

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF055875

Global Environment Facility Trust Fund Grant Agreement

**(Persistent Organic Pollutants (POPS)
Stockpiles Management and Destruction Project)**

between

REPUBLIC OF MOLDOVA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

(Acting as an Implementing Agency of the Global Environment Facility)

Dated February 9, 2006

GEF TRUST FUND GRANT NUMBER TF055875

**GLOBAL ENVIRONMENT FACILITY TRUST FUND
GRANT AGREEMENT**

AGREEMENT, dated February 9, 2006, between the REPUBLIC OF MOLDOVA (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank), acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, *inter alia*, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the National Implementation Plan for the Stockholm Convention of Persistent Organic Pollutants (the NIP), has requested assistance from the resources of the GEF Trust Fund for funding the project described in Schedule 2 to this Agreement (the Project), and the said request has been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2; and

WHEREAS (D) the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Sections 4.01 and 4.06;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (c), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04; and
 - (x) Article XI.
- (b) The General Conditions shall be modified as follows:
- (i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01(6), 6.02(f) and 5.01(a) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;
 - (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
 - (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
 - (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
 - (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and

- (vi) a new subparagraph is added after subparagraph (o) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Conventions” means collectively: (i) the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal Adopted by the Conference of the Plenipotentiaries on March 22, 1989, and entering into force in May, 1992, pursuant to paragraph 1 of Article 25 of the said convention (“the Basel Convention”); (ii) the Stockholm Convention on Persistent Organic Pollutants (POPs) entering into force on May 17, 2004, pursuant to paragraph 1 of Article 26 of the said convention (“the Stockholm Convention”); and (iii) the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade entering into force on February 24, 2004, pursuant to paragraph 1 of Article 26 of the said convention (“the Rotterdam Convention”);

(b) “Environmental Management Plan” or “EMP” means the Recipient’s plan dated June 30, 2005, accepted by the Bank, setting forth the environmental aspects for the Project as a whole, as such manual may be amended from time to time with the approval of the Bank;

(c) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(d) “MAFI” means the Recipient’s Ministry of Agriculture and Food Industry;

(e) “MENR” means the Recipient’s Ministry of Ecology and Natural Resources;

(f) “MOHSP” means the Recipient’s Ministry of Health and Social Protection;

(g) “MOIF” means the Recipient’s Ministry of Industry and Infrastructure;

(h) “Moldelectrica” means Electrical Company of Moldova, a state enterprise legally established under Government Decision No. 1000, dated October 2, 2000;

(i) “NCC” means the National Coordinating Committee established by a decision of MENR No. 56 dated November 5, 2004, to provide guidance, monitoring and coordination for the POPs’ NIP implementation;

(j) “NIP” means the Recipient’s national implementation plan adopted by Government Decision No. 1155 dated October 20, 2004;

(k) “Obsolete Pesticides” means pesticide products: (a) whose usage is prohibited or severely restricted for environmental or health reasons by applicable provisions of the Conventions, and/or national law consistent with the Conventions; or (b) that have deteriorated as a result of improper or prolonged storage and can neither be used in accordance with label specifications nor easily reformulated for use; or (c) that cannot be used for their intended purpose, and cannot be easily modified to accomplish such purpose or some other purpose;

(l) “Operational Manual” means the manual, to be adopted by the NCC under terms satisfactory to the Bank, setting forth the implementation arrangements for the Project as a whole;

(m) “PCB” means polychlorinated biphenyl;

(n) “PMT” means the Project management team within the MENR for the purposes set forth in paragraph 3 of Part A to Schedule 4 to this Agreement;

(o) “POPs” means persistent organic pollutants which are in the legal ownership or custody of the Recipient or any Public Authority or any company or other entity owned or controlled in whole or in part by the Recipient or by any Public Authority, or become so owned or in such custody during the course of Project implementation;

(p) “Procurement Plan” means the Recipient’s procurement plan, dated October 19, 2005, covering the initial eighteen (18) month period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods of Project implementation;

(q) “Public Authority” means any government entity, whether national or local, located in the territory of the Recipient;

(r) “SHS” means the Recipient’s State Hydrometeorology Services established by Decision No. 310-XII dated October 16, 1990;

(s) “SEI” means the Recipient’s State Ecological Inspectorate established under the MENR by Decision No. 310-XII dated October 16, 1990;

(t) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement; and

(u) “Technical Services” means services related to the transport, packaging, treatment or disposal of POPs.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to six million three hundred and five thousand Dollars (\$6,350,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, consultant services, technical services, training and operating costs required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be May 31, 2010, or such later date as the Bank shall establish in its discretion. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through the MENR with due diligence and efficiency and in conformity with appropriate administrative, financial and pest management practices and with due regard to ecological and environmental factors and to the health and safety of workers, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Recipient shall duly and punctually perform all its obligations under the Conventions and shall exercise its rights thereunder in such manner as to protect the

interests of the Recipient and the Bank and to accomplish the purposes of the Project, and without limitation to the generality of the foregoing, undertake all such actions as may be necessary and proper to ensure the safe and effective treatment and/or disposal of POPs under the Project.

(c) The Recipient shall ensure that no radioactive materials, munitions, or other explosives are present at any of the sites at which treatment or disposal of POPs is undertaken during the course of Project implementation.

(d) Without limitation upon the provisions of paragraphs (a), (b) and (c) of this Section, and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, consultants' services and technical services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be carried out by the Recipient through the MENR and shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient, through the MENR, shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than eighteen (18) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient, through the MENR, shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient, through the MENR, shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient through the MENR shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the Fiscal Year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each Fiscal Year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02 (a) Without limitation upon the Recipient's progress reporting obligations set out in part C of Schedule 4 to this Agreement, the Recipient through the MENR shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and

explains variances between the actual and planned uses of such funds;

- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

- (a) the Recipient shall have withdrawn from or delivered a written notice of its intention to withdraw as a party to the Conventions or shall have failed to perform any of its obligations under the Conventions; and
- (b) the NIP shall have been amended so as, in the opinion of the Bank, to materially and adversely affect the implementation of the Project.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that the Operational Manual has been prepared and adopted by the NCC under terms satisfactory to the Bank.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance
7, Cosmonautilor Street
Chisinau 2005
Republic of Moldova

Telephone:

Facsimile:

(37322) 238844

(37322) 213508

For the Bank:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI)
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Chisinau, Republic of Moldova, as of the day and year first above written.

REPUBLIC OF MOLDOVA

By: /s/ Mihail Pop

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
(Acting as an Implementing Agency of the
Global Environment Facility)

By: /s/ Paul Bermingham

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	650,000	100%
(2) Consultant Services, and Audit	2,160,000	100%
(3) Technical Services	3,040,000	100%
(4) Operating Costs	470,000	100%
(5) Training	<u>30,000</u>	100%
TOTAL	<u>6,350,000</u>	

2. For the purposes of this Schedule:

(a) “Operating Costs” means incremental operating costs incurred by the Recipient on account of Project coordination, implementation, and monitoring activities carried out by the MENR, including office supplies, equipment and furniture; office rent and utilities; communication services; bank charges for the Special Account; maintenance and operation of Project motor vehicles and necessary travel within the Recipient’s country; and salaries of PMT staff (including eligible social charges); as such costs are agreed upon with the Bank; and

(b) “Training” means “expenditures incurred by the Recipient in connection with the carrying out of training activities under the Project, including reasonable cost of transportation, accommodation, per diem and interpretation services and cost of training courses, workshops and study tours for government staff working in POPs related issues, as such costs are agreed upon with the Bank.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$10,000 equivalent per contract; (b) services of individual consultants costing less than \$50,000 equivalent per contract; (c) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (d) Training; and (e) Operating Costs, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objective of the Project is to protect the environment and health by safely managing and disposing stockpiles of POPs contaminated pesticides and PCBs and strengthening the regulatory and institutional management for the long term control of POPs and other toxic substances in line with international conventions and standards.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objective:

Part A: Management and Destruction of POPs

1. Carrying out the destruction of stockpiles POPs containing and contaminated Obsolete Pesticides through the destruction of approximately 1150 tons of stockpiled obsolete pesticides, including packaging and shipment to a hazardous waste incinerator selected for destruction in accordance with the Bank's conditions and terms.
2. Carrying out the management of PCBs and destruction of obsolete capacitor stockpiles.
 - (a) Conducting a nationwide inventory of PCBs in transformers, switches and other electrical equipment.
 - (b) (i) Dismantling of PCB containing capacitor stockpiles from thirteen substations and packing in closed containers; (ii) excavation of capacitors (along with contaminated soils) from the dump sites in Vulcanesti Substation and packing in closed containers, and (ii) shipment of the capacitors and soils referred to in (i) and (ii) to a hazardous waste incinerator for destruction selected in accordance with the Bank's conditions and terms.
 - (c) Carrying out of a feasibility study of site clean-up at the Vulcanesti Substation after the excavation of obsolete capacitors in the site to assess the technical, financial and environmental feasibility of different remediation approaches to the PCB contamination and make short and longer-term recommendations.

Part B: Strengthening the regulatory framework and capacity building for POPs Management

1. Reviewing and updating the legal and regulatory framework to control and manage POPs in accordance with the Conventions and international standards; including:

- (a) Reviewing and assessing existing legislation regarding compliance with the Conventions and EU regulations.
 - (b) Drafting relevant legislation and related regulation and instructions on dangerous chemicals and hazardous waste and providing for the general context of POPs management and detailed rules and procedures, including definition of responsibilities, for implementation of the latter and provision of related training.
- 2. Strengthening the capacity for POPs management through:
 - (a) Strengthening the capacity of inspectorates in various governmental agencies in enforcing POPs regulations and prevention of further accumulation of POPs stockpiles.
 - (b) Upgrading and strengthening of existing state laboratories for POPs analysis.

Part C: Institutional Strengthening and Project Management Support:

- 1. Strengthening the institutional capacity of the MENR for POPs coordination management, including: (a) the implementation of the NIP; (b) developing an information management and reporting system for POPs; (c) developing a POPs monitoring network within national laboratories in the SEI, SHS and MOHSP, including data management and exchange; (d) assisting in the identification and risk assessment of POPs residuals and mapping of contaminated areas; and (e) carrying out awareness and education activities regarding POPs and other hazardous chemicals.
- 2. Supporting the MENR in carrying out Project coordination, implementation, monitoring and evaluation, through the provision of technical advisory services, equipment and operational support.

* * *

The Project is expected to be completed by November, 30, 2009.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts, including contracts for Technical Services, shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$300,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping procedures in accordance with paragraph 3.5 of the Guidelines.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures

1. Quality-based Selection. Services consisting for assignments which the Bank agrees meet the requirements of paragraph 3.2 of the Consultant Guidelines, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.2 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraph 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's prior review and those which shall be subject to Post Review by the Bank.

SCHEDULE 4

Implementation Program

A. Project Implementation

1. For the purposes of the Project, the MENR shall be responsible for the overall implementation of the Project and ensure coordination and cooperation with the appropriate departments in the MOII and MAFI, and other public entities involved in the Project.

2. The Recipient shall maintain, until completion of the Project, the NCC, consisting of high level representatives from the key ministries and governmental bodies, and other representatives as determined by the Recipient's government, which shall be responsible for reviewing the progress of the Project activities and advising on any major policy issues related to the implementation of the Project, including the implementation of the NIP.

3. The Recipient shall maintain throughout the Project a project management team within the MENR under terms of reference and with resources and a staff composition that is acceptable to the Bank for purposes of the day to day management of the Project including financial management, monitoring and evaluation, preparation of progress reports and procurement.

4. The Recipient shall carry out the Project in accordance with the procedures (including procurement, implementation and coordination responsibilities, monitoring and financial management) set forth in the Operational Manual, as such manual may be amended from time to time with the approval of the Bank.

5. For the purposes of the implementation of Part A.1 (a) and Part A.2 (b) of the Project, the Recipient shall ensure that all appropriate measures have been taken to ensure, in the implementation of the Project, the coordination and cooperation with the interested stakeholders (including Moldelectrica) and that all authorizations necessary to carry out Parts A.1 (a) and A.2 (b) of the Project are secured with due diligence and in a timely manner.

Part B. Environmental Measures

The Recipient shall implement the Project in accordance with the EMP.

Part C. Monitoring and Evaluation

1. Bi-Annual Reviews:

The Recipient, through the MENR, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in a Supplemental Letter to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) without prejudice to the obligations contained in paragraph 4.02 of this Agreement, submit to the Bank for its review and approval, no later than March 31 and September 30 in each year of Project implementation (except on March 31, 2008), commencing September 30, 2006, a bi-annual report reviewing the progress in Project implementation during the six (6) months preceding the report, having due regard to the monitoring indicators referred to in sub-paragraph (a) of this paragraph and containing measures proposed to ensure efficient implementation of the Project and achievement of the Project objectives during the period following the report. The bi-annual report submitted by March 31 each year will also contain an annual work plan, acceptable to the Bank, for the year following submission of the report; and

(c) following the submission and review of each bi-annual report, act promptly and diligently to take any corrective action agreed with the Bank to remedy any shortcomings identified in Project implementation, in furtherance of the objectives of the Project.

2. Mid-term Review:

(a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31, 2008, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 (a) of this Schedule 4, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date for discussion during the mid-term review to be carried out jointly with the Bank pursuant to paragraph (b) below; and

(b) review with the Bank by June 30, 2008, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “Eligible Categories” means Categories (1) to (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “Eligible Expenditures” means expenditures in respect of the reasonable costs of goods, consultant services, Technical Services, training and operating costs required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means the amount of \$635,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by

said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the

Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.