipient and ME in a manner satisfactory to the Association and has been duly authorized or ratified by all necessary governmental and corporate action.

(c) The SUF Financing Agreement has been executed and delivered on behalf of the Recipient and the Association and has been duly authorized or ratified by all necessary governmental and corporate action.

5.02. The Effectiveness Deadline is the date one hundred and eighty (180) days after the Signature Date.

5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister of Finance or any successor thereto.

6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

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

Facsimile:
(373 22) 262661

Email:
cancelaria@mf.gov.md

6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423 (MCI)	1-202-477-6391	aakhalkatsi@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF MOLDOVA

By N. Gavrilita

Authorized Representative

Name: Natalia Gavrilita

Title: Minister of Finance

Date: September 26, 2019

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Anna Akhalkatsi

Title: Country Manager

Date: September 26, 2019

SCHEDULE 1

Project Description

The objective of the Project is to increase capacity and improve reliability of the power transmission system in Moldova.

The Project consists of the following parts:

Part 1: Construction of Vulcanesti-Chisinau OHTL, including the following:

(a) construction of approximately 158 km of 400 kV Vulcanesti-Chisinau single circuit OHTL; and

(b) support through provision of consulting services for purposes of supervision of Parts 1 and 2 of the Project.

Part 2: Extension of two substations, including the following:

(a) upgrade of 330 kV Chisinau substation; and

(b) extension of 400 kV Vulcanesti substation.

Part 3: Strengthening of power dispatch and metering system, including the following:

(a) upgrade of ME's Supervisory Control and Data Acquisition System/Energy Management System (SCADA/EMS);

(b) upgrade of the ME's Meter Management System (MMS);

(c) construction of a new headquarters building for ME, including a Central Dispatch Center (CDC); and

(d) development of technical specifications for SCADA/EMS and MMS.

Part 4: Technical Assistance and Project Management, including the following:

(a) support to MEPIU for Project management activities and Operating Costs, including provision of consulting services;

(b) support to ME and MEPIU through the carrying out of Training;

(c) carrying out an environmental audit of polychlorinated biphenyl (PCB) at Vulcanesti substation site; and

(d) carrying out Project audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall vest the overall responsibility for the implementation of the Project in the Ministry of Economy and Infrastructure (MoEI), and to this end it shall, through MoEI:

   (a) ensure that MEPIU is operated and maintained, throughout Project implementation, with functions, staffing, and responsibilities satisfactory to the Association, as set forth in the Project Operational Manual; and

   (b) cause ME to operate, throughout Project implementation, with functions, staffing, and responsibilities satisfactory to the Bank, as set forth in the Project Operational Manual.

B. Implementation Agreement

1. To facilitate the carrying out of Part 1, 2 and 3 of the Project, the Recipient shall enter into an agreement with ME (Implementation Agreement), including on-lending terms and conditions acceptable to the Association, such Implementation Agreement to include, *inter alia*, ME's obligation to: (a) assist the Recipient in the carrying out of the technical aspects of the Project (including environmental and social aspects), in accordance with the provisions of this Agreement, the Project Operational Manual and the Anti-corruption Guidelines; (b) repay to the Recipient an amount equal to the amounts disbursed under Parts 1, 2 and 3 of the Project under the terms and conditions set forth in Article II of this Agreement; and (c) maintain, throughout Project implementation, the financial ratios as set forth in Section E of this Schedule.

2. The Recipient shall exercise its rights and carry out its obligations under the Implementation Agreement, in such manner as to protect the interests of the Recipient and the Association, and to accomplish the purposes of the Project. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, fail to enforce, waive or terminate the Implementation Agreement or any of its provisions. In case of any conflict between the provisions of the Implementation Agreement and this Agreement, the provisions of this Agreement shall prevail.

C. Project Operational Manual

1. The Recipient shall carry out the Project, in accordance with the Project Operational Manual which shall consist of different schedules setting forth, respectively, rules, methods, guidelines, specific development plans, standard documents, and procedures for the carrying out of the Project, including the following:

   (a) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto;

   (b) the Project administrative, accounting, auditing, reporting, financial, and disbursement procedures, including on-lending terms and conditions, and all pertinent standard documents and model contracts;

   (c) the role of the MEPIU, and working groups that might be established as needed to facilitate Project implementation;

   (d) the plan for capacity building and training activities under the Project;

   (e) the plan for the monitoring, evaluation and supervision of the Project; and

   (f) the performance indicators for the Project.

2. In the event that any provision of the Project Operational Manual shall conflict with any of the provisions under this Agreement, the terms of this Agreement shall prevail.

3. The Project Operational Manual may only be amended from time to time in consultation with, and prior approval of, the Association

D. Safeguards

1. The Recipient shall ensure that the obligation to comply with the relevant Safeguard Instruments is incorporated: (a) in the contracts between the Recipient and the relevant contractors and any entity (including any engineer) supervising the Project's works; and (b) in the contracts between the relevant contractors and the contractors' subcontractors.

2. The Recipient shall ensure that all the bidding documents and contracts for works or non-consulting services under the Project require that the contractor, sub-contractor or consultant adopt a code of conduct that shall be provided to and signed by all workers, as applicable to such works or non-consulting services commissioned or carried out pursuant to said contracts, which shall, *inter alia*,

cover gender-based violence, along with an action plan designed to effectively implement said code of conduct, including appropriate training on said code of conduct.

3. The Recipient shall ensure that:

(a) the Project is carried out with due regard to appropriate environmental, health, safety, social, and labor practices and standards, and in accordance with the Safeguards Instruments;

(b) for each activity under the Project for which the ESIA, and the RPF provide guidance and procedures for the preparation of an ESMP, and/or a RAP:

(i) proceed to have such ESIA, and/or ESMP and/or RAP as appropriate: (A) prepared and disclosed in accordance with the ESIA and the RPF, respectively; (B) consulted upon adequately with stakeholders and people affected by the Project as per the ESIA and the RPF, respectively, and submitted to the Bank for review and approval; and (C) thereafter adopted, prior to implementation of any civil work or physical activity; and

(ii) take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESIA, and/or ESMP and RAP in a manner satisfactory to the Bank;

(c) all measures are taken to implement the RAPs in a manner and timeframe satisfactory to the Bank. To this end, the Recipient shall ensure that:

(i) sufficient funds are made available to cover all the costs of implementing the RAPs, including but not limited the payment of compensation at full replacement cost;

(ii) prior to carrying out activities which involve displacement, Affected Persons shall be compensated at full replacement cost, resettled and provided with resettlement assistant in accordance with the RAPs, as applicable; and

(iii) the implementation, monitoring and evaluation of such RAPs is completed and reported in a manner satisfactory to the Bank.

4. If during the implementation of the Project, the Bank determines that Affected Persons were (i) not included in the census survey of the Resettlement Action Plan, and (ii) occupying the Project area prior to the cut-off date established in said Resettlement Action Plan, the Recipient shall update the Resettlement Action Plan to include these Affected Persons.

5. Except as the Bank shall otherwise agree in writing, the Recipient shall ensure, and cause to ensure, that none of the provisions of the Safeguard Instruments be abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

6. The Recipient shall, throughout the period of Project implementation:

   (a) take all measures necessary on its part to collect, compile, and furnish to the Bank through Project Reports, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the Safeguard Instruments, all such reports in form and substance acceptable to the Bank, setting out, among other things: (i) the status of implementation of the Safeguard Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the Safeguard Instruments; and (iii) corrective and preventive measures taken or required to be taken to address such conditions;

   (b) promptly notify the Bank of any incident or accident related to or having an impact on the Project, which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including but not limited to any Project-related allegations of gender-based violence or alleged violation of Project-related labor and working conditions that might have occurred during Project implementation.

7. The Recipient shall ensure that all technical assistance under the Project shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Bank, such terms of reference to ensure that the technical assistance takes into account, and calls for, application of the Bank's Safeguard Policies and the pertinent EHS Guidelines.

8. The Recipient shall prepare and maintain, throughout Project implementation, and publicize the availability of a grievance redress mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism of the Project in a manner satisfactory to the Association.

E. **Financial Ratio**

Debt Service Coverage Ratio

(a) Subject to the provisions of Section I.B.1 of Schedule 2 to this Agreement and except as the Association shall otherwise agree, the Recipient shall cause ME not to incur any debt, unless the net revenues of ME for the fiscal year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is greater, shall be at least 1.1 times the estimated maximum debt service requirements of the Recipient for any succeeding fiscal year on all debt of ME, including the debt to be incurred.

(b) For the purposes of this Section:

(i) The term "debt" means any indebtedness of the ME maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between:

(A) the sum of revenues from all sources related to operations adjusted to take account of the ME rates in effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate and net non-operating income; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on debt.

(vi) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one calendar quarter and shall be furnished to the Bank no later than forty-five (45) days after the end of each such calendar quarter.

Section III. Withdrawal of the Proceeds of the Credit

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Credit to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category in the following table:

Category	Amount of the Credit Allocated (expressed in Euro)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training for the Project	47,900,000	100 %
TOTAL AMOUNT	**47,900,000**	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.

2. The Closing Date is August 31, 2024.

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, 2024 to and including November 15 2043	1.65%
commencing May 15, 2044 to and including November 15, 2048	3.40%

APPENDIX

Section I. Definitions

1. "Affected Person" means a person or entity who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and, "Affected Persons", means more than one such Affected Person.

2. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.

3. "Basis Adjustment to the Interest Charge" means the Association's standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

4. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

5. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

6. "EHS Guidelines" means the World Bank Group Environmental, Health and Safety Guidelines published on www.ifc.org/ehsguidelines, as said guidelines are updated from time to time.

7. "Environmental and Social Impact Assessment" or "ESIA" means the assessment, prepared by the Recipient, satisfactory to the Bank, dated July 2017 disclosed in-country on December 26, 2018 and on the Bank's website on December 27, 2018, as said instrument may be updated from time to time with the prior written agreement of the Bank.

8. "Environmental and Social Management Plan" or "ESMP" means the plan prepared by the Recipient, satisfactory to the Bank and disclosed on December 19, 2018 , in respect of Part 3 (a) of the Project which details (a) the measures to be taken during the implementation and operation of the Project to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as said instrument may be amended from time to time with the Bank's prior written agreement.

9. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated December 14, 2018.

10. "Implementation Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement, entered into between the Recipient and Moldelectrica for purposes of implementation of Parts 1, 2 and 3 of the Project; Implementation Agreement includes all appendixes, schedules and supplemental letters to the Implementation Agreement, .

11. "MEPIU" means the Moldova Energy Projects Implementation Unit under the Recipient's Ministry of Economy and Infrastructure established further to Government Decision no. 1276 dated December 21, 2000, or any successor thereto.

12. "MoEI" means the Recipient's Ministry of Economy or Infrastructure or any successor thereto.

13. "Moldelectrica" and "ME" means the Recipient's state-owned enterprise entity that serves as its transmission system operator, and any successor thereto.

14. "ME Legislation" means Decree No. 1000, establishing Moldelectrica, dated October 2, 2000 published in the Recipient's Official Gazette - *Monitorul Oficial* Nr. 124-126 on October 5, 2000.

15. "OHTL" means Overhead Transmission Line.

16. "Operating Costs" means incremental expenditures incurred by the Recipient on account of Project implementation, which would not exist absent the Project, for travel, rent of premises and utilities, office supplies, communication and information costs (such as telephone, internet, and other reasonable expenses related to organization of workshops and visibility events under the Project), operation, maintenance insurance and fuel for vehicles, office equipment and furniture bank charges, printing and publications (electronic and/or paper), translation and interpretation, 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.

17. "Project Operation Manual" or "POM" means the Project manual referred to in Section I. C. of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written approval of the Association.

18. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.

19. "Resettlement Action Plan" or "RAP" means the plan adopted by the Recipient, satisfactory to the Bank, properly disclosed, which includes the principles, procedures, organizational arrangements and budget to implement the resettlement related activities under the Project, or under Parts of the Project, as said resettlement action plan may be revised from time to time with the prior written agreement of the Bank; and "RAPs" means, collectively, all such RAP.

20. "Resettlement Policy Framework" or "RPF", also referred to as "land Acquisition and Compensation Framework" means the framework prepared and adopted by the Recipient, satisfactory to the Bank, properly disclosed in-country in July 2017 and on the Bank's website on December 26, 2018, which sets out the resettlement principles, organizational arrangements (including consultation and budget), and design criteria to be applied to resettlement related Project activities to be prepared during Project implementation, as such framework may be amended from time to time with the prior written agreement of the Bank.

21. "Safeguard Instruments" means collectively, the ESIA, ESMP, RPF, RAP and "Safeguard Instrument" means any of such Safeguards Instruments.

22. "Safeguard Policies" means, the Operational Policies (Ops) and Bank Procedures (BPs) of the Bank, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement); they can be found at https://policies.worldbank.org.

23. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

24. "SUF" means Scale Up-Facility which, for purposes of the Project, shall assist in financing the Project with an amount of Euro 13,100,000.

25. "SUF Financing Agreement" means an agreement for the Project between the Recipient and the Association, dated the same date as this Agreement, as such financing agreement may be amended from time to time. "SUF Financing

Agreement" includes all appendices, schedules and agreements supplemental to the SUF Financing Agreement.

26. "Training" means expenditures incurred by the Recipient for costs associated with training and/or study tours agreed upon between the Recipient and the Association.