ACORD
de împrumut între Republica Moldova şi Banca Internaţională pentru Reconstrucţie şi Dezvoltare privind al doilea Proiect de îmbunătăţire a eficienţei sistemului de alimentare centralizată cu energie termică (9134-MD)

Chişinău, 30 septembrie 2020

COPIE CERTIFICATĂ
TEXT ÎN LIMBA ENGLEZĂ

LOAN NUMBER 9134-MD

Loan Agreement

(Second District Heating Efficiency Improvement Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

SCHEDULE 1

Project Description

The objective of the Project is to increase the efficiency of the district heating system in Chisinau.

The Project consists of the following parts:

1. Optimization of Heat and Electricity Generation

1.1 Modernization of Generation at CHP Source-1 through:

(i) reconstruction of Unit 2, including, *inter alia*: (i) reconstruction of steam turbine high-pressure equipment; (ii) retrofit of low-pressure equipment; (iii) power generator diagnosis; (iv) retrofit and modernization of vibration control module; (v) replacement of turbine supporting equipment; (vi) replacement of steam boiler burners and other equipment to increase boiler's efficiency; and (vii) installation of automated control module for capacity regulation and burning; and

(ii) major overhaul of turbine and replacement of boiler heat surface at Unit 3, including, inter alia: major overhaul of steam turbine high-pressure equipment; and, replacement of steam boiler' economizer

1.2 Increasing Efficient Cogeneration through:

(i) installation of efficient cogeneration modular units (gas engines) at HOB-West and CHP Source-3; and

(ii) installation of power transformers and switch gears, and any other equipment for connection to urban grid at HOB-West and CHP Source-3.

(iii) Provision of technical supervision and support to bids evaluation.

1.3 Development and installation of a management information system for TE.

1.4. Development and installation of a hydraulic simulation system.

2. Energy Efficiency Investments

Provision of energy efficiency investments in the public and residential buildings, including pilot investments, but not limited to:

(i) Installation of individual heat substations and associated piping in selected residential and public buildings,

(ii) Pilot investments for reconstruction of the internal heat and domestic hot water distribution systems in selected buildings by changing from vertical to horizontal distribution to allow heat consumption control at apartment level.

(iii) Pilot investments for thermal rehabilitation of selected residential buildings with horizontal distribution systems.

3. Project Management

(i) support to MEPIU for Project management activities and Operating Costs, including provision of consulting services;

(ii) carrying out Project and TE audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall vest the overall responsibility for the implementation of the Project in the MoEI.

2. The Borrower, through MoEI, shall:

   (a) ensure that MEPIU is operated and maintained, throughout Project implementation, with functions, staffing, and responsibilities satisfactory to the Bank, as set forth in the Project Operational Manual; and

   (b) cause TE to provide technical support for the carrying out of certain activities under the Project as set forth in the Project Operational Manual and the Project Implementation Agreement.

3. The Borrower shall carry out the Project in accordance with the requirements set forth in the Project Operational Manual and shall not assign, amend, abrogate or waive any provision of the Project Operational Manual without prior approval of the Bank. In case of any conflict between the terms of the Project Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

B. Project Implementation Agreement.

1. To facilitate the carrying out of the Project, the Borrower shall cause MoF, MoEI, MEPIU and TE to enter into an agreement (Project Implementation Agreement), under terms and conditions acceptable to the Bank, which shall include, *inter alia*, TE's obligation to: (a) assist the Borrower in the carrying out of the technical aspects of the Project, in accordance with the pertinent provisions of this Agreement and the Project Operational Manual; (b) repay an amount equal to the amounts on-lent for the purposes of Parts 1 and 2 of the Project, subject to the terms and conditions set forth in Article 2 of this Agreement; and (c) maintain, throughout Project implementation, the financial ratios as set forth in Section I.B.3 of this Schedule.

2. The Borrower shall exercise its rights and carry out its obligations under the Project Implementation Agreement, in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, fail to enforce, waive or terminate the Project Implementation Agreement or any

of its provisions. In case of any conflict between the provisions of the Project Implementation Agreement and this Agreement, the provisions of this Agreement shall prevail.

3. For purposes of implementation of the Project, the Borrower shall cause TE to comply with the following provisions:

(1) Except as the Bank shall otherwise agree, TE shall not incur any debt unless a reasonable forecast of the revenues and expenditures of TE shows that the estimated net revenues of TE for each of its fiscal years during the term of the debt to be incurred shall be at least 1.1 times the estimated debt service requirements of TE in such year on all debt of TE including the debt to be incurred.

(2) For the purposes of this Section:

(i) The term "debt" means any indebtedness of TE 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 related to operations and net non-operating income; 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.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) 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.

(vi) The term "reasonable forecast" means a forecast prepared by TE not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Bank and TE accept as reasonable

and as to which the Bank has notified TE 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 TE.

(vii) 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 Bank.

C. **Environmental and Social Standards.**

1. The Borrower shall, and shall cause MEPIU to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

2. Without limitation upon paragraph 1 above, the Borrower shall, and shall cause MEPIU to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower shall, and shall cause MEPIU to, ensure that:

(a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;

(b) sufficient funds are available to cover the costs of implementing the ESCP;

(c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and

(d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. The Borrower shall, and shall cause MEPIU to, ensure that:

(a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP,

and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Borrower shall, and shall cause MEPIU to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

6. The Borrower shall, and shall cause MEPIU to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall furnish to the Bank each Project Report not later than forty five (45) days after the end of each calendar quarter, covering the calendar quarter.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to finance Eligible Expenditures

in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services for Part 1 and 2 of the Project	91,080,000	100%
(2) Goods, works, non-consulting services, consulting services, Operating Costs for Part 3 of the Project	920,000	100%
TOTAL AMOUNT	92,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.

2. The Closing Date is December 31, 2025.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

Level Principal Repayments

Principal Payment Date	Installment Share
On each April 15 and October 15 Beginning October 15, 2025 through April 15, 2050	2 %

APPENDIX

Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

2. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

3. "CHP Source-1" means a combined heat-and-power plant 1 under the operation of TE.

4. "CHP Source-3" means a combined heat-and-power plant 3 under the operation of TE.

5. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated May 26, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.

6. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Bank.

7. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018.

8. "HOB-West" means heat-only boiler plant West operated by TE.

9. "MEPIU" means the Moldova Energy Projects Implementation Unit under the Borrower's MoEI established further to Government Decision no. 1276 dated December 21, 2000, or any successor thereto.

10. "MoEI" means the Borrower's Ministry of Economy and Infrastructure or any successor thereto.

11. "MoF" means the Borrower's Ministry of Finance or any successor thereto.

12. "Operating Costs" means incremental expenditures incurred by the MEPIU on account of Project implementation, which would not exist absent the Project, for travel, rent of premises and utilities, office supplies, communication and information costs (such as telephone, internet, and other reasonable expenses related to organization of workshops and visibility events under the Project), operation, maintenance insurance and fuel for vehicles, office equipment and furniture bank charges, printing and publications (electronic and/or paper), translation and interpretation, consumables, and salaries, including the relevant social charges, but excluding salaries for civil servants, and other expenditures to be agreed upon between the Borrower and the Bank.

13. "Procurement Regulations" means, for purposes of paragraph 85 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.

14. "Project Operational Manual" or "POM" means the Project operational manual, satisfactory to the Bank, adopted by the Borrower through the MoEI and setting out the operational and administrative procedures for the implementation of the Project, as the same may be amended from time to time with the prior written approval of the Bank.

15. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.

16. "TE" means the Joint Stock Company "Termoelectrica" mentioned in Section I.A.2(b) of Schedule 2 to this Agreement, created and acting pursuant to the TE Legislation.

17. "TE Legislation" means the following acts pursuant to which TE has been created and is currently operating: (i) Decision of the Government of the Republic of

Moldova No. HG318/2014 of May 7, 2014 On Reorganization of Certain Enterprises in the District Heating Sector; (ii) Law of the Republic of Moldova No. LP188/2014 of September 28, 2014 On Certain Measures Regarding the Bankruptcy Procedure of JSC "Termocom"; (iii) Decision of the State Registration Chamber of the Republic of Moldova of October 22, 2014 On Registration of the Reorganization Through Absorption of JSC "CHP-1" by JSC "CHP-2"; (iv) Minutes No. 24 of the Extraordinary General Meeting of Shareholders of JSC "CHP-2" as of November 17, 2014 (On Approval of the Value of Assets of Sale-Purchase Transaction of the Functional Subset of Assets of JSC "Termocom" under Bankruptcy Procedure); (v) Decision of the State Registration Chamber of the Republic of Moldova of March 4, 2015 on Registration of Changes (Purchase of the Functional Subset of assets of JSC "Termocom" under Bankruptcy Procedure); (vi) Decision of the State Registration Chamber of the Republic of Moldova of June 16, 2015 On Registration of Changes (changing the name from JSC "CHP-2" to JSC "Termoelectrica").

18. "Unit 2" means unit 2 of CHP Source-1.

19. "Unit 3" means unit 3 of CHP Source-1.

Prin prezenta confirm că textul alăturat este o copie autentică a Acordului de împrumut între Republica Moldova şi Banca Internaţională pentru Reconstrucţie şi Dezvoltare privind al doilea Proiect de îmbunătăţire a eficienţei sistemului de alimentare centralizată cu energie termică (9134-MD), semnat la Chişinău la 30 septembrie 2020, originalul fiind depozitat la Arhiva Tratatelor a Ministerului Afacerilor Externe şi Integrării Europene.



Olga ROTARU,
Şef al Secţiei Tratate Multilaterale,
Direcţia Drept Internaţional a
Ministerului Afacerilor Externe şi
Integrării Europene