September 14, 2015

Mr. Eugen Orlando Teodorovici
Minister of Public Finance
Ministry of Public Finance
17 Apolodor Street
Bucharest, Romania

Re: Romania: Grant for Strengthening Financial Accountability of the Public Sector
Grant No. TF018442

Excellency:

In response to the request for financial assistance made on behalf of Romania ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the donors ("Donors") under the Multi-Donor Programmatic Trust Fund for Europe and Central Asia Public Finance Management proposes to extend to Romania ("Recipient") a grant in an amount not to exceed four hundred eighty eight thousand one hundred United States Dollars (US$488,100) ("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 from the Donors. 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 Donors under the abovementioned trust fund, 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank,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

[Signature]
Christian Bodewig
Acting Country Director
Central Europe and the Baltic Countries
Europe and Central Asia

AGREED:

ROMANIA

[Signature]
By: 

Name: Eugen Orlando Teodorovici
Title: Minister of public Finance
Date: 16.11.2015

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
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. The following definitions will have the following meanings:

(a) "FEG-DPL" means the Fiscal Effectiveness and Growth Development Policy Loan series, under Loan Agreements No. 8382-RO, entered into between the Bank and the Recipient.

(b) "MOPF" means Ministry of Public Finance.

(c) "RIB" means results-informed budgeting.

(d) "Rules of Operation" means the Bank’s set of rules and procedures December 17, 2010, applicable to the Multi-Donor Programmatic Trust Fund for Europe and Central Asia Public Finance Management, 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 Donors and the World Bank.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to provide direct support for the implementation of the measures, under the FEG-DPL to strengthen the fiscal management by improving the quality of public spending and financial performance of the state owned enterprises.

The Project consists of the following parts:

Part A: Introduction of the Results-informed Budgeting (RIB)

Providing technical assistance, training and equipment to the Recipient to: (i) allocate resources more efficiently by formulating the adequate methodological guidelines and support for the budget preparation, execution and reporting based on performance and results indicators; (ii) pilot RIB in two (2) line ministries; (iii) develop proposals to accommodate budget classification with results based budgeting; and (iv) carrying out capacity building awareness raising activities with relevant counterparts.
Part B: Improving the Quality of Governance and Financial Reporting (FR) of State Owned Enterprises

Providing technical assistance, training and equipment to the Recipient to: (i) provide strategic and technical guidelines to improve the quality of governance and financial reporting of state owned enterprises; (ii) pilot the new guidelines and carry out related training in up to three (3) SOEs; (iii) carry out training for the Ministry for Public Finance to perform its financial monitoring function; (iv) carry out capacity building activities to improve the state owned enterprise's corporate governance and to advise stakeholders on assessing state owned enterprise's management and performance indicators; and (v) assess the present Financial Reporting (FR) standards compared to the International Financial Reporting Standards (IFRS).

Part C: Project Management, Monitoring and Evaluation

Support MOPF and the Project Management Team in Project management, monitoring, evaluation and reporting.

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 through MOPF, 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) The Recipient shall carry out the Project through a Project Management Team (with maximum 25 staff) established within the MOPF.

(b) At all times during implementation of the Project, the Recipient, through MOF, shall operate and maintain the Project Management Team with functions, composition and resources acceptable to the World Bank, in order to effectively carry out the Project.

2.04. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall monitor and evaluate the progress of the Project and, prepare Project Reports every four (4) months, starting with the date the Grant Agreement is signed by both parties, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the World Bank. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The Recipient shall, upon the World Bank’s request, 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 (6) months after the Closing Date.

2.05. 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 45 days after the end of each calendar semester, covering the semester, 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 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.

2.06. **Procurement.**

(a) **General.** All goods, non-consulting services and 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:


(ii) Sections I and IV of 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 (“Consultant Guidelines”) in the case of consultants’ services; and

(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 1.18 of the Procurement Guidelines and paragraph 1.25 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services.** Goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping and Direct Contracting.

(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: (A) Least Cost Selection; (B) Fixed Budget selection (C) Quality Based Selection (D) Selection based on Consultants’ Qualifications; (E) Single-source selection; and (F) 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) Article III of 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 USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Consultants' Services (including Audit), Training and Operating Costs</td>
<td>488,100</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>488,100</td>
<td></td>
</tr>
</tbody>
</table>

3.02. For the purposes of the above Schedule:

(a) the term "Training" means the costs (other than consultants' services) incurred on the account of training activities under the Project and comprises expenditures related to organizing, conducting or participating at training events such as workshops, seminars, conferences, including: rental costs of training adequate space and equipment, costs for training materials and supplies, costs for catering, costs for translation and interpretation services, and study tours in an amount that does not exceed the financing thresholds established for said Eligible Expenditure pursuant to the Rules of Operation.

(b) the term "Operating Costs" means the costs incurred on the account of Project implementation, comprising: procurement related advertising costs, translation and interpretation costs (other than those related to training events as mentioned above), office supplies, Project related travel costs and per diem allowances for training participants, including accommodation and transportation; banking charges, exchange rate differences, and communications.

3.03. **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 this Agreement.

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

3.05. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is November 30, 2016.
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 Minister of Public Finance.

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

   Ministry of Public Finance
   17 Apolodor Street
   Bucharest, Romania

   Facsimile:
   +40(0) 21.312.25.09

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) or 64145 (MCI)
   Facsimile: 1-202-477-6391