CREDIT NUMBER 7174-MD

Financing Agreement

(MSME Competitiveness Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 7174-MD

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MOLDOVA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS the Recipient and the International Bank of Reconstruction and Development have entered into a loan agreement ("Loan Agreement") dated as of the Signature Date for the purpose of providing a loan in the amount of seventeen million seven hundred thousand Euro (EUR 17,700,000) to assist in financing the project described in Schedule 1 to this Agreement ("the Project"), on terms and conditions set forth in the Loan Agreement.

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 twenty nine million eight hundred thousand Euro (€29,800,000) (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plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.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percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.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 January 15 and July 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 objectives of the Project. To this end, the Recipient shall: (i) through MoE, carry out Parts 1, 3, 4 and 5 of the Project, and (ii) through MoE, cause ODIMM to carry out Part 2 of the Project, all 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:

(i) that the ODIMM Legislation has been amended, abrogated, suspended, repealed or waived so as to affect, materially and adversely, the ability of ODIMM to perform any of its obligations under the Project; and

(ii) that the KPI Methodology Legislation has been amended, abrogated, suspended, repealed or waived or not enforced, in such a manner so as to affect, materially and adversely, in the opinion of the Association, the implementation of Part 1.(e) of the Project.

4.02. The Additional Event of Acceleration consists of the following, namely, that any 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:

(a) The Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Project Operations Manual has been prepared and adopted by the Recipient in a manner satisfactory to the Association.

(c) The Matching Grants Manual has been prepared and adopted by MoE and ODIMM in a manner satisfactory to the Association.

5.02. The Effectiveness Deadline is the date one hundred fifty (150) 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.

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; and

(b) the Recipient's Electronic Address is:

E-mail:
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:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

THE REPUBLIC OF MOLDOVA

By _____

Authorized Representative

Name: Sergiu Gaibu

Title: Minister

Date: 7.07.2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By _____

Authorized Representative

Name: INGUNA DOBRAJA

Title: COUNTRY MANAGER

Date: July 7, 2022

SCHEDULE 1

Project Description

The objectives of the Project are: (i) to reduce the regulatory burden, increase access to finance, and increase the export competitiveness of Moldovan Enterprises and (ii) in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

The Project consists of the following parts:

Part 1: Digitization and regulatory reform

1. Scaling up the digitization of G2B services at the national and local levels, through:

   (a) the upgrade of the MMIP, including improved interoperability, data sharing through MConnect and efficiency in processing Business Permits, the digitization of paper-based registries, and MMIP's deployment to subnational level;

   (b) digitizing additional national level Business Permits to be processed through the MMIP;

   (c) the re-engineering and digitization of local level Business Permits in all rayons through the implementation of MMIP and the carrying out of public outreach activities; and

   (d) increasing the Online Application Rate for Business Permits through EEPs.

2. Enhancing and digitizing Business Inspection Procedures, through:

   (a) the development of risk-based inspection models and the revision of Business Inspection Procedures to emphasize preventive and advisory roles, and to incorporate the use of the E-Inspections System;

   (b) capacity building of business inspectors on the revised Business Inspection Procedures;

   (c) upgrading the existing inspection registry software to an E-Inspection System, including:

      i. the integration with the external registries and databases for automated risk-based inspection scheduling.

      ii. the digitization and upgrade of Selected Registries to make them interoperable with the E-Inspections System.

      iii. The provision of online access to the E-Inspection System to Moldovan Enterprises for: (a) performing a self-assessment on

compliance, (b) learning on good practices, including on risk management, (c) accessing to their inspection history, and (d) receiving notifications;

(d) developing terms of reference and procurement of Inspection Equipment for the Inspection Agencies; and

(e) increasing in the implementation of KPIs by the Inspection Agencies, through EEPs.

3. Developing an Integrated Service Delivery Platform.

4. Simplifying regulation and process re-engineering for national level Business Permits.

5. Increasing MSMEs competitiveness and enabling exports through, *inter alia*: (a) building capacity in metrology and testing by upgrading selected laboratories and strengthening institutional capacity, (b) ensuring the traceability of the measurements performed by Moldovan Enterprises, as well as access to quality infrastructure services, and (c) strengthening accreditation and certification capacity.

Part 2: Access to Finance

1. Capitalizing the CGF for the provision of Portfolio Guarantees for investment loans and working capital loans given to Selected MSMEs by PFIs.

2. Institutional strengthening of ODIMM with regards of the CGF through:

(a) technical assistance on (i) financial management and reporting, (ii) information technology, (iii) corporate governance, (iv) risk management and internal control, and (v) monitoring and evaluation; and

(b) the procurement of information technology equipment.

3. Providing Training on climate change topics to PFIs and other Financial Sector Institutions.

Part 3: MSME Development and Export Competitiveness

1. Operationalization of ODIMM's export readiness program for MSMEs by designing a mechanism for screening and assessment of MSMEs to identify deficiencies in their structure and business plans and prepare Business Improvement Plans to address them.

2. Provision of Matching Grants to Eligible MSMEs to implement Business Improvement Plans focused on export competitiveness, through the MGF.

3. Building capacity of Identified MSMEs, especially on EU export requirements, through export missions and information sharing on foreign market requirements.

4. Enabling local linkages with foreign manufacturing firms by gathering information and populating ODIMM's Buyer-Supplier Platform with market data.

5. Capacity building of ODIMM and MSMEs on climate related topics, including climate-informed production, mitigation and adaptation.

Part 4: Project Management and Implementation

Carrying out project management activities including: (a) carrying out financial management, procurement, environmental and social requirements of the Project; (b) monitoring and evaluating the Project, including third-party monitoring; and (c) Training and Operating Costs under the Project.

Part 5: Contingent Emergency Response Component

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. For the purposes of the Project, the Recipient, through the MoE, shall be responsible for the overall implementation of the Project.

2. To facilitate the carrying out of the Project, the Recipient shall:

   (a) through MoE, establish and thereafter, operate and maintain throughout Project implementation, a Project Implementation Unit ("PIU") with functions, staffing, and responsibilities satisfactory to the Association, as set forth in the Project Operations Manual, including, *inter alia*, a Project director, a procurement specialist and a financial management specialist.

   (b) through MoE, no later than thirty (30) days after the Effective Date, hire or appoint to the PIU, a monitoring and evaluation specialist, an environmental specialist, and a social specialist, all with qualifications and functions acceptable to the Association as further set forth in the Project Operations Manual.

   (c) Through MoE, cause ODIMM, for purposes of implementing Part 3.2 of the Project, to, no later than thirty (30) days after the Effective Date, establish and thereafter operate and maintain throughout Project implementation, the MGFT with functions, structure and staff acceptable to the Association, including, inter alia, a coordinator and a matching grants specialist, as further set forth in the Project Operations Manual.

B. Matching Grants

1. The Recipient, through the MoE, shall cause ODIMM to retain the MGFT in numbers, with qualifications, experience and responsibilities acceptable to the Association and set forth in the Matching Grants Manual.

2. For purposes of the implementation of Business Improvement Plans under Part 3.2 of the Project, the Recipient, through MoE, shall provide, Matching Grants of up to six hundred thousand Moldovan Lei (MLD 600,000) equivalent to thirty thousand United States Dollars (US$30,000), to each Matching Grant Beneficiary, as said amount may be revised from time to time by mutual agreement between the Recipient and the Association and reflected in the Matching Grants Manual;

all according to the terms, conditions, and eligibility criteria set forth in the Matching Grants Manual.

3. To facilitate the carrying out of Part 3.2 of the Project, and prior to the provision of any Matching Grant to any Matching Grant Beneficiary, the Recipient shall cause ODIMM to sign with said Matching Grant Beneficiary, an agreement ("Matching Grant Agreement") in terms and conditions acceptable to the Association and according to the model form set forth in the Matching Grants Manual, including, *inter alia*:

   (a) the obligation of ODIMM, to transfer, through MoE, part of the Credit proceeds to the Matching Grant Beneficiary on a grant basis;

   (b) the Matching Grant Beneficiary's obligation to implement its Business Improvement Plan in accordance with the Anti-Corruption Guidelines, the relevant provisions of the Project Operations Manual, the Matching Grants Manual, the Procurement Regulations, the ESS, the ESCP, and all the pertinent provisions of this Agreement;

   (c) the Matching Grant Beneficiary's obligation to contribute the same amount of the Matching Grant, in cash;

   (d) the Matching Grant Beneficiary's obligation to use those goods, works, non-consulting services and consulting services to be financed out of the proceeds of the Matching Grant exclusively to carrying out its Business Improvement Plan;

   (e) the right of ODIMM, to suspend and terminate the right of the Matching Grant Beneficiary to the use of the proceeds of the Matching Grant upon failure by the Matching Grant Beneficiary to perform any of its obligations under the Matching Grant Agreement;

   (f) the ability of ODIMM to inspect, by itself or jointly with representatives of the Association, if the Association so requests, such goods and sites, works and construction included in the Business Improvement Plan, the operation thereof, and any relevant records and documents; and

   (g) the obligation of the Matching Grant Beneficiary to provide all such information as the Association or the Recipient, through ODIMM, shall reasonably request related to the implementation of the Business Improvement Plan.

4. The Recipient, through MoE, shall cause ODIMM to exercise its rights under each Matching Grant Agreement in such manner as to protect the interests of the

Recipient and the Association and to accomplish the purposes of the Credit, all in accordance with the Matching Grants Manual.

5. Except as the Association shall otherwise agree, the Recipient, through MoE, shall cause ODIMM not to assign, amend, abrogate, waive, terminate or fail to enforce any Matching Grant Agreement or any of their provisions.

C. Manuals

1. Project Operations Manual

(a) The Recipient, through MoE, shall carry out the Project in accordance with the provisions of a manual (the "Project Operations Manual") acceptable to the Association, which shall include, *inter alia*: (i) a detailed description of Project activities and institutional arrangements for the Project; (ii) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (iii) the monitoring indicators for the Project; (iv) the institutional and administrative mechanisms established to ensure inter-institutional coordination; and (iv) the Verification Protocols.

(b) Except as the Association may otherwise agree in writing, the Recipient, through MoE, shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Project Operations Manual, or any provision thereof.

(c) In case of any conflict between the terms of the Project Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.

2. Matching Grants Manual

(a) In order to ensure adequate implementation of Part 3.2 of the Project, the Recipient shall prepare and adopt a manual for the provision of Matching Grants ("Matching Grants Manual"), in form and substance satisfactory to the Association, which shall include, *inter alia*: (i) the eligibility criteria, selection procedures, approval and implementation conditions of the Matching Grants; (ii) the accounting, disbursements, financial management, procurement, social and environmental procedures to be followed under the Matching Grants; (iii) a list of eligible activities to be carried out with the Matching Grants; (iv) a list of excluded activities under the Matching Grants; (v) Matching Grant amounts and percentages of coverage; (vi) a monitoring and evaluation strategy for Matching Grants, including impact evaluation procedures; (vii) a communication strategy to make information available to all potential beneficiaries and to disseminate the results of the Project to the stakeholders, and (ix) the model form of the Matching Grant Agreement.

(b) Except as the Association may otherwise agree in writing, the Recipient, through MoE, shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Matching Grants Manual or any provision thereof.

(c) In case of any conflict between the terms of the Matching Grants Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Environmental and Social Standards.

1. The Recipient, through MoE, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.

2. Without limitation upon paragraph 1 above, the Recipient, through MoE, shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient, through MoE, shall ensure that:

(a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;

(b) sufficient funds are available to cover the costs of implementing the ESCP;

(c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and

(d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. The Recipient, through MoE, shall ensure that:

(a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the

ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) the Association is promptly notified 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, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Recipient, through MoE, shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

6. The Recipient, through MoE, shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

E. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project ("Contingent Emergency Response Part"), the Recipient shall ensure that:

(a) a manual ("CERC Manual") is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for

the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;

(b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;

(c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and

(d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.

2. The Recipient shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to Association.

3. The Recipient shall ensure that:

(a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Association; and

(b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.

4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

F. Excluded Activities and Expenditures

1. The following activities, as further detailed in the ESCP and other environmental and social documents referred to therein, are excluded and ineligible for financing under the Project, including through Matching Grants under Part 3.2 of the Project or through loans to receive a credit guarantee through the CGF:

(a) Any activities which may be associated with significant risks and impacts on the environment, community health and safety, labor and working

conditions, biodiversity or cultural heritage will be rated as high or substantial risk and will be considered ineligible for Project financing.

(b) Any activities located in protected areas, critical and non-critical habitats or culturally or socially sensitive areas, along with activities that might have impacts on international waterways, including River Prut, Dniester, or Danube Delta.

(c) Any activities that involve physical or economic displacement. Should any land or property be acquired by beneficiaries, it will be on a willing buyer-willing seller basis as documented by legal transaction records.

(d) Any activities screened as involving significant risks to labor rights, health and safety of employees, and harmful child or forced labor.

(e) Any revision to laws that involves loosening of environmental and social protections or is unable to maintain or enhance environmental and social protections.

2. The Recipient undertakes that the proceeds of the Credit shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, including through Matching Grants under Part 3.2 of the Project, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one (1) month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

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 Financing to: (a) finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Credit Allocated (expressed in EUR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consulting services under Part 1(of the Project (except Parts 1.1(d) and 1.2 (e))	18,850,000	100%
(2) Payments for EEPs under Parts 1.1(d), and 1.2(e) of the Project	1,900,000	100% of the amount allocated to each PBC, as set forth in Schedule 4 to this Agreement
(3) Goods, non-consulting services, and consulting services under Parts 3.1, and 3.5 of the Project	2,600,000	100%
(4) Matching Grants under Part 3.2 of the Project	4,750,000	100%
(5) Goods, non-consulting services, and consulting services, under Part 3.4 of the Project	850,000	100%
(6) Goods, non-consulting services, consulting services, Training and Operating Costs under Part 4 of the Project	850,000	100%
(7) Emergency Expenditures	0	100%
TOTAL AMOUNT	**29,800,000**	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

   (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed €100,000 may be made for payments made prior to this date but in no case before twelve (12) months prior to the Signature Date, for Eligible Expenditures under the Project.

   (b) For payments under Category (2) unless and until the Recipient has furnished to the Association:

      i. the Independent Verification Report acceptable to the Association, confirming the achievement of the respective PBC, and

      ii. evidence, in form and content acceptable to the Association, confirming that EEPs in an amount equal to at least the amount to be withdrawn under this Category in respect of each PBC, has been incurred, and that said expenditures have not been presented before to the Association as satisfactory evidence for withdrawals under this Agreement.

   (c) for Emergency Expenditures under Category (7), unless and until all of the following conditions have been met in respect of said expenditures:

      i. the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (7); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof, and

      ii. the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.

2. Notwithstanding the provisions of Part B.1.b. of this Section, if the Association shall determine based on the evidence furnished by the Recipient under Part B.1.b. of this Section, that any PBC has not been achieved, the Association may in its sole discretion, by notice to the Recipient: (a) withhold in whole or in part the amount of the Credit allocated to such PBC; (b) disburse in whole or in part the amount of the Credit allocated to such PBC at any later time if and when such PBC is actually completed, to the extent that such completion remains feasible at a later time; (c) reallocate in whole or in part any withheld amount of the Credit allocated to such PBC; or (d) cancel in whole or in part any withheld amount of the Credit allocated to such PBC.

3. The Closing Date is August 2, 2027.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
commencing July 15, 2027, to and including January 15, 2047	**1.65%**
commencing July 15, 2047, to and including January 15, 2052	**3.40%**

* 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 3.05 (b) of the General Conditions.

SCHEDULE 4

Performance-Based Conditions

under Parts 1.1(d), and 1.2(e) of the Project

	PBCs and respective Part of the Project	**Targets**	**Amount of the Credit allocated expressed in Euro**
PBC1	Reduction in regulatory burden for MSMEs by improving business inspections (Part 1.2(e) of the Project)	The percentage of Inspection Agencies that have met the totality of its KPIs at any given Year, is at 50%, or 7 Inspection Agencies, whichever is higher.	950,000
PBC2	Reduction of regulatory burden for MSMEs through digitization of G2B services (Part 1.1.(d) of the Project)	The number of digitized G2B services at national level available through MMIP is at least 105, and the Online Application Rate through MMIP is at least 60%, in totality.	950,000

APPENDIX

Definitions

1. "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.

2. "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.

3. "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.

4. "Business Improvement Plan" means the business plan presented by a Matching Grant Beneficiary which was deemed eligible to receive a Matching Grant under Part 3.2 of the Project, which includes, *inter alia*: a clearly defined objective, project start and end dates, estimated budget, description of business development services, necesary equipment and an implementation action plan, as further set forth in the Matching Grants Manual.

5. "Business Inspections Procedures" means all inspection activities, including planning inspections, conducting inspections, selecting and imposing inspection measures to address irregularities and offenses, follow-up inspections, and reporting on inspections implemented by Inspection Agencies.

6. "Business Permits" means business permits, licenses, certificates, and any other authorization required by the Recipient for an enterprise to operate in its territory and integrated through the MMIP.

7. "Buyer-Supplier Platform" means the Recipient's electronic platform housed in ODIMM, which has the objective of connecting buyers and suppliers.

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

9. "CERC Manual" means the manual referred to in Section E.1(a) of Schedule 2 to this Agreement, as such manual may be updated from time to time with the

agreement of the Association, and which is an integral part of the Project Operations Manual.

10. "CGF" means the Recipient's Credit Guarantee Fund established pursuant to the CGF Legislation.

11. "CGF Legislation" means Government Decision No. 538/2007 dated May 25, 2007 through which the CGF (former Fund for Entrepreneurship Development and Small Business Development) was ascribed to ODIMM and Government Decision No. 828/2018 published in the Official Gazette on August 24, 2018, which sets forth the objectives, activities and organization of the CGF, both as amended from time to time, in a manner acceptable to the Association.

12. "Contingent Emergency Response Part" means any activity or activities to be carried out under Part 5 of the Project to respond to an Eligible Crisis or Emergency.

13. "E-Inspection System" means the Recipient's business inspection registry software.

14. "EEPs" or "Eligible Expenditure Program" means a portion of the Recipient's budgetary allocation for financing (i) MoE's staff compensation costs and associated taxes and (ii) support for digitization of small and medium enterprises, incurred by the Recipient for carrying out the activities under Parts 1.1(d) and 1.2(e) of the Project, under budgetary lines 5001, 00010, 211800, 212110, and 5004 and any other budget lines with equivalent concept after budget restructure, acceptable to the Association.

15. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

16. "Eligible MSME" means any MSME eligible to receive a Matching Grant under Part 3.2 of the Project, based on the eligibility criteria set forth in the Matching Grant Manual, collectively referred to "Eligible MSMEs".

17. "Emergency Action Plan" means the plan referred to in Section E.1(b) of Schedule 2, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.

18. "Emergency Expenditures" means any of the eligible expenditures set forth in the CERC Manual referred to in Section E.1(a) of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.

19. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated May 26, 2022,

as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.

20. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; and (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Association.

21. "EU" means the European Union.

22. "Excluded Expenditures" means:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association has financed or agreed to finance, or which the IBRD, the IDA or the Association has financed or agreed to finance under another loan, credit, grant or any other trust fund credit, or trust fund grant;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient, and any other goods designated as

environmentally hazardous by agreement between the Recipient and the Association;

(a) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(b) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Credit proceeds, without the Recipient (or such other recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

23. "Financial Sector Institutions" means commercial banks, non-bank financial institutions and financial sector regulatory bodies in the territory of the Association, and any other financial institution as agreed by the Association.

24. "G2B" or "Government to Business" means all interactions between Moldovan Enterprises and the multiple Borrower's organizations dedicated to implement business regulations.

25. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).

26. "Independent Verification Report" means a report prepared by an independent verification agent acceptable to the Association, to confirm the achievement of a PBC, referred to in Section III.B.(b)(i) of Schedule 2 to this Agreement.

27. "Inspection Agencies" means all public administration authorities created by law, which have the right to initiate and perform inspections pursuant to: (i) Law No.131 on state inspection of entrepreneurial activity, dated June 8, 2012 as amended, and regulated through Government Decree No. 464 dated May 23, 2018 as amended, and (ii) Government Decree No.355/2020, dated October 6, 2020, which approved the methodology for establishing objectives and setting KPIs for Inspection Agencies.

28. "Inspection Equipment" means the equipment used by Inspection Agencies to implement the Business Inspection Procedures, including, *inter alia*: laptops, testing equipment, sampling equipment, field verification equipment and specialized pressure equipment, as further set forth in the Project Operations Manual.

29. "Integrated Service Delivery Platform" the Recipient's public sector digital platform that enables digital and integrated informational and transactional G2B services to implement the business regulation.

30. "Interoperability Framework" means the Recipient's Law No. 142 07/19/2018 and Government Decision No. 211, dated 04/03/2019 and any amendments thereof, which set forth the interoperability framework among the Recipient's systems.

31. "KPIs" or "Key Performance Indicators" means the key performance indicators set forth in each KPI Action Plan, in compliance with the KPI Methodology Legislation,

32. "KPI Action Plan" means any given annual action plan prepared by each Inspection Agency, and approved by each respective line ministry, setting forth its KPIs for a specific year, all in accordance with the KPI Methodology Legislation.

33. "KPI Methodology Legislation" means the Recipient's Government Decree No. 355/2020 dated October 6, 2020, as amended from time to time, in a manner acceptable to the Association. KPI Methodology Legislation includes the Annexes to said legislation.

34. "Loan Agreement" means the loan agreement for the Project between the Recipient and the International Bank of Reconstruction and Development, dated the same date as this Agreement, as such loan agreement may be amended from time to time. "Loan Agreement" includes all appendices, schedules and agreements supplemental to the Loan Agreement.

35. "Matching Grant" means any grant to be provided by the Recipient out of the MGF to each Matching Grant Beneficiary from the proceeds of the Financing, for purposes of implementing a Business Improvement Plan, as further described in Section I.C. of Schedule 2 to this Agreement, the Project Operations Manual and the Matching Grants Manual.

36. "Matching Grant Beneficiary" means any MSME selected in accordance with open and transparent procedures, and in accordance with the eligibility criteria set forth in the Matching Grant Manual, which will benefit from the provision of a Matching Grant under Part 3.2 of the Project.

37. "Matching Grant Manual" means the manual acceptable to the Association and adopted in form and substance set forth in Section I.C of Schedule 2 to this Agreement, for the provision of Matching Grants under Part 3.2 of the Project.

38. "MConnect" means the Recipient's digital platform that implements the Interoperability Framework.

39. "MGF" or "Matching Grants Facility" means the Recipient's mechanism to provide Matching Grants to eligible Matching Grants Beneficiaries for the purposes of co-financing Business Improvement Plans under Part 3.2 of the Project, under terms and conditions satisfactory to the Association.

40. "MGFT" or "Matching Grants Facility Team" means the team established within ODIMM, responsible for coordinating the implementation, supervision, completion, and documentation of all the activities related to the MGF, referred to in Section I.A.2(c) of Schedule 2 to this Agreement.

41. "MMIP" means the Recipient's Mechanism for Managing and Issuing Permits, consistent of an integrated online system, created pursuant to Government Decrees No. 550 and No. 551, both dated June 13, 2018.

42. "MoE" means the Borrower's Ministry of Economy.

43. "Moldovan Enterprises" means enterprises established and operating in the Recipient's territory.

44. "Moldovan Lei" means the local currency of the Recipient.

45. "MSME" means micro, small, and medium size enterprises.

46. "NBM" or "National Bank of Moldova" means the Recipient's National Bank.

47. "ODIMM" means the Recipient's Organization for Small and Medium-size Enterprise Development, established pursuant to ODIMM Legislation, or any successor thereto acceptable to the Association.

48. "ODIMM Legislation" means the Recipient's Government Decision No. 659 dated October 21, 1993, as amended to the date of this Agreement, which established ODIMM.

49. "Online Application Rate" means the ratio of MSMEs submitting their applications to receive Business Permits online through MMIP, vis a vis those applications submitted on paper.

50. "Operating Costs" means the reasonable incremental expenses incurred by the Recipient on account of Project implementation, management, monitoring and evaluation, including salaries of contractual staff (but excluding salaries of officials of the Recipient's civil service) including costs related to office equipment and supplies, vehicle operation and maintenance, shipping costs, translation costs, office rentals, communication costs, office administration costs, bank charges, utilities, transport costs, travel, per diem and other reasonable expenditures directly associated with implementation of the Project activities agreed by the Association.

51. "PFI" or "Participating Financial Institution" means a commercial bank acceptable to the Association selected by ODIMM according to the criteria set forth in the CGF Operations Manual, to participate in the implementation of Part 2 of the Project.

52. "PIU" or "Project Implementing Unit" means the unit within MoE referred to in Section I.A.2(a) of Schedule 2 to this Agreement, and responsible for the day-to-day activities of the Project.

53. "Performance-Based Condition" or "PBC" means any of the conditions referred to in Schedule 4 to this Agreement. "Performance-Based Conditions" or "PBCs" means the plural thereof.

54. "Portfolio Guarantee" means the risk coverage provided by ODIMM (through the CGF) to PFIs for a portfolio of Selected MSME loans created in accordance with the eligibility criteria and procedures set forth in the CGF Operations Manual and pursuant to the respective Guarantee Agreement. "Portfolio Guarantees" is the plural of thereof.

55. "Portfolio Guarantee Scheme" means the operational structure within ODIMM and program guidelines used to provide Portfolio Guarantees to PFIs under Part 2 of the Project.

56. "Procurement Regulations" means, for purposes of paragraph 85 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Recipients", dated November 2020.

57. "Selected MSME" means any MSME eligible to receive a loan from a PFI that is covered by a Portfolio Guarantee issued by ODIMM under Part 2.1 of the Project, based on the eligibility and selection criteria set forth in the CGF Operations Manual, collectively referred to "Selected MSMEs".

58. "Selected Registries" means selected registries of the Recipient to be agreed between the Recipient and the Association, as further set forth in the Project Operations Manual.

59. "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.

60. "Training" means the reasonable costs associated with training under the Project (other than those for consultants' services) incurred by the Recipient to finance the reasonable travel costs (i.e. accommodation, transportation, travel insurance and *per diem, inter alia*) of trainees and trainers (if applicable), training registration fees, catering, rental of training facilities and equipment, logistics and printing

services, as well as training materials, all for the purposes of, and directly related to, the training activities described in the Project, all based on the semi-annual budgets acceptable to the Association.

61. "Verification Protocol" means the set of protocols setting forth the actions and mechanisms required for verification of PBCs, agreed between the Association and the Recipient and included in the Project Operations Manual, as the same may be amended from time to time with the agreement of the Association.

62. "Year" means a year counted from January to December, throughout Project implementation.