

July 22, 2002

His Excellency
Gheorghe Duca
Minister
Ecology, Construction and Territorial Development
Chisinau
Moldova

Dear Mr. Minister,

Re: Proposed Afforestation of Degraded Agricultural Lands Project

I am writing in response to your letter in support of the above mentioned project which would be designed to be supported by the Prototype Carbon Fund (PCF). I understand that the Moldovan Prime Minister has confirmed Government's interest in the project and has signed a Memorandum of Understanding with PCF.

As you may know, the project's objective would be to enhance carbon stores and conserve soils on degraded agricultural lands through afforestation. Additionally, the project would augment the contribution of forest resources to the country, including increasing wood supplies for local communities that rely on this for energy needs. Thus, the PCF would support the extension of Moldova's total forest area, while helping to mitigate climate change.

The initial Project Concept Note, prepared under the PCF funding, will be presented to a new BioCarbon Fund, expected to be open for subscription in November 2002 and become operational in mid-2003. The Fund will finance pilot projects that sequester/remove greenhouse gases in forests and agro-ecosystems.

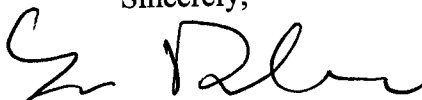
In order to prepare a full project document for final approval by the BioCarbon Fund, however, further work is necessary. In particular, Government will need to: (a) establish the baseline scenario; and (b) design a monitoring plan through which the results for all components of the project can be verified, particularly that (i) the carbon is being sequestered according to plan, (ii) biodiversity is enhanced, and (iii) the social situation of the area is enhanced.

We believe project preparation can be completed by January-February 2003, with a view to presenting the project for approval by the Fund at its first session, provided it starts in November 2002 as proposed.

The PCF has allocated \$30,000 for project preparation, which will be used to develop the baseline scenario and monitoring plan. However, additional resources will be needed to complete other works (especially an economic analysis and the validation work) and to finalize the project document. We are working to mobilize donor sources to further assist you with this work and, although not yet successful, we feel the chances are quite good. We will let you know of any positive developments.

We look forward to working with you and your colleagues on this project and to Moldova's being one of the first recipients of carbon funds for an afforestation project.

Sincerely,

A handwritten signature in black ink, appearing to read 'Luca Barbone', with a stylized, cursive script.

Luca Barbone
Director
Ukraine, Belarus and Moldova
Europe and Central Asia

Copied to:

Mr. Pieter Stek, Executive Director, World Bank
Mr. Vladimir Ion Munteanu, Advisor to Executive Director, World bank

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**MINISTERUL
ECOLOGIEI, CONSTRUCȚIILOR ȘI DEZVOLTĂRII TERITORIULUI
AL REPUBLICII MOLDOVA**

**MINISTRY OF ECOLOGY, CONSTRUCTION AND TERRITORIAL
DEVELOPMENT OF THE REPUBLIC OF MOLDOVA**

20.06.2002 Nr. 1627-01-07

La nr. _____ din _____

To: *Mr. Luka Barbone*

Country Director (Byelorussia, Moldova and Ukraine)

Re: Afforestation Project Republic of Moldova

Dear Mr. Barbone,

The Republic of Moldova is now afforested in proportion of 9,6 % occupying the last positions in Europe. Therefore, extensions of the forest surfaces (area) are always under attention of the governmental organizations of the Republic of Moldova.

In conformity with the provisions of the Biological Diversity Conservation National Strategy and Action Plan, adopted by the Parliament of the Republic of Moldova in 2001, the enlargement of the afforested surfaces from 325,4 thousand ha (present) up to 550 thousand ha (in 2005) were foreseen.

Certainly, the realization of these plans cannot be achieved without technical and financial assistance provided by the international financial organizations.

Thus, Ministry of Ecology, Constructions and Territorial Development is very grateful to the World Bank for the assistance accorded to the Republic of Moldova in the realization of this strategic object.

Ministry took notes of PCN Afforestation Project Republic of Moldova (Name:Eroded lands afforestation in the Republic of Moldova) and will support the reallisation of this project in the period 2002-2012 by providing financial assistance from the National Ecological Funds-793,0 thousand US \$, for some specific activites which constitutes about 6% of the total cost of all project.

Sincerelly Yours,

Gheorghe DUCA
Minister