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GEF TRUST FUND GRANT NUMBER TF058310

# **Global Environment Facility Trust Fund Grant Agreement**

**(Environment Infrastructure Project)**

**between**

**REPUBLIC OF MOLDOVA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as an Implementing Agency of the Global Environment Facility**

**Dated August 23, 2007**

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**GEF TRUST FUND GRANT NUMBER TF058310**

**GLOBAL ENVIRONMENT FACILITY  
GRANT AGREEMENT**

AGREEMENT dated August 23, 2007, entered into between REPUBLIC OF MOLDOVA ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an implementing agency of the Global Environment Facility ("GEF).

Whereas the Recipient shall cause the Soroca Apa Canal to carry out Part A of the Project utilizing a portion of the financing made available by the International Development Association, acting in its own capacity, under the Development Credit Agreement No. 3763-MD (Pilot Water Supply and Sanitation Project) between the International Development Association and the Recipient, as amended, dated June 9, 2003 (the Development Credit Agreement).

The Recipient and the World Bank hereby agree as follows:

**Article I  
Standard Conditions; Definitions**

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 ("Standard Conditions"), 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 Standard Conditions or in this Agreement.

**Article II  
The Project**

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out Parts B, C and D of the Project through the ACTD in accordance with the provisions of Article II of the Standard Conditions and shall cause the Sorroca Apa Canal to carry out Part A of the Project, in accordance with the provisions of Article II of the Standard Conditions and the Implementation Agreement.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III  
The Grant**

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to four million five hundred sixty two thousand Dollars (\$4,562,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

**Article IV  
Remedies of the World Bank**

4.01. The Additional Events of Suspension consist of the following:

(a) The Soroca Apa Canal shall have failed to perform any of its obligations under the Implementation Agreement.

(b) (i) Subject to sub-paragraph (ii) of this paragraph:

(A) the right of the Recipient to withdraw the proceeds of the Credit No. 3763-MD shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Development Credit Agreement, or

(B) Credit No. 3763-MD shall have become due and payable prior to the agreed maturity thereof.

(ii) Sub-paragraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that:

(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under the Development Credit Agreement; and

(B) adequate funds for Part A of the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

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

- 5.01. The Grant 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 or ratified by all necessary governmental and corporate action.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01 of this Agreement, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank showing the following matters:
- (a) on behalf of the Recipient, this Agreement, to which it is a party, has been duly authorized or ratified by, and executed and delivered on behalf of, such party and is legally binding upon such party in accordance with its terms;
  - (b) the Implementation Agreement has been duly authorized by the Recipient and the Soroca Apa Canal, and is legally binding upon its parties in accordance with its terms; and
  - (c) the land acquisition required under Part A.1 of the Project has been undertaken in compliance with the relevant laws of the Recipient.

**Article VI**  
**Recipient's Representative; Addresses**

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.
- 6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:

(373-22) 24-0055

- 6.03. 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:                        | Telex:                         | Facsimile:     |
| INTBAFRAD<br>Washington, D.C. | 248423 (MCI) or<br>64145 (MCI) | 1-202-477-6391 |

AGREED at 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/ Melanie Marlett

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to improve the quality of sanitary services in Soroca and reduce the discharge of pollutants, including nutrients, from Soroca municipal sources that flow into the Nistru River and demonstrate and disseminate cost-effective nutrient reduction strategies and technologies for municipal wastewater sources.

The Project consists of the following parts:

#### Part A: Wastewater Management in Soroca

1. Providing support for the rehabilitation of the wastewater collection system, necessary sewerage pressure pipelines and the construction of wastewater treatment facility using constructed wetlands technology for Soroca.
2. Providing support to the Soroca Apa Canal for the operation and maintenance of the wastewater treatment facility.

#### Part B: Knowledge Dissemination/Public Awareness and Replication Strategy related to Constructed Wetlands

Carrying out public awareness activities at the local, national and regional levels, including workshops, field trips, and other mass media events and products, to introduce the Project and its benefits, to promote nutrient load reduction and implementation of the low cost wastewater treatment practices, and to promote replication of the activities under the Project in other countries, including the Black Sea riparian countries.

#### Part C: Institutional Strengthening and Capacity Building

1. Providing support to develop a communication strategy and capacity building for media campaign and community and civil society outreach to prepare for the necessary increase of a sewage treatment surcharge.
2. Providing capacity building to the staff of the Soroca Apa Canal for operational efficiency improvements of wastewater treatment and overall sewerage system management.

#### Part D: Project Management

Supporting the PIU in connection with Project implementation, monitoring, evaluation, impact assessment and financial management, including auditing services.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

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

1. ACTD responsible for the overall oversight and management of the Project

The Recipient, through the ACTD, shall oversee the overall Project implementation and management with due diligence and efficiency, all in accordance with the Operations Manual.

2. Project Implementing Unit responsible for the overall day-to-day management of the Project

The Recipient shall maintain throughout the implementation of the Project, a PIU within the ACTD, under terms of reference, resources and a composition satisfactory to the World Bank for the purpose of carrying out the overall day-to-day management of the Project, including financial and procurement management and other Project-related tasks, all in accordance with the Operations Manual.

3. Soroca Apa Canal responsible for the implementation and management of Part A of the Project

The Soroca Apa Canal shall be responsible for the implementation and management of Part A of the Project, including environmental and progress reporting for Part A of the Project, with due diligence and efficiency and in accordance with the Operations Manual. To this effect, the Soroca Apa Canal shall appoint sufficient and qualified staff and provide resources to carry out its tasks under Part A of the Project.

4. Project Steering Committee

The Recipient shall maintain, throughout the implementation of the Project, a Project Steering Committee which shall act as a body responsible for the strategic coordination and oversight of Project activities, all under terms of reference and a composition satisfactory to the World Bank.

5. Operational Manual

The Recipient, through the ACTD, shall: (i) take all necessary measures to implement the Project in accordance with the Operational Manual and shall not



amend, suspend, abrogate, repeal or waive any provisions of the Operational Manual without prior approval of the World Bank.

**B. Implementation Agreement**

1. To facilitate the carrying out of Part A of the Project, the Recipient, through the ACTD, shall enter into an implementation agreement with the Soroca Apa Canal, under terms and conditions satisfactory to the World Bank, which shall include provisions setting forth that the Soroca Apa Canal shall be responsible for the implementation and management of Part A of the Project, all in accordance with the Operations Manual ("Implementation Agreement").
2. The Recipient shall exercise its rights under the Implementation Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Implementation Agreement or any of its provisions.

**C. Safeguards**

1. Environmental Safeguard

(a) The Recipient, through the ACTD, shall ensure that all measures necessary for the carrying out of the Environmental Management Plan shall be taken in a timely manner and that all legal and administrative planning and environmental permits and authorizations necessary to carry out Part A.1 of the Project are secured in a timely manner and with due diligence. The Recipient, through ACTD, shall ensure that adequate information on the implementation of said measures is suitably included in the Project progress reports to be prepared pursuant to the provisions of Section II.A of this Schedule. The Environmental Management Plan may be revised from time to time by the Recipient, through the ACTD, including after the final design of the wastewater treatment facility has been finalized, under terms satisfactory to the World Bank and after prior consultation of the World Bank.

(b) The Recipient shall cause the Soroca Apa Canal to take all measures necessary and identified under the Environmental Management Plan at all times in a timely manner, ensuring that adequate information on the implementation of said measures is suitably included in the Project progress reports to be prepared pursuant to the provisions of Section II.A of this Schedule.

2. Land Acquired for Part A of the Project

(a) For the purposes of carrying out Part A.1 of the Project, the Recipient has ensured that the selected parcel of land necessary for the construction of the

wastewater treatment facility: (i) has been transferred to the Municipality of Soroca in accordance with the Recipient's laws and regulations and under terms satisfactory to the Bank; (ii) is free of all encumbrances, servitudes or other property rights or claims by parties other than the Recipient and Soroca, including any potential claims for restitution or other rights to use or occupy the property; and (iii) is not currently inhabited, occupied or used by third parties nor was it at the time of the transfer of property.

(b) In the event that the Recipient or Soroca Apa Canal is made aware of a restitution or other claim or in the event that the Recipient or Soroca Apa Canal discovers that there are settlements, illegal or otherwise, of individuals on the selected land, the Recipient shall immediately cease the construction of the wastewater treatment facility and any related activity and notify the World Bank of the above situation.

(c) In the event described under paragraph (b) above, the Recipient shall promptly propose measures to address said situation in accordance with applicable World Bank safeguard policies, and agree with the World Bank on terms and conditions under which the construction of the wastewater facility could move forward.

#### **D. Midterm Review**

1. Not later than December 15, 2009, the Recipient, through the ACTD, shall carry out jointly with the World Bank, a mid-term review of the progress made in carrying out the Project (hereinafter referred to as the Mid-term Review).

The Mid-term Review shall cover, amongst other things:

- (a) progress made in meeting the Project's objectives; and
- (b) overall Project performance against Project performance indicators.

2. The Recipient, through the ACTD, shall prepare, and at least two (2) months prior to the Mid-term Review, furnish to the World Bank, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally (the "Mid-term Report").

3. The Recipient, through the ACTD, shall, not later than two (2) months after the Mid-term Review, prepare and submit to the World Bank an action program, acceptable to the World Bank, for the further implementation of the Project having regard to the findings of the Mid-term Review and, thereafter, implement such action program.

**E. Other Undertakings.**

1. Unless the World Bank shall otherwise agree, the Recipient shall commit the following resources for the construction of the wastewater collection system and necessary sewerage pressure pipelines under Part A.1 of the Project in an aggregate amount equivalent to \$1,300,000, throughout the implementation of the Project, in accordance with the disbursement projections for each year to be prepared by the PIU, after consultation with the World Bank, not later than November 30 of each year throughout the implementation of the Project, starting on November 30, 2007.

2. (a) Except as the World Bank shall otherwise agree, the Recipient shall take all measures necessary to ensure that the Soroca Apa Canal shall maintain for each Fiscal Year, a ratio of cash operating expenses to cash operating revenues not higher than 90%.

(b) Within three (3) months of the end of the preceding Fiscal Year, the Recipient shall, each year throughout the implementation of the Project, on the basis of forecasts prepared by Soroca Apa Canal and satisfactory to the World Bank, review whether the Soroca Apa Canal would meet the requirements set forth in paragraph (a) in respect of such year and the next following Fiscal Year, and shall furnish to the World Bank the results of such review upon its completion.

(c) If any such review shows that the Soroca Apa Canal would not meet the requirements set forth in paragraph (a) for the Soroca Apa Canal's Fiscal Years covered by such review, the Recipient shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of the Soroca Apa Canal's rates) in order for Soroca Apa Canal to meet such requirements.

(d) For the purposes of this Section:

(i) the term "cash operating expenses" means the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt and taxes on profit; and

(ii) the term "cash operating revenues" means the sum of cash revenues from all sources.

3. (a) Except as the World Bank shall otherwise agree, the Recipient shall take all measures necessary to ensure that the Soroca Apa Canal shall not incur any debt unless a reasonable forecast of the revenues and expenditures of the Soroca Apa Canal shows that the estimated net revenues of the Soroca Apa Canal for each Fiscal Year during the term of the debt to be incurred shall be at least 1.3 time the estimated debt service requirements of the Soroca Apa Canal in such year on all debt of the Soroca Apa Canal including the debt to be incurred.

(b) For purposes of this Section:

- (i) The term "debt" means any indebtedness of the Soroca Apa Canal maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between:
  - (A) the sum of revenues from all sources; and
  - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt and taxes on profit.
- (iv) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (v) The term "reasonable forecast" means a forecast prepared by the Soroca Apa Canal not earlier than twelve months prior to the incurrence of the debt in question, which both the World Bank and the Recipient accept as reasonable and as to which the World Bank has notified the Recipient of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Soroca Apa Canal.
- (vi) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the World Bank.

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

### **A. Project Reports; Completion Report**

1. The Recipient, through the PIU, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with 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.

2. 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 three (3) months after the Closing Date.

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

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

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

3. The Recipient shall have its Financial Statements for the Project 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 audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

4. The Recipient shall cause the Soroca Apa Canal to have its Financial Statements for the Project 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 audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

## **Section III. Procurement**

### **A. General**

1. **Goods and Works.** All goods and works 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 Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. **Consultants' Services.** 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 Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.

3. **Definitions.** The capitalized terms used below in 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 Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** (a) The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

| Procurement Method |          |
|--------------------|----------|
|                    | Shopping |

**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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| Procurement Method |                                                |
|--------------------|------------------------------------------------|
| (a)                | Selection Based on Consultants' Qualifications |
| (b)                | Selection of Individual Consultants            |

**D. 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.

**Section IV. Withdrawal of Grant Proceeds**

**A. General.**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of this Section and such additional instructions as the World Bank shall specify by notice to the Recipient 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 Grant ("Category"), the allocation of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

| <b>Category</b>                                                                                    | <b>Amount of the Grant<br/>Allocated<br/>(expressed in USD)</b> | <b>Percentage of<br/>Expenditures to be<br/>financed</b> |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------|
| (1) Goods, works, consultants' services, including audit services, and Incremental Operating Costs | 4,562,000                                                       | 100 %                                                    |
| <b>TOTAL AMOUNT</b>                                                                                | <b>4,562,000</b>                                                |                                                          |

3. For the purposes of the table in Part A.2 of Section IV of this Agreement, the term "Incremental Operating Costs" means the incremental operating costs incurred by the PIU on account of Project implementation, including: PIU staff salaries and related taxes and social charges (for non-civil servants), office rent and maintenance and supplies; fuel and vehicle maintenance, bank charges, PIU staff travel (field trips/per diem), bid advertisements, and communications, and any other expenditure to be agreed with the World Bank.

**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 15, 2011.

## **APPENDIX**

### **Definitions**

1. “ACTD” means the Agency for Construction and Territorial Development established pursuant to Government Decree No. 864, dated August 1, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004, revised October 1, 2006.
4. “Development Credit Agreement” means the Development Credit Agreement for the Pilot Water Supply and Sanitation Project dated June 9, 2003, between the World Bank and the Recipient (Credit No. 3763-MD), and such term includes all schedules and agreements supplemental to the Development Credit Agreement.
5. “Environmental Management Plan” means the Environmental Management Plan describing the environmental mitigation measures anticipated for investments under the Project and parties responsible for monitoring of construction and operational impacts.
6. “Fiscal Year” means the period starting on January 1 and ending on December 31.
7. “Implementation Agreement” means the agreement dated June 15, 2007 between the ACTD and the Sorroca Apa Canal (as defined hereinafter) for the implementation of Part A of the Project, under terms satisfactory to the World Bank.
8. “Operational Manual” means the manual dated May 19, 2007 describing procedures for implementation of the Project and including, inter alia: (i) procedures governing administrative, procurement, accounting, financial management, and monitoring and evaluation arrangements; (ii) sample formats of interim un-audited financial reports and Project Reports; and (iii) eligibility criteria, selection procedures, terms and conditions and procurement arrangements for the provision of Sub-projects.
9. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004, revised October 1, 2006.
10. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 13, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines



and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

11. “Project Implementation Unit” or “PIU” means the Project Implementation Unit under the ACTD, established pursuant to Government Decree No. 986, dated August 11, 2003, or any legal successor thereto satisfactory to the World Bank.
12. “Project Steering Committee” means the committee established by the Recipient pursuant to Government Decree No. 986, dated August 11, 2003
13. “Soroca” means the Recipient’s town of Soroca, organized under the Law on Administrative and Territorial Organization of the Republic of Moldova No. 764-XV, dated December 27, 2001.
14. “Soroca Apa Canal” means the Soroca water utility, a municipal enterprise, established and operating in accordance with the Charter registered under the State Chamber of Registration No. 150031565, dated January 1, 2001.