
CREDIT NUMBER 6181-MD

Financing Agreement

(Additional Financing for the Moldova Education Reform Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6181-MD

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MOLDOVA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this 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, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to seven million one hundred thousand Special Drawing Rights (SDR 7,100,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.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 Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (a) carry out Parts A.1, A.3, B and C of the Project through the MOE; and (b) cause Part A.2 of the Project to be carried out by MSIF, 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:
 - (a) that the Recipient's Law No. 91, dated April 26, 2012, has been amended, suspended, abrogated, repealed or waived, in the opinion of the Association, so as to affect materially and adversely the ability of the Recipient to carry out the Project or to perform any of its obligations under this Agreement.
 - (b) that the Recipient's Governmental Decision No. 468 of May 19, 1997, as amended to the date of this Agreement, has been amended, suspended, abrogated, repealed or waived, in the opinion of the Association, so as to affect materially and adversely the ability of MSIF to carry out Part A.2 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 and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the POM has been updated in a manner satisfactory to the Association and the updated POM has been adopted by MOE and MSIF.
- 5.02. The Effectiveness Deadline is the date one hundred and eighty days (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 years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representatives are its Minister of Finance and its Authorized State Secretary of the Ministry of Finance, each acting individually.
- 6.02. For purposes of Section 11.01 of the General Conditions the Recipient's address is:

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

- 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

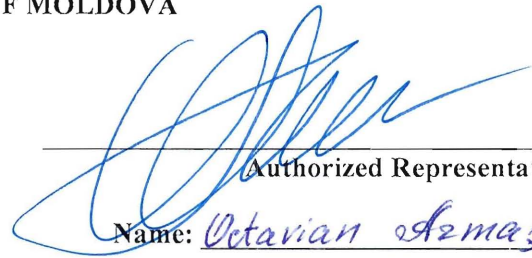
(b) the Association's Electronic Address is:

Telex:	Facsimile:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF MOLDOVA

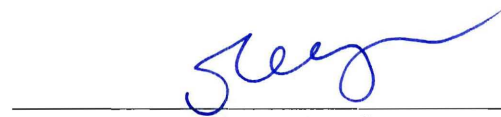
By



Authorized Representative
Name: Octavian Armasu
Title: Minister of Finance
Date: March 12, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative
Name: Anna Akhalkatsi
Title: Country Manager
Date: March 12, 2018

SCHEDULE 1

Project Description

The objective of the Project is to improve learning conditions in targeted schools and strengthen the Recipient's education monitoring systems, while promoting efficiency reforms in the education sector.

The Project consists of the following parts:

Part A. Strengthening the Quality of Education

1. Provision of financing of payments under the Eligible Expenditure Program (EEP) in support of the strengthening of the quality of education in the Recipient's general education subsector, in accordance with the provisions set forth in Section IV of Schedule 2 to this Agreement, specifically in the following key areas:
 - (a) developing and implementing quality assurance standards for Receiving Schools, including, *inter alia*, with respect to school organization, teaching and learning, school infrastructure and equipment, curriculum and evaluation, and school governance;
 - (b) establishing teacher and school directors' training programs;
 - (c) improving student assessment systems (both national and international); and
 - (d) improving the quality of data and management systems.
2. (a) Rehabilitation and upgrading of Receiving Schools, including the preparation of the designs for such works; and (b) related Project management, monitoring and evaluation support.
3. Carrying out of the following activities in support of the strengthening of the quality of education:
 - (a) providing selected schools with science and technology equipment;
 - (b) (i) developing in-depth special education modules and training teaching support staff and psycho-pedagogues working with students with disabilities or special educational needs; and (ii) providing special education teaching and learning materials, and selected equipment;
 - (c) (i) evaluating training programs for school managers and teachers established under Part A.1 (b) of the Project, and updating such programs;

and (ii) training and evaluating a second cohort of school managers and teachers based on the updated training programs;

- (d) supporting the Recipient's National School Inspectorate (or any successor thereof acceptable to the Association), and its National Agency for Curriculum and Evaluation (or any successor thereof acceptable to the Association), to increase their respective capacities;
- (e) supporting the design and implementation of mechanisms to address the gender, inclusiveness, and citizen engagement dimensions in education; and
- (f) (i) developing and incorporating a vocational education and training module into EMIS; and (ii) training users on the use of EMIS.

Part B. Improving the Efficiency of the Education Sector

- 1. Provision of financing of payments under the Eligible Expenditure Program (EEP) in support of improving the efficiency of the education sector by eliminating excess capacity and creating a leaner education system, in accordance with the provisions set forth in Section IV of Schedule 2 to this Agreement.
- 2. Carrying out of the following activities in support of the improvement of the efficiency of the Recipient's education sector:
 - (a) conducting a review of the MOE's per capita financing formula, and introducing adjustments as needed; and
 - (b) piloting and evaluating a new preschool financing mechanism in selected rayons of the Recipient.

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

Strengthening of the institutional capacity of the MOE to implement, measure and monitor the Project, through, *inter alia*:

- (a) developing and implementing receiving school standards;
- (b) developing human resources;
- (c) supporting the Recipient's participation in international student assessments and improving its national student assessments, except as covered under Part A.3 (d) of the Project;
- (d) improving the EMIS, except as covered under Part A.3 (f) of the Project;

- (e) monitoring school drop outs;
- (f) supporting, including through training, the implementation of per student financing nationwide, except as covered under Part B.2 of the Project;
- (g) conducting social marketing and outreach campaigns in support of the education reform program, except as covered under Part A.3 (e) of the Project;
- (h) supporting the implementation of a school census;
- (i) carrying out studies to support efficiency reforms in the education sector, except those covered under Part B.2 of the Project;
- (j) providing Project implementation, monitoring and evaluation support and coordinating with MSIF for purposes of Part A.2 of the Project; and
- (k) supporting the establishment and operation of a grievance redress mechanism for the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through the MOE, shall:
 - (a) carry out the agreed activities under Parts A.1, A.3, B and C of the Project in order to achieve the agreed results of the Project; and
 - (b) appoint and maintain, throughout Project implementation, a Project coordinator and other key technical and fiduciary staff to support the coordination, implementation, monitoring and evaluation of the Project, all under terms of reference described in the POM and acceptable to the Association.
2. The Recipient shall cause MSIF to maintain, throughout Project implementation, adequate staff to support the implementation of Part A.2 of the Project, including, *inter alia*, a coordinator, a financial management officer, a procurement officer, and an environmental specialist, all with qualifications and experience, and under terms of reference, acceptable to the Association.
3. The Recipient shall: (a) update the POM; and (b) thereafter ensure that the MOE and MSIF carry out the Project in accordance with the provisions of the POM and shall not amend, waive or abrogate any provisions of the POM without the Association's prior approval.
4. The Recipient shall cause the Court of Accounts to carry out the annual financial audit of the Financial Statements, including but not limited to the EEP, in a manner acceptable to the Association, and shall provide such audit reports to the Association, in accordance with Section 5.09 of the General Conditions.

B. Safeguards

1. (a) The Recipient shall ensure that the Project is carried out in accordance with the Environmental Management Framework (EMF), and thereafter ensure that the applicable EMPs are implemented, in accordance with their terms and in a manner acceptable to the Association, ensuring that the civil works will not commence in any Receiving School, unless the EMP for the respective Receiving School has been prepared by the Recipient and/or MSIF, disclosed, consulted, and approved by the Association.

- (b) Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the EMF or any of its provisions.
- 2. The Recipient shall ensure that no activities to be carried out under the Project involve Involuntary Resettlement.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45 days) after the end of each calendar semester, covering the calendar semester. The indicators referred to in Section 5.08 (a) of the General Conditions shall be included in the POM.

Section III. Procurement

A. General

- 1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
- 2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
- 3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
- 2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive

Bidding, subject to the additional provisions set forth in paragraph B.3 of this Section; (b) Shopping; (c) Direct Contracting.

3. Without limitation upon the provisions of paragraphs B.1 and B.2 of this Section, and Section I and paragraphs 3.3 and 3.4 of the Procurement Guidelines, the procurement procedure to be followed for National Competitive Bidding shall be the Open Bidding Procedure set forth in the Recipient's Law on Public Procurement No. 131 dated July 3, 2015, as further amended on July 1, 2016, September 23, 2016 and October 3, 2016 (the "PPL"), provided, however, that such procedure shall be subject to the following additional provisions:
 - (a) Eligibility: Eligibility to participate in a procurement process and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines.
 - (b) Registration of Contractors and Suppliers: Registration shall not be used to assess bidders' qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid, and a foreign bidder recommended for contract award shall be given a reasonable opportunity to register, with the reasonable cooperation of the Recipient, prior to contract signing.
 - (c) Participation of Joint Ventures: Participation of joint ventures shall be allowed and all its members shall be jointly and severally liable for the entire contract.
 - (d) Bidding Documents: Bidding documents acceptable to the Association shall be used, and shall be prepared so as to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines.
 - (e) Qualification: Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a "pass or fail" basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder's or prospective bidder's capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant; and (iii) capability of construction and/or manufacturing facilities. Prequalification procedures and documents acceptable to the

Association shall be used for large, complex and/or specialized works. The verification of the information upon which a bidder was prequalified, including current commitments, shall be carried out at the time of contract award, along with the bidder's capability with respect to personnel and equipment. In the procurement of goods and works where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.

- (f) Cost Estimate: The detailed cost estimates shall be confidential and shall not be disclosed to prospective bidders. The cost estimate will include all taxes including Value Added Tax (VAT). No bids shall be rejected on the basis of comparison with the cost estimates without the Association's prior written concurrence.
- (g) Bid Submission and Bid Opening: Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be opened in public, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to bidders unopened. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association's prior review.
- (h) Bid Evaluation: Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation. Contracts shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents; and (ii) to offer the lowest-evaluated cost. No negotiations shall be permitted. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted. A bidder shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (i) Rejection of All Bids and Re-bidding: All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association's prior written concurrence.
- (j) Bid Validity: The bid validity period required by the bidding documents shall be sufficient to account for any period that may be required for the

approval and registration of the contract as contemplated in the PPL. If justified by exceptional circumstances, an extension of bid validity may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the registration process, but not more than thirty (30) days; a corresponding extension of any bid guarantee also shall be required in such cases. A bidder may refuse the request for extension of bid validity without forfeiting its bid guarantee. No further extensions shall be requested without the prior written concurrence of the Association.

- (k) Guarantees: Guarantees shall be in the format included in the bidding documents. The bid guarantee shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested. No advance payments shall be made without a suitable advance payment guarantee. Performance security shall not exceed ten percent (10%) of the contract amount.
- (l) Fraud and Corruption: The bidding documents and contract as deemed acceptable by the Association shall include provisions stating the Association's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.
- (m) Inspection and Audit Rights: Each bidding document and contract financed out the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.
- (n) Contract Modifications: With respect to contracts subject to the Association's prior review, the Recipient shall obtain the Association's no objection before agreeing to: (i) a material extension of the stipulated time for performance of a contract; (ii) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (iii) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than fifteen percent (15%); or (iv) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants' Qualifications; (c) Single-Source Selection; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. 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 Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Consultants' services (including Project audits), non-consulting services, goods, Training and Operating Costs under Parts A.3, B.2, and C of the Project	7,100,000	100%
TOTAL AMOUNT	7,100,000	

2. For purposes of this Schedule:
 - (a) the term “Training” means expenditures incurred by the Recipient for costs associated with training and/or study tours agreed upon between the Recipient and the Association; and
 - (b) the term “Operating Costs” means expenditures incurred by the Recipient on account of Project implementation for travel, rent of premises, 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), 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.

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 June 30, 2020.

Section V. Other Undertakings

- A. The Recipient and the Association hereby agree to amend the Original Financing Agreement as reflected in Schedule 4 to this Agreement.

SCHEDULE 3

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
commencing July 15, 2023 to and including January 15, 2043	1.65%
commencing July 15, 2043 to and including January 15, 2048	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

Amendments to the Original Financing Agreement and Supplemental Letter No. 2

The Recipient and the Association hereby agree to amend the Original Financing Agreement and Supplemental Letter No. 2 as follows:

1. Section 3.01 of Article III is amended in its entirety to read as follows:

“Section 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (a) carry out Parts A.1, A.3, B, and C of the Project, through the MOE; and (b) cause Part A.2 of the Project to be carried out by MSIF, all in accordance with the provisions of Article IV of the General Conditions.”
2. Section 6.01 of Article VI is amended in its entirety to read as follows:

“Section 6.01. The Recipient’s Representatives are its Minister of Finance and its Authorized State Secretary of the Ministry of Finance, each acting individually.”
3. Schedule 1 is amended to read in its entirety as set forth in Schedule 1 to this Agreement.
4. Section I.A. of Schedule 2 is amended in its entirety as set forth in Section I.A. of Schedule 2 to this Agreement.
5. Section II.A. of Schedule 2 is amended in its entirety to read as follows:

“A. Project Reports

The Recipient shall monitor and evaluate the progress of Parts A.1, A.3, B and C of the Project and shall cause MSIF to monitor and evaluate the progress of Part A.2 of the Project, and prepare consolidated Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and set forth in the POM. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.”
6. Sub-paragraph (a) of Section II.B.2. of Schedule 2 is amended in its entirety to read as follows:

“(a) through MOE, prepare interim unaudited financial reports for Parts A.1, A.3, B and C of the Project covering each calendar quarter, in form and substance satisfactory to the Association;”.

7. Sub-paragraph (a) (ii) of Section II.B.3 of Schedule 2 is amended in its entirety to read as follows:

“(ii) have such financial statements consolidated with MOE’s financial statements for Parts A.1, A.3, B, and C of the Project; and”.

8. The table under Section IV.A.2 of Schedule 2 is amended in its entirety to read as follows:

“Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Teacher salaries under the EEP under Parts A.1 and B.1 of the Project	15,743,333	100% of the amount up to withdrawal ceiling set forth in the table in paragraph B.2 (a) of this Section
(2) Consultants’ services (including Project audits), non-consulting services, goods, Training and Operating Costs under Part C of the Project	980,000	100%
(3) Works, consultant’s services, and Operating Costs under Part A.2 of the Project	9,376,667	100%
TOTAL AMOUNT	26,100,000”	

9. Sub-paragraph (a) of Section IV.B.2, including the table thereunder, is amended in its entirety to read as follows:

“(a) Withdrawals shall be made in one (1) up to twelve (12) tranches and in amounts not exceeding the total of the ceilings per each respective DLI provided in the table below, subject to submission to the Association of evidence satisfactory to the Association and as defined in the POM that the following DLIs have been achieved:

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

10. Section IV.B.3 of Schedule 2 is amended in its entirety to read as follows:

“The Closing Date is June 30, 2020.”

11. The following definitions in Section I of the Appendix are amended to read as follows:

(a) ““EEP” means Eligible Expenditure Program, namely, a portion of the Recipient’s budgetary allocation for financing teacher salaries under Parts A.1 and B.1 of the Project.

- (b) “Environmental Management Plan” or “EMP” means any of the Recipient’s or MSIF’s site-specific environmental management plans/environmental management plan checklists derived from the environmental assessments under the EMF that have been prepared and will be prepared during the implementation of the Project previous to the commencement of any civil works under the Project, all in a manner acceptable to the Bank.
 - (c) “MOE” means the Recipient’s Ministry of Education, Culture and Research (formerly, Ministry of Education), or any successor thereto.”
- 12. The following definition is added in Section I of the Appendix in the respective alphabetical order and the list of definitions in Section I of the Appendix is renumbered accordingly:
 - (a) ““EMIS” means the Recipient’s Consolidated Education Management Information System.”
- 13. The attachment to Supplemental Letter No. 2 is replaced in its entirety with the performance monitoring indicators set forth in the POM.

APPENDIX

Section I. 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.
2. “Category” means a category set forth in the table in Section IV.A.1 of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011, revised July 2014.
4. “Court of Accounts” means the Recipient’s court of accounts, as established pursuant to the Recipient’s Law No. 261-XVI, dated December 5, 2008.
5. “Disbursement-Linked Indicator” or “DLI” means any of the indicators set forth in Section IV.B. of Schedule 2 to the Original Financing Agreement.
6. “EEP” means “Eligible Expenditure Program”, namely a portion of the Recipient’s budgetary allocation for financing teacher salaries under Parts A.1 and B.1 of the Project.
7. “EMIS” means the Recipient’s Consolidated Education Management Information System.
8. “Environmental Management Framework” or “EMF” means the Recipient’s framework dated April 1, 2015, acceptable to the Association and published on May 7, 2015 which contains, *inter alia*, the environmental protection measures in respect to the Project, including: (a) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of works under the Project; (b) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans/environmental management plan checklists, when applicable; (c) the recommendation of mitigation measures for each negative impact identified; and (d) measures for enhancing each identified positive impact; as said framework may be amended from time to time with the Association’s prior written consent.
9. “Environmental Management Plan” or “EMP” means any of the Recipient’s or MSIF’s site-specific environmental management plans/environmental management plan checklists derived from the environmental assessments under

the EMF that have been prepared and will be prepared during the implementation of the Project previous to the commencement of any civil works under the Project, all in a manner acceptable to the Association.

10. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated July 14, 2017, with the modifications set forth in Section II of this Appendix.
11. “Involuntary Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.”
12. “MOE” means the Recipient’s Ministry of Education, Culture and Research (formerly, Ministry of Education), or any successor thereto.
13. “MSIF” means the Moldova Social Investment Fund, an autonomous public entity established by the Recipient pursuant to the Recipient’s Governmental Decision No. 468 of May 19, 1997, as amended to the date of this Agreement.
14. “Original Financing Agreement” means the amended and restated financing agreement for the Moldova Education Reform Project between the Recipient and the Association, dated February 7, 2013, as amended on July 30, 2015 and February 7, 2017.
15. “Original Project” means the Project described in Schedule 1 to the Original Financing Agreement.
16. “PISA” means the Programme for International Student Assessment launched by the Organization for Economic Cooperation and Development (OECD), an international study which aims to evaluate education systems worldwide by testing the skills and knowledge of 15-year-old students.
17. “POM” means the Project manual, dated July 24, 2017, acceptable to the Association, and referred to in Section I.A.3 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written approval of the Association.
18. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011, revised July 2014.

19. "Procurement Plan" means the Recipient's procurement plan for the Project, dated December 12, 2017 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be amended from time to time in accordance with the provisions of said paragraphs.
20. "Receiving Schools" means schools receiving students from closed or reorganized schools, selected in accordance with the criteria set forth in the POM.
21. "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.
22. "Supplemental Letter No. 2" means the Supplemental Letter No. 2, dated February 7, 2013, with respect to the Original Project, as amended on February 7, 2017.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 5.13 (Procurement) is deleted in its entirety and the remaining section in Article V is renumbered accordingly.
2. Paragraphs 86 (Procurement Plan) and 87 (Procurement Regulations) in the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.

Date: March 12, 2018

His Excellency
Octavian Armașu
Minister of Finance
Ministry of Finance
Constantin Tănase Street, 7
MD-2005 Chișinău
Republic of Moldova

**Re: IDA Credit 5196-MD and IDA Credit 6181-MD
Moldova Education Reform Project and
Moldova Education Reform Project Additional Financing
Additional Instructions: Disbursement and Financial Information Letter.**

Excellency:

I refer to the Financing Agreement between Republic of Moldova (the “Recipient”) and the International Development Association (the “Association”) for the above-referenced Project. The General Conditions, as defined in the Financing Agreement, provide that the Recipient may from time to time request withdrawals of Credit amounts from the Credit Account in accordance with the Disbursement and Financial Information Letter, and such additional instructions as the Association may specify from time to time by notice to the Recipient. The General Conditions also provide that the Disbursement and Financial Information Letter may set out Project specific financial reporting requirements. This version applies to the original and the additional financing projects and supersedes all previous Disbursement Letters. This letter constitutes such Disbursement and Financial Information Letter (“DFIL”), and may be revised from time to time.

I. Disbursement Arrangements, Withdrawal of Credit Funds, and Reporting of Uses of Credit Funds.

The *Disbursement Guidelines for Investment Project Financing*, dated February 2017, (“Disbursement Guidelines”) are available in the Association’s public website at <https://www.worldbank.org> and its secure website “Client Connection” at <https://clientconnection.worldbank.org>. The Disbursement Guidelines are an integral part of the DFIL, and the manner in which the provisions in the guidelines apply to the Credit is specified below.

(i) Disbursement Arrangements

- **General Provisions** (Schedule 1). The table in Schedule 1 sets out the disbursement methods which may be used by the Recipient, and conditions, information on registration of authorized signatures, processing of withdrawal applications (including minimum value of applications and processing of advances), instructions on supporting documentation, and frequency of reporting on the Designated Account.
- **Special Provision**. Projects in situations of urgent need of assistance or capacity constraints: Disbursements for goods, works, or non-consulting services and consulting services contracts procured or selected in the international market through open competition, limited competition or through no competition, as set out in the procurement plan, must be made only through Direct Payment or Special Commitment disbursement methods.

(ii) Electronic Delivery. Section 11.01 (c) of the General Conditions.

The Association may permit the Recipient to electronically deliver applications (with supporting documents) through the Association's web-based portal (<https://clientconnection.worldbank.org>) "Client Connection". This option may be effected if the officials designated in writing by the Recipient who are authorized to sign and deliver Applications have registered as users of "Client Connection". The designated officials may deliver Applications electronically by completing the Form 2380, which is accessible through "Client Connection". By signing the Authorized Signatory Letter, the Recipient confirms that it is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to the Association by electronic means. The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation, available in the Association's public website at <https://worldbank.org> and "Client Connection"; and (b) to cause such official to abide by those terms and conditions.

II. Financial Reports and Audits.

(i) Financial Reports. The Recipient must prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports ("IFR") for the Project covering the semester.

(ii) Audits. Each audit of the Financial Statements must cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period must be furnished to the Association not later than six (6) months after the end of such period.

III. Other Information.

For additional information on disbursement arrangements, please refer to the Loan Handbook available on the Association's website (<http://www.worldbank.org/>) and "Client Connection". The Association recommends that you register as a user of "Client Connection". From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Credit, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Association by email at clientconnection@worldbank.org.

If you have any queries in relation to the above, please contact Luis Schwarz Senior Finance Officer at lschwarz@worldbank.org, with copy to Darjan Dragicevic, Finance Analyst at ddragcevic@worldbank.org using the above reference.

Yours sincerely,



Anna Akhalkatsi
Country Manager, Moldova

Attachments

1. Form of Authorized Signatory Letter
2. 2.a. Interim unaudited Financial Report (IFR)
2.b Statement of Expenditure (SOE)

With copies: H.E. Ms. Monica Babuc
Minister
Ministry of Education, Culture and Research
Republic of Moldova

Mr. Mircea Eșanu
Executive Director
Moldova Social Investment Fund
Republic of Moldova

Schedule 1 : Disbursement Provisions

Basic Information					
Credit Numbers	IDA 5196 IDA XXXX	Country	Republic of Moldova	Closing Dates	IDA 5196 -- 06/30/2020
		Recipient	Ministry of Finance		IDA XXXX (AF) – 06/30/2020
		Name of the Project	Education Reform Project and Education Reform Project Additional Financing	Disbursement Deadline Date <i>Subsection 3.7</i>	Four months after the closing date.
Disbursement Methods and Supporting Documentation					
Disbursement Methods <i>Section 2</i>	Methods	Supporting Documentation <i>Subsections 4.3 and 4.4</i>			
Direct Payment	Yes	Copy of records			
Reimbursement	Yes	Interim Unaudited Reports (IFRs) for MoE for Category 1 of the original financing for the use of DLIs Statement of Expenditure (SOE) for MoE for Category 2 of the original financing, and for Category 1 of the additional financing in the format provided in Attachment 2.a of the DFIL Statement of Expenditure (SOE) for MSIF Category 3 of the original financing in the format provided in Attachment 2.b of the DFIL			
Designated Account	Yes	Statement of Expenditure (SOE) for MoE for Category 2 of the original financing, and for Category 1 of the additional financing in the format provided in Attachment 2.a of the DFIL Statement of Expenditure (SOE) for MSIF Category 3 of the original financing in the format provided in Attachment 2.b of the DFIL			
Special Commitments	Yes	Copy of Letter of Credit			
Designated Account (Sections 5 and 6 **)					
Type	Designated Account A managed by MoE for Category 2 of the original financing, and for Category 1 of the additional financing - Pooled Designated Account B managed by MSIF Category 3 of the original financing – Segregated		Ceiling	DA A \$ 1,000,000 DA B \$ 1,500,000	
Financial Institution - Name	National Bank of Moldova for both DAs		Currency	USD	
Frequency of Reporting <i>Subsection 6.3</i>	For both report-based and transaction-based reporting: Quarterly		Amount	Not Applicable	
Minimum Value of Applications (subsection 3.5)					
The minimum value of applications for Reimbursement, Direct Payment, and Special Commitment is USD 200,000					
Authorized Signatures (Subsection 3.1 and 3.2 **) The form for Authorized Signatories Letter is provided in Attachment 1 of this letter Withdrawal and Documentation Applications (Subsection 3.3 and 3.4)					
The World Bank Radnička cesta 80/9 th Floor					

Zagreb, HR – 10000
Croatia
Attention: Loan Operations

Additional Information

For SOEs: Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for goods against contracts valued at US\$200,000 equivalent or more; for consultant services against contracts valued at US\$100,000 equivalent or more for firms and at US\$50,000 equivalent or more for individual consultants;

Other

For Interim Financial Reports, in local currency, in the form attached for Category 1 expenditures only, and evidence that the relevant(s) DLI(s) have been achieved, as provided by the Association's Task Team, must be submitted to the Association with the withdrawal application

*** Sections and subsections relate to the "Disbursement Guidelines for Investment Project Financing", dated February 2017.*

[Letterhead]
Ministry of Finance
[Street address]
[City] [Country]

[DATE]

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

**Re: IDA Credit 5196-MD and IDA Credit 6181-MD
Moldova Education Reform Project and
Moldova Education Reform Project Additional Financing**

Attention: Anna Akhalkatsi, *Country Manager*

I refer to the Financing Agreements ("Agreements") between the International Development Association (the "Association") [acting as implementing of the]¹ and [name of recipient] (the "Recipient"), dated _____, providing the above Credits. For the purposes of Section 2.03 of the General Conditions as defined in the Agreements, any ²[one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign applications for withdrawal [and applications for a special commitment] under this Credits.

For the purpose of delivering Applications to the Association, including by electronic means, ³[each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting ⁴[individually] ⁵[jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the Association.

¹ Instruction to the Recipient: add text in line with the Grant Agreement if applicable; if not applicable delete it. *Please delete this footnote in final letter that is sent to the Associations*

² Instruction to the Recipient: stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply. *Please delete this footnote in final letter that is sent to the Association.*

³ Instruction to the Recipient: stipulate if more than one person needs to *jointly* sign Applications, if so, please indicate the actual number. *Please delete this footnote in final letter that is sent to the Association.*

⁴ Instruction to the Recipient: use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the Association.*

⁵ Instruction to the Recipient: use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the Association.*

This Authorization replaces and supersedes any Authorization currently in the Association records with respect to this Agreement.

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

Yours truly,

/ signed /

FOR INTERNAL DISTRIBUTION ONLY

Luis Schwarz, WFALN

Cc: Pilar Gonzalez (Sr. Counsel, LEGLE)
Andrea C. Guedes (Task Team Leader, GED03)

Cc: [FMS, unit]

Attachment 2.a – Statement of Expenditures
Attachment 2.b - Interim unaudited Financial Statements

Same as existing reports to be added here

ANNA AKHALKATSI
Country Manager
Moldova
Europe and Central Asia

March 12, 2018

H.E. Octavian Armașu
Minister of Finance
Ministry of Finance
Constantin Tănase Street, 7
MD-2005 Chișinău
Republic of Moldova

Excellency:

**Re: IDA Credit No. 6181-MD
(Additional Financing for the Moldova Education Reform Project)**

Enclosed are the following documents regarding the above-mentioned Project, which are delivered to you as the authorized representative of the Republic of Moldova.

1. One signed original of the Financing Agreement between the Republic of Moldova (Recipient) and the International Development Association (Association).
2. One signed original of the Disbursement and Financial Information Letter.
3. One copy of the IDA General Conditions for IDA Financing: Investment Project Financing dated July 14, 2017.
4. One copy of 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.
5. One copy of the Guidelines on the Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers dated January 2011 and revised July 2014.
6. One copy of the Guidelines on Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers dated January 2011 and revised July 2014.

H.E. Octavian Armașu

-2-

March 12, 2018

The effectiveness deadline is as set forth in Section 5.02 of the Financing Agreement, which states the following: “The Effectiveness Deadline is the date one hundred and eighty (180) days after the Signature Date”.

Please confirm, on behalf of the Republic of Moldova, receipt of the documents listed above by signing the enclosed copy of this letter.

Sincerely,



Anna Akhalkatsi
Country Manager
Moldova

Encl.