H.E. Veaceslav Negruta  
Minister of Finance  
Ministry of Finance  
7 Cosmonautilor Street  
Chisinau 2005  
Republic of Moldova

Re: Swedish Grant No.TF099139  
Energy Sector Reform and Efficiency Improvements (ESREI) Project for Moldova

Your Excellency,

In response to the request for financial assistance made on behalf of Republic of Moldova (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (“World Bank”), acting as administrator of grant funds provided by Sweden (“Donor”), represented by the Swedish International Development Cooperation Agency under the Administration Agreement for the Swedish Trust Fund for the Energy Sector Reform and Efficiency Improvements (ESREI) Project (a copy thereof is enclosed for your reference), proposes to extend to the Recipient, a grant in an amount not to exceed one million seven hundred sixty-seven thousand one hundred forty-seven Euro (EUR 1,767,147) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 120 days after the date of signature of this
Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Martin Raiser
Director
Ukraine, Belarus, Moldova
Europe and Central Asia

AGREED:

REPUBLIC OF MOLDOVA

By /s/ Veaceslav Negruta
Authorized Representative
Name Veaceslav Negruta
Title  Minister
Date: July 05, 2011

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(2) Disbursement Letter dated June 22, 2011, together with World Bank Disbursement Guidelines for Projects
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”), with the modifications set forth in Section I of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support the Recipient’s Government to identify investments and measures to be adopted in order to address the issues of: (i) security and reliability of energy supply, and (ii) efficiency on both energy production and consumption. The Project consists of the following parts:

Part 1. Rehabilitation of the heating engineering system of the Center for Mother and Child

Provision of goods and consultants’ services for the completion of the rehabilitation of the heating engineering system (internal and external) of the Center for Mother and Child.

Part 2. Technical study to identify urgent priority rehabilitation and investments in Chisinau district heating system

Provision of consultants’ services to conduct a technical study to identify urgent rehabilitation and investments priorities in Chisinau district heating system by designing a short term priority investment program for a period of about 3 years that would include two parts, namely: (a) justification of the priority investments and (b) preparation of required technical specification for selected and approved investments.

Part 3. Technical study on long-term system optimization and investments strategy for energy supply in Chisinau

Provision of consultants’ services to develop a technical review and optimization strategy for district heating and combined heat and power supply systems in Chisinau aiming to examine, *inter alia:* (i) the present status; (ii) the need and scope for improvement of the heating service, including heat and power generation, heat transmission, and heat distribution in Chisinau over the next 5 - 10 years with regard to capacity, structure, performance and reliability; (iii) the requirements for rehabilitation of the CHP and DH system. The objective in selecting the improvement options will be to minimize overall heat and electricity supply costs, including construction, fuel and operating costs.
2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions and 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” (Anti-Corruption Guidelines).

2.03. **Institutional and Other Arrangements.** The Project shall be implemented by the Recipient’s MEPIU with close cooperation with the Recipient’s Ministry of Economy. A Project Implementation Unit (PIU) within the MEPIU shall manage procurement and financial management aspects of the Project.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

<table>
<thead>
<tr>
<th>Project Part</th>
<th>Performance Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part 1: Rehabilitation of the heating engineering system of the Center for Mother and Child</td>
<td>☀Improvement in energy consumption in the Mother and Child Center (Gcal) ☀Number of hospital staff and visitors (including patients) benefiting from heated medical spaces during the winter</td>
</tr>
<tr>
<td>Part 2: Technical study to identify urgent priority rehabilitation and investments in Chisinau district heating system</td>
<td>☀Investments identified in the DH system in Chisinau (US$)</td>
</tr>
<tr>
<td>Part 3: Technical study on long-term system optimization and investments strategy for energy supply in Chisinau</td>
<td>☀Optimization strategy of the energy supply system in Chisinau adopted by the Government of Moldova ☀Investments identified in the DH system and CHPs in Chisinau (US$)</td>
</tr>
</tbody>
</table>

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.
2.06 **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in January 2011 (“Procurement Guidelines”), in the case of goods;


(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or] the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan which the Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (A) National Competitive
Bidding, subject to the following additional provisions set forth in the Appendix I of this Agreement and (B) Shopping.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection; and (D) Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

### Article III

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in EURO)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods (supply and installation) under Part 1 of the Project</td>
<td>947,824</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants Services</td>
<td>800,573</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Operating Costs</td>
<td>18,750</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,767,147</strong></td>
<td></td>
</tr>
</tbody>
</table>
3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 28, 2012.

**Article IV**  
**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Moldova Energy Projects Implementation Unit of the Recipient.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

7 Cosmonautilor Street  
Chisinau  
Republic of Moldova, MD 2005

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable: INTBAFRAD  
Telex: 248423 (MCI)  
Facsimile: 1-202-477-6391  
Washington, D.C. 64145 (MCI)
APPENDIX I

National Competitive Bidding: Additional Provisions

The 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 with due consideration to economy, efficiency and transparency as set forth in, and broad consistency with, Section I of the of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the WB in January 2011 (the Guidelines) and required by paragraphs 3.3 and 3.4 of the Guidelines:

**Eligibility:** The eligibility of bidders shall be as defined under Section I of the Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the WB for reasons other than those provided in Section I of the Guidelines. Foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. In particular, no domestic preference over foreign bidders shall be granted to national bidders in bid evaluation. The bidding shall not be limited to domestic goods or services.

Government-owned enterprises are eligible to bid only if they (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are independent from Recipient and its purchasing/contracting authority.

**Registration:** 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, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity of registering, without any hindrance. Bidding shall not be restricted to any particular class of contractors, and non-classified contractors shall also be eligible to bid.

**Standard Bidding Documents:** Bidding Documents, acceptable to the WB, shall be used.

**Qualification Criteria:** Qualification criteria shall be clearly specified in the bidding documents, and 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 merits points shall not be used. Such assessment shall only take into account the bidder’s capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction and manufacturing facilities, and financial capacity.

**Bid Submission:** A minimum of 30 days shall be given for preparation and submission of bids after the publication of invitation to bid or the availability of bidding documents whichever is later.

**Bid Opening:** 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 the bidders unopened. A copy of the minutes of the public bid opening shall be promptly provided to all bidders who submitted bids, and to the WB with respect to contracts subject to prior review.

**Bid Evaluation:** Evaluation of bids shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation.
Contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and 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.

No bidder shall be rejected on the basis of a comparison with the employer's estimate or budget allocation ceiling without the WB’s prior concurrence.

**Rejection of All Bids and Re-bidding:** All bids shall not be rejected or new bids solicited without the WB’s prior written concurrence.

**Complaints by Bidders and Handling of Complaints:** The Recipient shall implement an effective and independent protest mechanism allowing bidders to protest and to have their protests handled in a timely manner.

**Fraud and Corruption:** The WB shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the WB.

**Right to Inspect/Audit:** Each bidding document and contract financed from the proceeds of the WB funds shall include a provision requiring bidders, suppliers, contractors and subcontractors to permit the WB, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the WB. The deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice.