24 October, 2018

H.E. Mr. Chiril Gaburici
Minister
Ministry of Economy and Infrastructure
1, Piata Marii Adunari Nationale
MD-2033
Chisınău
Republic of Moldova

Excellency,

Re: ECAPDEV Grant No. TF0A6821
Moldova Transparent Power Market Project
Letter Agreement

In response to the request for financial assistance made on behalf of the Government of the Republic of Moldova, for the benefit of the Republic of Moldova (hereinafter “Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association (hereinafter “World Bank”), acting as administrator of grant funds under the Multi-donor Europe and Central Asia Capacity Development Trust Fund (ECAPDEV TF), with initial pledge of resources from the Government of Russia, proposes to extend to the Recipient a grant in an amount not to exceed four hundred ten thousand United States Dollars (US$ 410,000) (hereinafter “Grant”) on the terms and conditions set forth or referred to in this letter agreement (hereinafter “Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (hereinafter “Project”).

This Grant is funded out of the abovementioned TF for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned TF, and the Recipient’s right to withdraw the Grant proceeds is 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 specified by the World Bank in accordance with Article IV of the Annex to this Agreement. The offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World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/INTERNATIONAL DEVELOPMENT ASSOCIATION
As Trustee and Administrator of the ECAPDEV TF

By
Anna Akhalkatsi
Country Manager for Moldova
Europe and Central Asia Region

AGREED:

GOVERNMENT OF THE REPUBLIC OF MOLDOVA,
FOR THE BENEFIT OF THE REPUBLIC OF MOLDOVA

By
Authorized Representative

Name
Geburici Chiril

Title
Minister

Date: 24.10.18.

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012; and
(2) Disbursement Letter of the same date as this Agreement, together with the “Disbursement Guidelines for Investment Project Financing”, dated February 2017.
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") 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.


(b) "IDA Project" means the Moldova Transparent Power Market Project, which is expected to have as its main objective to improve the security and reliability of the electricity transmission system through interconnections with Romania, thereby enabling the creation of a transparent and competitive electric power market in Moldova and its integration into the regional electric power market, that will be proposed for financing through a credit from the International Development Association to the Republic of Moldova.

(c) "MEPIU" means the Moldova Energy Project Implementation Unit under the Recipient’s Ministry of Economy and Infrastructure, or any successor thereto acceptable to the World Bank.

(d) "Ministry of Economy and Infrastructure" or "MoE" means the Recipient’s Ministry of Economy and Infrastructure, or any legal successor thereto acceptable to the World Bank.

(e) "Moldelectrica" means the Recipient’s state-owned transmission company established pursuant to Government Decree No. 1000, dated October 5, 2000 and published in the Recipient’s Official Gazette on October 5, 2000.

(f) "Procurement Plan" means the Recipient’s procurement plan for the Project, dated January 31, 2018 and referred to in Section 2.08 of the Agreement, as the same shall be updated from time to time in accordance with the provisions of said paragraph.

(g) "Rules of Operation" means the World Bank’s set of rules and procedures dated July 2014 applicable to the Multi-Donor Programmatic Trust Fund for Europe and Central Asia Region Capacity (ECAPDEV), containing *inter-alia*: the criteria for eligible countries, the approval process for grants, the financing thresholds of Eligible Expenditures and the applicable governance arrangements; as the same may be amended from time to time by agreement between the Donor(s) of ECAPDEV and the World Bank.

(h) "Training" means the expenses (other than those for consultants’ services) 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 World Bank.
"World Bank Safeguards Policies" means the World Bank's operational policies and procedures then in force, and which currently are set forth in the World Bank's Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to support the preparation of the IDA Project for transmission systems interconnection between Moldova and Romania, thereby contributing to improve the efficiency and security of electricity supply to Moldova. The Project consists of the following parts:

Part 1. Detailed feasibility study

Preparation of a detailed feasibility study aimed at developing the technical design of a domestic transmission system reinforcement, consisting of one high voltage overhead transmission line and two high voltage substations, to enable the effective use of a newly installed Back-to-Back (BtB) converter station that will facilitate connecting two asynchronous power systems. The feasibility study will itemize details of the following aspects:

(a) technical feasibility analyses of interconnections to the domestic power system;
(b) economic and financial feasibility analyses;
(c) environmental and social impacts analysis; and
(d) elaboration of tender documents, including, inter alia: bill of quantities, detailed specifications and tender documents; and a procurement strategy and plan.

Part 2. Capacity building for Moldelectrica

2.1 Provision of support for the preparation of, inter alia:

(a) an organizational chart for current system planning division and functions;
(b) system planning guidelines; and
(c) the operational protocol or design of the required functions.

2.2 Provision of Training support for Moldelectrica's experts, including knowledge exchange on BtB converter station operations, through a study tour to recently built BtB converter station site(s).

Part 3. Grant management and audit

Provision of support for Grant management and audit, including, inter alia:

(a) fiduciary activities, including procurement and financial management;
(b) preparation of periodic audit reports and financial statements; and
(c) development of an operations manual and studies necessary to prepare the IDA Project, consistent with the applicable World Bank's policies and procedures.
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: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** The Recipient shall vest the overall responsibility for the implementation of the Project in the MoE, and to this end shall:

(a) maintain the MEPIU throughout Project implementation, under the MoE, with professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank, to perform all fiduciary functions for the Project, including, *inter alia*, procurement, financial management, audits, monitoring and evaluation and reporting; and

(b) ensure that the MEPIU coordinates with Moldelectrica for the technical aspects of the Project.

2.04. **Donor Visibility and Visit.** The Recipient shall, upon the World Bank’s request, take all measures required on its part to identify publicly the Donor’s support and enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Safeguards.** The Recipient, through MoE, shall ensure that: (i) the terms of reference for any consultancy required under the Project shall be satisfactory to the World Bank following its review thereof; and (ii) to that end, such terms of reference shall duly incorporate the requirements of the World Bank Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance, including the public disclosure and consultation of the resulting environmental and social impact assessments in accordance with the World Bank Safeguard Policies.

2.06. **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 forty-five (45) days after the end of the period covered by such report.

(b) 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.

2.07. **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, through the MEPIU, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.
(c) The Recipient, through the MEPIU, shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.08. Procurement

All consultants' 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 the "World Bank Procurement Regulations for IPF Borrowers" dated July 2016, revised November 2017 ("Procurement Regulations"), and the provisions of the Recipient's procurement plan for the Project ("Procurement Plan") dated January 31, 2018 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with 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 February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of 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 US Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants' services</td>
<td>389,000</td>
<td>100%</td>
</tr>
<tr>
<td>(including audit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Training</td>
<td>21,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>410,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

Unless otherwise agreed by the World Bank, the Recipient shall ensure that the amounts allocated to finance the Eligible Expenditures under Category 2 do not exceed the financing thresholds established for said Eligible Expenditures pursuant to the Rules of Operation.

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 either (i) twelve months after the Effective Date of this Agreement; or (ii) the date when the Bank declares the IDA Project effective; whichever occurs first.

**Article V**  
**Effectiveness; Termination**

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized by all necessary governmental actions.

4.02. Except as the Recipient and the World Bank shall otherwise agree, the date on which this Agreement shall enter into effect shall be the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 of this Annex. If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date sixty (60) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

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

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Economy and Infrastructure.

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

Ministry of Economy and Infrastructure  
1, Piata Marii Adunari Nationale  
Chisinău 2033, Moldova

Telephone: (+373 22) 250107  
Facsimile: (+373 22) 234064  
Email: mineconcom@mec.gov.md

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

Facsimile: 1-202-477-6391  
Email: moldova_contact@worldbank.org