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CREDIT NUMBER 5829-MD

# Financing Agreement

(Tax Administration Modernization Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *June 28*, 2016

**CREDIT NUMBER 5829-MD**

**FINANCING AGREEMENT**

AGREEMENT dated *June 28*, 2016, entered into between REPUBLIC OF MOLDOVA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to five million three hundred thousand Special Drawing Rights (SDR 5,300,000) (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. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Chairman of STS.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are June 15 and December 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 carry out the Project, through STS, in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely, that the legal instrument referred to in Section 5.01 (a) of this Agreement has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the Recipient to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 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 Conditions of Effectiveness consist of the following:
  - (a) The Recipient has adopted a legal instrument governing the organization of STS, in form and substance acceptable to the Association, and said legal instrument has been duly published in the Recipient's Official Gazette.
  - (b) The Project Operational Manual has been adopted by STS.

- (c) 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.
- 5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
- 5.03. For purposes of Section 8.05 (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 fifteen (15) years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. Except as provided in Section 2.02 of this Agreement, the Recipient's Representative is its Minister of Finance.

- 6.02. The Recipient's Address is:

Ministry of Finance  
Constantin Tanase Street, 7  
MD2005 Chisinau  
Republic of Moldova

Facsimile: (37322) 225393

- 6.03. The Association's Address is:

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

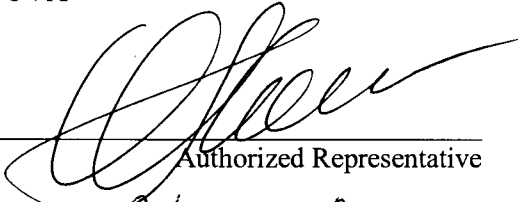
Telex:            Facsimile:

248423 (MCI) 1-202-477-6391

AGREED at Chisinau, Republic of Moldova, as of the day and year first above written.

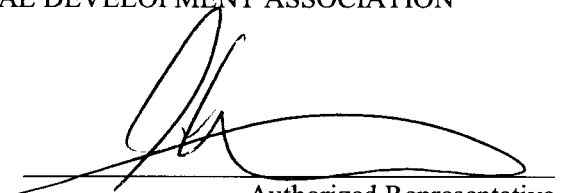
REPUBLIC OF MOLDOVA

By

  
Authorized Representative  
Name: Octavian Armașu  
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

  
Authorized Representative  
Name: Alexander Kremer  
Title: Country Manager

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve revenue collection, tax compliance and taxpayer services in the Republic of Moldova.

The Project consists of the following parts:

#### Part 1. Tax Policy Reform

Provision of support for, *inter alia*:

- (a) (i) the carrying out of a comprehensive review of the Recipient's tax legal framework, and, based on said review, the preparation of a draft tax code; (ii) the drafting of legislation to introduce measures to counter tax avoidance profit shifting and tax base erosion; and (iii) the design and implementation of a Training program on the review of the Recipient's tax legal framework carried out under Parts (a) (i) and (ii) above.
- (b) the review of the Recipient's tax ruling system, including recommendations to strengthen its institutional structures and processes; and
- (c) the carrying out of a comprehensive analysis of the Recipient's local budgets' revenues, including the legal and institutional framework for their administration.

#### Part 2. Institutional Development

Provision of support for the carrying out of a comprehensive review, redesign and implementation of the revised STS organization structure, including through *inter alia*: (a) the strengthening of STS operational and institutional capacity for strategic management and performance assessment; (b) the design and implementation of a performance management system, including the elaboration of performance indicators, and a career management framework; (c) the carrying out of a comprehensive review of STS human resources policies; (d) the carrying out of an analysis of STS work flow and workforce planning; (e) the development of a training program and a curriculum for STS tax administration staff; (f) the purchase and installation of technical and training equipment; (g) the design and implementation of a communication strategy on the revised STS organization structure; (h) the carrying out of other relevant training activities; and (i) the carrying out of regular taxpayer satisfaction surveys.

Part 3. Operational Development

Provision of support for strengthening STS operational efficiency through the modernization of all critical tax collection operational functions and the analysis of case-workflow management for appeals, audits and collection, including, *inter alia*:

- (a) drafting procedure manuals and processes for STS collection activities, carrying out training needs analyses, and developing a training program relevant to payment processing units;
- (b) improving compliance risk management and audit practices by developing an integrated database of taxpayers, strengthening systems and developing a protocol for the collection, use and dissemination of data gathered from third party sources;
- (c) enhancing capacity to collect and manage debt through the review of current regulations, rules and procedures; development of: (i) manuals for tax debt management, arrears collection and gap filer/non-filer enforcement; and (ii) a training program on management and recovery of arrears and enforced filing of returns;
- (d) fostering transparency and streamlining the appeals process through the: (i) development of a training program on relevant MoF and STS business processes and computer systems for staff of STS legal department; and (ii) improvement of case workflow management of appeals and rulings in said legal department; and
- (e) strengthening of the STS audit function to counter tax violations through the provision of technical assistance and Training.

Part 4. IT Infrastructure and System Modernization

Provision of support for the purchase and installation of an integrated tax management system, including the provision of relevant training regarding, *inter alia*, its functions, management reporting and document management tools.

Part 5. Project Management and Change Management

- (a) Carrying out of capacity building activities supporting the Recipient's change management process to implement the activities referred to in Parts 1 to 4 above, including: (i) the carrying out of awareness campaigns and training activities on the implementation of said reforms; and (ii) the establishment of a private sector advisory panel for citizen engagement; and

(b) Project implementation, monitoring and evaluation including through: (i) the carrying out of the Project audits; (ii) the hiring and selection of, *inter alia*, a financial management and a procurement specialists; and (iii) the financing of Operating Costs.



## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Recipient shall vest the overall responsibility for the implementation of the Project in STS, and to this end, through STS, shall: (a) operate and maintain, throughout Project implementation, the Project Implementation Unit (PIU) with qualified staff in sufficient numbers, as well as adequate funds, premises, services and other resources for Project implementation (including, procurement, financial management and monitoring and evaluation), all acceptable to the Association and described in the Project Operational Manual; (b) ensure that any staff of the PIU financed out of the proceeds of the Credit is selected and hired in accordance with Section III of this Schedule; and (c) no later than ninety (90) days after the Effective Date, have selected and hired the financial management and procurement specialists referred to in Part 5 (b)(ii) of the Project in a manner acceptable to the Association.
2. The Recipient shall operate and maintain, throughout Project implementation, a committee (Steering Committee) vested with the responsibility to oversee and coordinate Project implementation, with terms of reference acceptable to the Association, as described in the POM.
3. The Recipient, through STS, shall: (a) implement the Project in accordance with the requirements set forth in a manual acceptable to the Association (Project Operational Manual or POM); and (b) not assign, amend, abrogate, or waive the POM or any of its provisions, except with the prior written approval of the Association. In case of any conflict between the terms of the POM and those of this Agreement, the terms and conditions of this Agreement shall prevail.
4. No later than ninety (90) days after the Effective Date, the Recipient shall, through STS, establish and operate, throughout Project implementation, a private sector advisory panel vested with the responsibility to facilitate citizen engagement in the implementation of Project activities, with terms of reference and membership acceptable to the Association, as described in the POM.

##### **B. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. The Recipient, through STS, shall monitor and evaluate the progress of the Project and prepare 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. 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.
2. (a) By June 15, 2019, or such other date as agreed by the Association, the Recipient, through STS, shall carry out jointly with the Association, a mid-term review of the implementation of the activities under the Project (“Mid-term Review”) which shall cover the progress achieved in the implementation of the Project.  
  
(b) Following such Mid-term Review, the Recipient, through STS, shall act promptly and diligently to take, or cause to be taken, any corrective action as shall have been agreed with the Association.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained, a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient, through STS, shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient, through STS, shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and Non-consulting Services.** All goods 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 (including Annex A to this Schedule).
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 and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions specified in Annex A to this Schedule; (b) Shopping; and (c) Direct Contracting.

**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) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants'

Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

**D. Review by the Association of Procurement Decisions**

1. 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.
2. The Recipient, through STS shall: (a) no later than December 31 of every year during the implementation of the Project, beginning on December 31, 2017, prepare and furnish to the Association, a procurement progress report (Procurement Report) in form and substance acceptable to the Association, which shall include, *inter alia*: (i) a description of the issues which arose during the full procurement cycle under the Project during the twelve months preceding the date of presentation of each Procurement Report, from design through planning, bidding, contract implementation and completion; (ii) a list of proposed measures and actions to be taken to resolve the issues identified under (i) above; and (iii) a proposed timeline for the implementation of the said measures and actions; and (b) thereafter implement, or cause to be implemented, the proposed measures and actions under each Procurement Report in accordance with its terms and in a manner acceptable to the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, non-consulting services, consultants' services, Training and Operating Costs for the Project	5,300,000	100%
<b>TOTAL AMOUNT</b>	<u>5,300,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2021.

**ANNEX A**  
**to**  
**SCHEDULE 2**

**Additional Provisions Relating to Procurement of Goods, Works and Non-consulting Services under Association-Financed Contracts Subject to National Competitive Bidding**

Without limitation upon the provisions of Section III of Schedule 2 to this Agreement 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 Law on Procurement No. 96-XVI, dated April 13, 2007, as further amended on September 17, 2010, December 23, 2011, March 30, 2012, April 12, 2012, June 15, 2012, and June 14, 2013, and to be superseded by the Law On Procurement No. 131, dated July 3, 2015, when it is made effective (the "PPL"), provided, however, that such procedure shall be subject to the following additional provisions:

1. Eligibility: Eligibility to participate in a procurement process and to be awarded a 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.
2. 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.
3. 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.
4. 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.
5. 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.

6. 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. No bids shall be rejected on the basis of comparison with the cost estimates without the Association's prior written concurrence.
7. 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.
8. 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.
9. 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.
10. 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.

11. 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.
12. 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.
13. 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 Guidelines.
14. 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.



**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each June 15 and December 15:	
commencing June 15, 2021 to and including December 15, 2030	1.65%
commencing June 15, 2031 to and including December 15, 2040	3.35%

\* 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 3.03 (b) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “Anti-Corruption Guidelines” means 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 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. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
5. “IT” means Information Technology.
6. “Loan Agreement” means the loan agreement for the Project between the Recipient and the Bank, 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.
7. “Mid-term Review” means the review of the implementation of activities under the Project, referred to in Section II.A.2 of Schedule 2 to this Agreement.
8. “Ministry of Finance” or “MoF” means the Recipient’s Ministry of Finance, or any successor thereto.
9. “Operating Costs” means the reasonable operational costs (which would not have been incurred absent the Project), incurred by STS related to Project implementation, including *inter alia*, the costs of communication, supplies, printing and publications, office maintenance and utilities, bank charges, salaries of staff working for the Project (including associated taxes and charges for insurance, as determined by the Association, but excluding salaries of the Recipient’s civil servants), logistics services (other than those related to training), and such other expenditures as may be agreed upon by the Association, all based on semi-annual budgets acceptable to the Association.

10. “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).
11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 26, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
12. “Project Operational Manual” or “POM” means the Recipient’s manual 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 agreement of the Association.
13. “State Tax Service” or “STS” means the Recipient’s State Tax Service subordinated to the Ministry of Finance established pursuant to the Recipient’s Law No. 407-XV, dated July 26, 2001, as further amended, or any successor thereto.
14. “Training” means the expenses (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 (including study tours) described in the Project, all based on semi-annual budgets acceptable to the Association.

## **Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

(a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing

Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).]