ACORD
de împrumut dintre Republica Moldova şi Banca Europeană pentru Reconstrucție şi Dezvoltare privind implementarea proiectului „Interconectarea rețelelor de energie electrică dintre Republica Moldova şi România, Faza I"

Chişinău, 20 decembrie 2017

LOAN AGREEMENT

(Moldova Romania Power Interconnection Phase I)

between

REPUBLIC OF MOLDOVA

and

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated 20 December 2017 between the **REPUBLIC OF MOLDOVA** (the "Borrower") and **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT** (the "Bank").

PREAMBLE

WHEREAS, the Bank has been established to provide financing for specific projects to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics;

WHEREAS, the Borrower intends to implement the Project as described in Schedule 1 which is designed to assist in construction, equipment and placing into operation of Moldova-Romania power interconnection;

WHEREAS, the Project will be carried out by the State Enterprise Moldelectrica, organised as State Enterprise in the Republic of Moldova, according to Law 146-XIII issued on 16 June 1994 (the "Project Entity") with financial assistance from the Borrower;

WHEREAS, the Borrower has requested assistance from the Bank in financing part of the Project;

WHEREAS, the Borrower intends to contract a loan from the European Investment Bank ("EIB") in the amount of EUR 80,000,000 to assist in financing the Project, subject to the terms and conditions to be set forth in an agreement (the "EIB Loan Agreement") between the Borrower and EIB;

WHEREAS, the Borrower intends to contract a loan from the World Bank in an amount which is the USD equivalent of EUR 70,000,000 to assist in financing the Project, subject to the terms and conditions to be set forth in an agreement (the "World Bank Loan Agreement") between the Borrower and World Bank;

WHEREAS, the Borrower has obtained a grant from the European Union through its Neighbourhood Investment Facility in the amount of EUR 40,000,000 (the "NIF Grant") on 6 July 2017 to assist in financing the Project, subject to the terms and conditions to be set forth under a grant agreement to be signed between the Borrower, the Project Entity and the Bank (the "Grant Agreement"); and

WHEREAS, the Bank has agreed on the basis of, *inter alia*, the foregoing to make a loan to the Borrower in the amount of EUR 80,000,000 subject to the terms and conditions set forth or referred to in this Agreement and in the project agreement dated the date hereof between the Project Entity and the Bank (the "Project Agreement" as defined in the Standard Terms and Conditions).

NOW, THEREFORE, the parties hereby agree as follows:

ARTICLE I - STANDARD TERMS AND CONDITIONS; DEFINITIONS

Section 1.01. Incorporation of Standard Terms and Conditions

All of the provisions of the Bank's Standard Terms and Conditions dated 1 December 2012 are hereby incorporated into and made applicable to this Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications (such provisions as so modified are hereinafter called the "Standard Terms and Conditions"):

(a) The definition of "Euro", "EUR" or "€" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

""Euro", "EUR" or "€"	means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the legislation of the European Union relating to economic and monetary union."

(b) The definitions of "Coercive Practice", "Collusive Practice", "Corrupt Practice" and "Fraudulent Practice" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be deleted in their entirety.

(c) The definition of "Prohibited Practice" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

""Prohibited Practice"	means a coercive practice, a collusive practice, a corrupt practice, a fraudulent practice, a misuse of the Bank's resources, an obstructive practice or a theft, as each of these terms is defined in the Bank's Enforcement Policy and Procedures dated the date so specified in the Loan Agreement under the definition of "Enforcement Policy and Procedures"."

(d) The definition of "Reference Page" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

""Reference Page"	means the display of (i) for Loans denominated in USD or £, London interbank offered rates of major banks for deposits in the Loan Currency designated as pages LIBOR01 and LIBOR02 on Thomson Reuters services (or such other page as may replace pages LIBOR01 and LIBOR02 on Thomson Reuters services for the purpose of displaying London interbank offered rates for deposits in the Loan Currency), and (ii) for Loans denominated in Euro, Euro-zone interbank offered rates for deposits in the Loan Currency designated as page EURIBOR01 on Thomson Reuters services (or such other page as may replace EURIBOR01 on Thomson Reuters services for the purpose of displaying Euro-zone

interbank offered rates for deposits in the Loan Currency)."

(e) The definition of "TARGET Day" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

""TARGET Day"	means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer system is open for the settlement of payments in Euro."

(f) Section 3.04(a) of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

"(a) If the Loan is subject to a Variable Interest Rate then, for purposes of Section 3.04(b) below, the Relevant Market Interest Rate shall be:

(i) for the first Interest Period of each Drawdown, the offered rate per annum for deposits in the Loan Currency that appears on the Reference Page as of 11:00 a.m., as applicable, London time (for USD or £) or Brussels time (for Euro), on the relevant Interest Determination Date for the period which equals the duration of such Interest Period (or if no such rate appears on the Reference Page for a period equal to the duration of such Interest Period but rates ("Reference Rates") do appear on the Reference Page both for a period that is shorter than and for a period that is longer than the duration of such Interest Period, the Relevant Market Interest Rate shall be the rate (rounded upward, if necessary, to four decimal places) that would be applicable for a period equal to the duration of such Interest Period as determined through the use of straight-line interpolation by reference to the Reference Rate that appears on the Reference Page for the period that is the next shorter in length than the duration of such Interest Period and the Reference Rate that appears on the Reference Page for the period that is the next longer in length than the duration of such Interest Period); and

(i) for each subsequent Interest Period, the offered rate per annum for deposits in the Loan Currency which appears on the Reference Page as of 11:00 a.m., as applicable, London time (for USD or £) or Brussels time (for Euro), on the relevant Interest Determination Date for the period which is closest to the duration of such Interest Period (or, if two periods are equally close to the duration of such Interest Period, the average of the two relevant rates);

provided that:

(1) if, for any reason, the Relevant Market Interest Rate cannot be determined at such time by reference to the Reference Page, the Relevant Market Interest Rate shall be the rate per annum which the Bank determines to be the arithmetic mean (rounded upward, if necessary, to four decimal places) of the offered rates per annum for deposits in the Loan Currency in an amount comparable to the portion of the Loan subject to a Variable Interest Rate scheduled to be outstanding during the relevant Interest Period for a period equal to such Interest Period which are quoted to leading banks in, as applicable, the London interbank market (for USD or £) or Euro-zone interbank market (for Euro) as advised to the Bank by at least two major banks active in, as applicable, the London interbank market (for USD or £) or Euro-zone interbank market (for Euro) selected by the Bank; and

(2) if pursuant to the terms specified in this Section 3.04(a), the Relevant Market Interest Rate would be below zero, the Relevant Market Interest Rate will be deemed to be zero."

(g) Section 3.04 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to include a new Section 3.04(e) which shall read as follows:

"(e) If an event specified in Section 7.06 of the Standard Terms and Conditions has occurred and is continuing, the Bank may elect to require the Borrower to pay interest on the portion of the Loan, if any, that is subject to a Fixed Interest Rate not at such Fixed Interest Rate but instead at a Variable Interest Rate."

(h) Section 3.09(a)(iii) of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows: "(iii)the interest rate per annum offered in, as applicable, the London interbank market (for USD or £) or the Euro-zone interbank market (for Euro), on the Default Interest Determination Date for a deposit in the Loan Currency of an amount comparable to the overdue amount for a period equal to the relevant Default Interest Period or, if or, if a Market Disruption Event has occurred, the rate which expresses as a percentage rate per annum the cost to the Bank of funding the Loan from whatever source the Bank may reasonably select (or at the option of the Bank, the Relevant Market Interest Rate, if available), provided that if the rate pursuant to this sub-paragraph (iii) would be below zero, the rate will be deemed to be zero."

(i) Section 3.10(b)(2) of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows: "any portion of the Loan which is subject to a Fixed Interest Rate is accelerated pursuant to Section 7.06 or otherwise becomes due prior to its stated maturity or becomes subject to a Variable Interest Rate pursuant to Section 3.04(e) of the Standard Terms and Conditions; or".

(j) Section 3.13(a)(1)(B) of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows: "(B) the rate, as notified by the Bank to the Borrower as soon as practicable and in any event before interest is due to be paid in respect of the relevant Interest Period, which expresses as a percentage rate per annum the cost to the Bank of funding the Loan from whatever source the Bank may reasonably select (or, at the option of the Bank, the Relevant Market Interest Rate, if

available), provided that if the rate pursuant to this sub-paragraph (B) would be below zero, the rate will be deemed to be zero; and"

(k) Section 4.04(a)(ii) of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

"(ii) enable the Bank's representatives, at the Bank's request;

(A) to visit any facilities and construction sites relating to the Project;

(B) to examine any and all goods, works and services financed out of the proceeds of the Loan and any plants, installations, sites, works, buildings, property, equipment, records and documents relevant to the performance of the obligations of the Borrower under the Loan Agreement;

(C) for these purposes, to meet and hold discussions with such representatives and employees of the Borrower as the Bank may deem necessary and appropriate,

in each case, including in order (i) to facilitate the Bank's evaluation of the Project and enable the Bank to examine and address any Project-related complaint made under the Bank's Project Complaint Mechanism and (ii) to assess whether a Prohibited Practice has occurred in relation to the Project or the transactions contemplated herein."

(l) Section 8.01 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to include an additional paragraph which shall read as follows:

"Notwithstanding any other provisions of these Standard Terms and Conditions, the Loan Agreement, the Guarantee Agreement or any Project Agreement, the Borrower, the Guarantor and each Project Entity (if any) are deemed to acknowledge and agree that the Bank may invoke the Enforcement Policy and Procedures in respect of allegations of Prohibited Practices."

(m) Section 8.04(b)(iii) of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows: "(iii) Where the Secretary-General of the Permanent Court of Arbitration is to appoint an arbitrator, the Secretary-General of the Permanent Court of Arbitration shall be at liberty to choose any person he/she regards as suitable to act as arbitrator pursuant to Articles 9.2 and/or 9.3 of the UNCITRAL Arbitration Rules."

Section 1.02. Definitions

Wherever used in this Agreement (including the Preamble and Schedules), unless stated otherwise or the context otherwise requires, the terms defined in the Preamble have the respective meanings given to them therein, the terms defined in the Standard Terms and Conditions have the respective meanings given to them therein and the following terms have the following meanings:

"ANRE"	means the National Energy Regulatory Agency of Moldova.
"Borrower's Authorised Representative"	means the Minister of Finance of the Borrower and the Authorized State Secretary of the Ministry of Finance of the Borrower, each acting individually.
"ClientNet"	means the Bank's online portal for the transmission of documents and information between the Bank and its clients, and any replacement website as the Bank may from time to time notify the Borrower.
"Enforcement Policy and Procedures"	means the Bank's Enforcement Policy and Procedures dated November 2015.
"Fiscal Year"	means the Borrower's fiscal year commencing on 1 January of each year.
"IPFA"	means the Interconnection and Power Flow Agreement between Transelectrica (Romanian TSO) and the Project Entity which sets up the obligations of each party to ensure the operation of the Project.
"Lenders"	mean EBRD, EIB and World Bank.
"Lenders' Engineer"	means a consultant appointed under terms of reference acceptable to the Bank in accordance with the EBRD Procurement Rules, to perform the Lenders' engineer functions for the Project.
"NIF Grant"	has the meaning ascribed to it in the Preamble section.
"PIAP"	means the Project Implementation Agreement for Procurement which will set the specific terms and conditions regarding procurement arrangements between EIB and the Bank.
"PIU"	means the project implementation unit referred to in Section 2.03 of the Project Agreement.
"PowerSAP"	means the Power Sector Reform Action Plan agreed between the Borrower, the Bank, EIB, World Bank and the Energy Community defining key actions and deadlines in respect to reforms in the electricity sector, attached hereto as Schedule 3.
"Subsidiary Loan Agreement"	means the loan agreement to be entered into between the Project Entity and the Borrower pursuant to Section

3.01(a), as such loan agreement may be amended from time to time.

Section 1.03. Interpretation

In this Agreement, a reference to a specified Article, Section or Schedule shall, except where stated otherwise in this Agreement, be construed as a reference to that specified Article or Section of, or Schedule to, this Agreement.

ARTICLE II - PRINCIPAL TERMS OF THE LOAN

Section 2.01. Amount and Currency

The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of EUR 80,000,000.

Section 2.02. Other Financial Terms of the Loan

(a) The Minimum Drawdown Amount shall be EUR 500,000.

(b) The Minimum Prepayment Amount shall be EUR 5 million.

(c) The Minimum Cancellation Amount shall be EUR 5 million.

(d) The Interest Payment Dates shall be 25 April and 25 October of each year.

(e) (1) The Borrower shall repay the Loan in 30 equal (or as nearly equal as possible) semi-annual instalments on 25 April and 25 October of each year, with the first Loan Repayment Date being 25 April 2021 and the last Loan Repayment Date being 25 October 2035.

(2) Notwithstanding the foregoing, in the event that (i) the Borrower does not draw down the entire Loan amount prior to the first Loan Repayment Date specified in this Section 2.02.(e), and (ii) the Bank extends the Last Availability Date specified in Section 2.02.(f) below to a date which falls after such first Loan Repayment Date, then the amount of each drawdown made on or after the first Loan Repayment Date shall be allocated for repayment in equal amounts to the several Loan Repayment Dates which fall after the date of such drawdown (with the Bank adjusting the amounts so allocated as necessary so as to achieve whole numbers in each case). The Bank shall, from time to time, notify the Borrower of such allocations.

(f) The Last Availability Date shall be the date falling three years after the Effective Date, or such later date that the Bank may in its discretion establish and notify to the Borrower.

(g) The rate of the Commitment Charge shall be 0.5% per annum.

(h) The Loan is subject to a Variable Interest Rate. Notwithstanding the foregoing, the Borrower may, as an alternative to paying interest at a Variable Interest Rate on all or any portion of the Loan then outstanding, elect to pay interest at a Fixed Interest Rate on such portion of the Loan in accordance with Section 3.04(c) of the Standard Terms and Conditions.

Section 2.03. Drawdowns

(a) The Available Amount may be drawn down from time to time in accordance with the provisions of Schedule 2 to finance expenditures made (or, if the Bank so agrees, to be made) in respect of the reasonable cost of goods, works and services required for the Project.

(b) Notwithstanding Section 3.05(c) of the Standard Terms and Conditions, the Borrower has opted not to have the Front-end Commission paid out of the Available Amount and shall instead pay the Front-end Commission out of its own resources. The payment of the Front-end Commission by the Borrower shall be made pursuant to Section 3.05(d) of the Standard Terms and Conditions.

Section 2.04. Prepayment

Notwithstanding Section 3.07 of the Standard Terms and Conditions, the Borrower shall, unless the Bank otherwise agrees, upon receipt of a prepayment from the Project Entity pursuant to Section 3.02(a)(16) of the Project Agreement, make a prepayment of the Loan in the amount of such prepayment, or if such prepayment is less than (i) the Minimum Prepayment Amount or (ii) the principal amount of the Loan drawn down and not repaid, in the lesser of the amounts in (i) and (ii) above.

ARTICLE III - EXECUTION OF THE PROJECT

Section 3.01. Other Project Covenants

In addition to the general undertakings set forth in Articles IV and V of the Standard Terms and Conditions, the Borrower shall, and shall cause any of its competent authorities, including the Ministry of Economy and Infrastructure, unless the Bank otherwise agrees:

(a) Make available to the Project Entity, pursuant to a loan agreement in form and substance satisfactory to the Bank, the proceeds of the Loan on terms and conditions substantially the same as those of the Loan ("Subsidiary Loan Agreement");

(b) Exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank, to comply with the provisions of this Agreement and to accomplish the purposes for which the Loan is made;

(c) Not assign, amend, abrogate or waive any provision of the Subsidiary Loan Agreement;

(d) Take or shall cause the Project Entity to take all actions necessary to provide adequate funds and other resources, including human resources for the completion of the Project;

(e) Including through the Ministry of Economy and Infrastructure, cause the Project Entity to perform all of its obligations under the Project Agreement, including without limitation its obligations relating to:

(1) establishment and operation of a project implementation unit as provided for in Section 2.03 of the Project Agreement;

(2) procurement of goods, works and services from the Project as provided for in Section 2.04 of the Project Agreement;

(3) environmental and social matters as provided for in Section 2.05 of the Project Agreement;

(4) employment and use of consultants to assist in the implementation of the Project as provided for in Section 2.06 of the Project Agreement;

(5) preparation and submission of reports on matters relating to the Project and to the Project Entity's operations as provided for in Section 2.07 of the Project Agreement;

(6) maintenance of procedures, records and accounts, preparation, auditing and submission to the Bank of financial statements and furnishing to the Bank any other relevant information relating to the Project or the Project Entity's operations as provided for in Section 3.01 of the Project Agreement; and

(7) compliance with all covenants regarding financial and operational aspects of the Project and the Project Entity as provided for in Sections 3.02, 3.03 and 3.04 of the Project Agreement;

(f) Take all action necessary to achieve that the EIB Loan Agreement and the Grant Agreement become effective no later than 360 days from the date of this Agreement or such other date as the Bank has established in writing;

(g) Take, or cause to be taken, all additional action necessary to provide adequate funds for the completion of the Project;

(h) Including through the Ministry of Economy and Infrastructure, take all action necessary to provide assistance and support, as may be required, to the consultants appointed under the Project to implement their respective assignments under the terms of reference acceptable to the Bank and appointed in line with the EBRD Procurement Rules;

(i) Exempt from taxes (including, without limitation, VAT) and duties (including, without limitation, any customs duties) all goods, works and services (including

consultancy services), procured by the Project Entity for the Project and financed from the proceeds of the Loan, or provide for their reimbursement.

(j) Take any action in accordance with the laws of the Republic of Moldova which is required to maintain the independence of ANRE including in setting a methodology for the cost based tariffs and development of electricity transportation services that among other things will reflect the Project costs in accordance with the long term plan as approved by ANRE.

(k) Not amend, suspend, abrogate, repeal or waive its legislation so as to affect materially and adversely the ability of the Project Entity to perform any of its obligations under the Project Agreement;

(l) Not, without the prior written consent of the Bank, claim, make, recover, receive or retain (or seek to claim, make, recover, receive or retain) any dividend or other form of distribution (including by means of any charge, fee, the repayment of any loan or otherwise and whether in cash or in kind) from the Project Entity; and

(m) Not instruct or otherwise direct the Project Entity to use its profits, or any significant portion thereof, for the making of investments that could jeopardise in any way the successful implementation of the Project and the successful and punctual repayment of the indebtedness under the Subsidiary Loan Agreement.

(n) Upon completion of the Project, ensure that ANRE confirms that the investments made under the Project have been or will be recognised in the tariffs of the Project Entity.

(o) Take, or cause to be taken, all action necessary to implement the PowerSAP as set forth therein;

(p) Through the Ministry of Economy and Infrastructure, ensure that the appropriate departments in the Ministry of Economy and Infrastructure oversee the overall Project implementation and management with due diligence and efficiency;

(q) Including through the Ministry of Economy and Infrastructure, ensure that the Project Entity shall be responsible for the day-to-day management of the Project, including financial and procurement management and other Project-related tasks;

(r) The IPFA shall be executed and delivered to the Bank before completion of the Project; and

(s) If the Project Entity presents to EBRD the plan contemplated by Section 5.01(n)(i) hereof, then the Borrower shall, and shall cause any of its competent authorities, including through the Ministry of Economy and Infrastructure, ensure that an appropriate site contamination clean-up programme (subject to sign-off by the Lenders) is implemented for the land plot selected for the Vulcaneshti substation, if necessary based on the PCB (Polychlorinated biphenyl) and dioxins investigations, ensuring that the construction works can be executed in line with occupational safety exposure limits and that there are no environmental liabilities to third parties through soil and groundwater contamination; or if the Project Entity presents to EBRD the plan contemplated by Section 5.01(n)(ii) hereof, then the Borrower shall, and shall cause any

of its competent authorities, including through the Ministry of Economy and Infrastructure, ensure that the Project Entity acquires the alternate site in a manner satisfactory to the Bank.

ARTICLE IV - SUSPENSION; ACCELERATION; CANCELLATION

Section 4.01. Suspension

The following are specified for purposes of Section 7.01(a)(xvii) of the Standard Terms and Conditions:

(a) The legislative and regulatory framework applicable to the electricity transmission sector in the territory of the Borrower shall have been amended, suspended, abrogated, repealed or waived in a manner that has or could have a material adverse effect on the Project or the operations or the financial condition of the Project Entity or its ability to carry out the Project or perform any of its obligations under the Project Agreement, the Subsidiary Loan Agreement or the transactions contemplated thereunder;

(b) Control of the Project Entity shall have been transferred to a party other than the Borrower; or

(c) The Project Entity shall have failed to perform any of its obligations under the Subsidiary Loan Agreement.

ARTICLE V - EFFECTIVENESS

Section 5.01. Conditions Precedent to Effectiveness

The following are specified for purposes of Section 9.02(c) of the Standard Terms and Conditions as additional conditions to the effectiveness of this Agreement and the Project Agreement:

(a) The Subsidiary Loan Agreement, in form and substance satisfactory to the Bank, has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Project Entity to make drawings thereunder, except only the effectiveness of this Agreement, have been fulfilled;

(b) The Project Agreement has been executed and delivered and all conditions precedent to its effectiveness have been fulfilled;

(c) The Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make drawings thereunder, except only the effectiveness of this Agreement, have been fulfilled;

(d) The EIB Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make drawings thereunder, except only the effectiveness of this Agreement, have been fulfilled;

(e) A project agreement has been executed and delivered by EIB and the Project Entity in relation to the EIB Loan Agreement;

(f) The Parliament of the Borrower has ratified the Loan and the loans under the EIB Loan Agreement;

(g) The PIU shall have been established, with staff and terms of reference acceptable to the Bank;

(h) The tariffs for electricity transmission as approved by the ANRE are compliant with the existing methodology and are fully reflecting the regulated costs of the Project Entity and the current methodology is cost reflective of the investment in the Project (i.e. upon completion, the investment cost of the Project will be recognised in the Regulated Asset Base (RAB));

(i) A letter from the ANRE has been provided to the Bank, confirming that: (i) the Project Entity has submitted to ANRE their long term investment plan which includes the Project; (ii) the ANRE has approved such investment plan including the Project; and (iii) the cost of finance relating to the Loan is an eligible cost under the applicable legislation;

(j) the "Guidelines for the Annual Procurement of Electricity" adopted in January 2017 by the Ministry of Economy and Infrastructure shall have been revised to improve transparency of electricity procurement based on past experiences and best practices in auctions procedures together with the Energy Community Secretariat and such revised "Guidelines for the Annual Procurement of Electricity" shall have been applied in the tender for the electricity supply in 2018;

(k) The Energy Law has been adopted or amended, as appropriate, and any other relevant legislative and regulatory measures have been taken, in form and substance satisfactory to the Bank, to strengthen the institutional set up and independence of ANRE;

(l) The Energy Community Secretariat has issued a positive opinion, in form and substance satisfactory to the Bank, on, *inter alia*, the Energy Law, the compliance of the Energy Law with the Third Energy Package and with an action plan to be developed by the Energy Community Secretariat and the Borrower to improve ANRE's capacities, performance and independence as defined in the PowerSAP;

(m) The PIAP has been executed and delivered and all conditions precedent to its effectiveness have been fulfilled; and

(n) The Project Entity shall have presented to EBRD either: (i) a plan in form and substance satisfactory to EBRD (A) to construct the back-to-back Vulcanesti substation in the primary site identified in the survey report carried out for the Project adjacent to the existing 330/110kV Vulcanesti substation, and (B) to implement an appropriate site contamination clean-up programme of the PCB (Polychlorinated biphenyl) and dioxins,

ensuring that the construction works can be executed in line with occupational safety exposure limits and that there are no environmental liabilities to third parties through soil and groundwater contamination; or (ii) a plan in form and substance satisfactory to EBRD (A) to construct the back-to-back Vulcanesti substation in an alternate site identified in the survey report carried out for the Project, and (B) to acquire the alternate site in a manner satisfactory to the Bank.

Section 5.02. Legal Opinions

(a) For purposes of Section 9.03(a) of the Standard Terms and Conditions, the opinion or opinions of counsel shall be given on behalf of the Borrower and the Project Entity by the Minister of Justice and the following are specified as additional matters to be included in the opinion or opinions to be furnished to the Bank:

(1) the Subsidiary Loan Agreement has been duly authorised or ratified by, and delivered on behalf of, each of the Borrower and the Project Entity and constitutes a valid and legally binding obligation of each of the Borrower and the Project Entity, enforceable in accordance with their terms;

(2) the Project Agreement has been duly authorised or ratified by, and executed and delivered on behalf of, the Project Entity and constitute valid and legally binding obligations of the Project Entity, enforceable in accordance with their terms; and

(2) the Grant Agreement has been duly authorised or ratified by, and executed and delivered on behalf, each of the Borrower and the Project Entity and constitute valid and legally binding obligations of each of the Borrower and the Project Entity, enforceable in accordance with their terms;

Section 5.03. Termination for Failure to Become Effective

The date 360 days after the date of this Agreement is specified for purposes of Section 9.04 of the Standard Terms and Conditions.

ARTICLE VI - MISCELLANEOUS

Section 6.01. Notices

(a) The following addresses are specified for purposes of Section 10.01 of the Standard Terms and Conditions:

For the Borrower:

Republic of Moldova
Ministry of Finance
7, Constantin Tanase street
Chisinau, MD 2005
Moldova

Attention: Minister of Finance

Fax: + 373 22 262893
+ 373 22 262517

For the Bank:

European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

Attention: Operation Administration Department
Fax: +44-20-7338-6100

(b) The Bank may invite the Borrower to register to use ClientNet or another form of electronic communication and, if the Borrower and the Bank agree to use ClientNet or such other form of electronic communication, any notice, application or other communication from the Borrower to the Bank or from the Bank to the Borrower (other than any notice, application or other communication that is required by this Agreement or any other Financing Agreement to be in an original, certified or hard copy), may, subject to the terms and conditions of ClientNet or such other form of electronic communication, be given or made by posting such notice, application or other communication on ClientNet or sent in accordance with the terms agreed concerning such other form of electronic communication.

(c) Any notice, application or other communication delivered by hand, airmail or facsimile transmission or via ClientNet or another agreed form of electronic communication will only be effective when actually received (or made available) in readable form, provided that any notice, application or other communication that is received (or made available) after 5:00 p.m. in the place in which the party to whom the relevant notice, application or communication is sent has its address for the purpose of this Agreement shall be deemed only to become effective on the following day.

(d) The following are the names, titles and email addresses of the persons designated as the initial contacts of the Borrower for purposes of any invitation the Bank may send to the Borrower regarding ClientNet:

Name	*Title*	*E-mail address*
Elena Matveeva	Head Public Debt Department	elena.matveeva@mf.gov.md
Marcel Olari	External debt division	marcel.olari@mf.gov.md

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed in four copies and delivered at Chisinau, Moldova as of the day and year first above written.

REPUBLIC OF MOLDOVA

By: _____

Name: Octavian Calmîc
Title: Deputy Prime Minister, Minister of Economy and Infrastructure of the Republic of Moldova

EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

By: _____

Name: Harry Boyd-Carpenter
Title: Director

SCHEDULE 1 - DESCRIPTION OF THE PROJECT

1. The purpose of the Project is to assist the Borrower in construction, equipment and placing into operation of Moldova-Romania power interconnection.

2. The Project consists of the following Parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time:

Part A: a back-to-back substation in Vulcanesti to allow the synchronisation between the ENTSO-E and IPS/UPS electricity systems of Romania and Moldova

Part B: a 400kV transmission line between Vulcanesti and Chisinau

Part C: the extension of the substation in Chisinau in Moldova

Part D: extension of the Vulcanesti 400kV substation

3. The Project is expected to be completed by 31 December 2022.

SCHEDULE 2 - CATEGORIES AND DRAWDOWNS

1. The table attached to this Schedule sets forth the Categories, the amount of the Loan allocated to each Category and the percentage of expenditures to be financed in each Category.

2. Notwithstanding the provisions of paragraph 1 above, no Drawdown shall be made in respect of expenditures incurred prior to the date of the Loan Agreement.

Attachment to Schedule 2

Category	Amount of the Loan Allocated in the Loan Currency	Percentage of Expenditures to be Financed
(1) Works, goods and services for construction of the back-to-back substation in Vulcanesti as specified in Part A of the Project	78,150,000	39.74% of contract value for each contract excluding any Taxes
(2) Consulting services for Project implementation	1,500,000	50% of contract value for each contract excluding any Taxes
(3) Lenders Engineer	350,000	100%
Total	**80,000,000**	

SCHEDULE 3 - POWER SECTOR REFORM ACTION PLAN

Proposal for the Power Sector Reform Action Plan (POWERSAP)

Primarily based on electric power sector, November 2017

#	ACTIONS	OPERATIONS	APPLICABLE TO:	DEADLINE/TIME FRAME	ADDITIONAL COMMENTS	Technical Cooperation
1. DEVELOP AND IMPLEMENT NECESSARY SECONDARY LEGISLATION AND RELATED MEASURES						
1.1	Certification of the transmission system operator	Ownership unbundling of Moldelectrica	Government, Moldelectrica (ME)	1 March 2018	• ANRE reviews the required corporate and legal changes together with the Energy Community Secretariat • Moldelectrica will make a proposal plan to comply with assets ownership and corporate governance requirements under the 3rd EU Energy package • Separate control between Moldelectrica on one hand and public energy companies (HPP, CHP, Energocom and Moldovagaz supply activities) by assigning separate public institutions (Ministries/Agencies) for control	
		Application to ANRE	Moldelectrica	1 April 2018	• In line with Article 96(7),	

					Law 107/2016;	
		Decide on provisional certification of Moldelectrica and notify EnC Secretariat	ANRE	1 August 2018	• In line with Article 27(3) and (5), Law 107/2016;	
		EnCS Opinion	EnCS	1 December 2018	• In line with Directive 2009/72/EC;	
		Certification of Moldelectrica based on EnCS opinion	ANRE	1 February 2019	• In line with Article 27(6), Law 107/2016;	
1.2	Corporatization of Moldelectrica	Develop and implement a Corporate Governance Action Plan to brining ME corporate governance in line with best international practices	Moldelectrica , Government	31 December 2020	• Identify through the support of an expert consultant the key actions to support the corporatization of ME in line with OECD principles. with a governance structure such to ensure effectively independent operations and management. The precise structure should be based upon the results of a dedicated technical assessment .	• The EBRD is considering to support Moldelectrica and the GoM to develop a Corporate Governance Action Plan (CGAP) with the assistance of a Technical Advisor, if needed. The CGAP will be based upon the results of a dedicated report developed by the Technical Advisor.
1.3	Concept Design of the	Develop and approve	Government ANRE,	30 December	• Considering the power	• EnCS is

	Wholesale Electricity Market	the WEM concept taking into consideration market integration and electricity trade with ENTSO-E and other neighbours	Moldelectrica In cooperation with the Energy Community Secretariat	2018	supply constraints in Moldova, a sustainable, market based, wholesale electricity market (WEM) needs to be designed looking into the possibilities for coupling with neighbouring markets and electricity trade with ENTSO-E and other countries. • The WEM concept design shall be approved by ANRE and become the guidance for drafting detailed power market rules	developing a technical assistance under EU4Energy; • The World Bank is preparing TA under the upcoming Transparent Power Project.
1.4	WEM Rules in accordance with the approved WEM Concept Design	Update the Electricity Market Rules to be in compliance with Electricity Law 107/2016 and the Concept Design for the WEM	Government, ANRE, Moldelectrica In cooperation with the Energy Community Secretariat	30 December 2019	• The rules for the operation of the wholesale market have to be revised to comply with the Electricity Law's provisions, taking into account the size of the Moldovan power market.	• EnCS is developing a technical assistance under EU4Energy • The World Bank is preparing TA under the upcoming Transparent Power Market Project aiming to identify an optimal power market model which would

						promote competition in view of Moldova's power system interconnection with that of Romania.
1.5	Third Party access to the transmission networks and capacity allocation	Adopt a new transmission tariff methodology in line with the applicable EU laws and best practices	ANRE, Moldelectrica	31 December 2017	• Methodology and corresponding Rules to be revised under support and assistance by Energy Community Secretariat • Moldovan authorities to provide and update whether this is on track	
1.6	Third Party access to the distribution networks	Adopt new distribution tariff methodology in line with EU law	ANRE In cooperation with the Energy Community Secretariat	1 March 2018	• The new methodology will be agreed with the Energy Community Secretariat	
1.7	Improve transparency of electricity procurement, addressing issues coming from participation of SOE.	Revision of the electricity procurement guidelines based on past experiences and best practices in auctions procedures together with EnCS to be implemented starting from 2018	Government, ANRE, In cooperation with the Energy Community Secretariat	Condition for effectiveness for the EBRD loan 31 December 2017	• Improve transparency and competition in the wholesale electricity market by ensuring completion of tenders for the purchase of all electricity (excluding reserves and emergency supply) to be supplied to the Right Bank of Dniester river for the 12 month period	

		tender.			starting on April 1st, 2018 based on the Guidelines for the Annual Procurement of Electricity" adopted in January 2017 by the Ministry of Economy; monitored by the Group of Observers (including experts of the Energy Community Secretariat and of the EU Delegation to Moldova); and with tender-related documents publicly disclosed as per the Guidelines.	
1.8	Enhanced corporate governance of SOE such as of Energocom	Develop and implement a Corporate Governance Action Plan for SOEs`, such as Energocom, to support corporatization and corporate governance standards in line with best international practices	Energocom Government	31 December 2020	• Identify through the support of an expert consultant the key actions to support the corporatization of Energocom in line with OECD principles with a governance structure such to ensure effectively independent operations and management. The precise structure should be based upon the results of a dedicated technical assessment.	• A new TA activity with funding by the European Union titled EU Economic Rule of Law Project and supported by the World Bank includes the energy sector reforms and energy sector governance. It could also provide the necessary TA for creation

						and operation of a market operator if a separate one needs to be created.
2. STRENGTHEN THE CAPACITIES OF THE ENERGY REGULATOR (ANRE)[1]						
2.1	Strengthening the institutional set up and independence of ANRE	Energy Law approved on September 21, 2017, signed by the President on October 10, 2017 and published in the Official Gazette on October 20, 2017 establishes the basis for strengthening of independence of ANRE.	ANRE In cooperation with the Energy Community Secretariat	Condition for effectiveness for the EBRD loan agreement /disbursement condition for EIB finance contract for Ungheni Chisinau gas pipeline As per the timeline in the Action Plan based on the recommendations issued by the Energy Community Secretariat and agreed with the Government	• The action consists in implementing the Energy Law and the action plan agreed with EnCS to improve ANRE's capacities, performance and independence. • Energy Community to monitor and issue a positive opinion on ANRE's capacities, performance and independence in compliance with the Third Energy Package and the Action Plan regarding ANRE.	
3 COMMERCIAL SET-UP						
3.1	Approval of new	Approval of new	ANRE	Condition for	Cost reflective tariffs: The	

[1] Section 2 is a direct reference to the same section developed in the the Energy Sector Reform Action Plan ("EnerSAP"). The ENERSAP was developed under the investment project that is the construction and operation of Ungheni- Chisinau gas pipeline by VestMoldTransGaz ("VMTG") . The EnerSAP was agreed between the GoM, Energy Community Secretariat, EBRD and EIB.

	Transmission tariff to achieve cost reflectivity levels in line with EU 3rd Energy Package	tariffs for the transmission service in strict conformity with the provisions of the approved tariffs methodology		effectiveness for the EBRD loan Upon the adoption of new transmission tariff methodology 30 April 2018	tariffs for electricity transmission as approved by the National Energy Regulatory Agency of Moldova are compliant with the existing methodology and are fully reflecting the regulated costs of the Project Entity and the current methodology is cost reflective of the investment in the Project (i.e. the investment cost of the Project is recognised in the Regulated Asset Base (RAB)) The TSO should be allowed and incentivized to generate additional source of revenues through market based instruments.	
3.2	Rules for allocation of cross-border capacities in accordance with Regulation (EC) 714/2009 have to be adopted as a basis for a dialogue between Moldelectrica and Ukrenergo .	Adopt rules for allocation of interconnection capacity between Ukraine and Moldova	Moldelectrica, neighbouring TSO, ANRE, neighbouring regulator In cooperation with the Energy Community Secretariat	1 June 2018	• Rules for access to interconnection capacities are being drafted but need to be coordinated between the two TSOs and reviewed by energy regulators ANRE in Moldova and NEURC in Ukraine.	
3.3	Competitive allocation of cross border capacity at Moldovan-Romanian	Conduct a tender for capacity booking for the Moldovan-	Moldelectrica with neighbouring TSO, ANRE, neighbouring	30 December 2022; Applicability	• Moldelectrica to conduct annual tenders for capacity allocation on Moldovan-	

	interconnection	Romanian interconnection -Adopt joint allocation rules for capacity (electronic auctions) on Moldovan-Romanian interconnections	regulator	after the investment in interconnection (B2B station and transmission lines) between the two systems is finalized	Romanian interconnections. • Tenders will be open to local and foreign electricity suppliers/traders and in line with the regulation on access to the networks and congestion management adopted by the respective TSOs (Moldelectrica and Transelectrica) and endorsed by the respective Regulators ANRE Moldova and ANRE Romania (see point 3.3).	
3.4	A Power Market Operator should be established; The power Market operator should procure and Implement appropriate software tools for the operation of the new market segments	Day Ahead Market (DAM), Intraday (IDM), forward market Balancing Market	Power Market Operator Moldelectrica, ANRE,	December 2020 December 2020	• For the wholesale market segments to operate under a fair and transparent way, in compliance with corresponding rules, the main stakeholders meaning the Market Operator and the TSO will need to implement appropriate software solutions	
3.5	Apply EU harmonised allocation rules for capacity allocation, if agreed by counterparts from UA and RO	- Adopt the EU harmonised allocation rules for capacity allocation. - Discuss with neighbouring TSOs for respective borders. - Discuss with two existing auction	Moldelectrica, ANRE, energy TSOs and regulators from UA, RO In cooperation with the Energy Community Secretariat	June 2019 (for allocation of MD-UA border) December 2022 (for the RO-MD border)	• Allocation by a regional platform enables coordinated capacity allocation, therefore ECS will facilitate Moldelectrica's discussions with Auction Offices and neighbouring TSOs.	The added value vs supplementary costs of a coordinated capacity allocation to be assessed by a TA

		offices in Europe, SEE CAO (Montenegro) and JAO (Luxemburg) regarding the services for allocation of cross-border capacity				