

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 4757 RO

RNCMNR Project Agreement

(Transport Restructuring Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

**ROMANIAN NATIONAL COMPANY OF MOTORWAYS
AND NATIONAL ROADS (RNCMNR)**

Dated January 28, 2005

LOAN NUMBER 4757 RO

PROJECT AGREEMENT

AGREEMENT, dated January 28, 2005 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and ROMANIAN NATIONAL COMPANY OF MOTORWAYS AND NATIONAL ROADS (RNCMNR).

WHEREAS (A) by the Loan Agreement of even date herewith between Romania (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to two hundred twenty-five million dollars (\$225,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that RNCMNR agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower, MTCT, and RNCMNR, a portion of the proceeds of the loan provided for under the Loan Agreement in the amount of up to \$149,000,000 equivalent will be made available to RNCMNR on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS RNCMNR, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) RNCMNR declares its commitment to the objectives of Part A of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and RNCMNR shall otherwise agree, RNCMNR shall carry out Part A of the Project in accordance with the Implementation Program set forth in Schedule 5 to the Loan Agreement.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Part A of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule 4 to the Loan Agreement.

Section 2.03. (a) RNCMNR shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, RNCMNR shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and RNCMNR, a plan for the future operation of Part A of the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with RNCMNR on said plan.

Section 2.04. RNCMNR shall duly perform all its obligations under the RNCMNR Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, RNCMNR shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the RNCMNR Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) RNCMNR shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and under the RNCMNR Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) RNCMNR shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Part A of the Project, the accomplishment of the purposes of the Loan, or the performance by RNCMNR of its obligations under this Agreement and under the RNCMNR Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of RNCMNR

Section 3.01. RNCMNR shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and technical practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. RNCMNR shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices.

Section 3.03. RNCMNR shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) RNCMNR shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Part A of the Project.

- (b) RNCMNR shall:
 - (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with consistently applied auditing standards acceptable to the Bank by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period as agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period as agreed to by the Bank) as so audited; (B) an opinion on such statements by said auditors in

scope and detail satisfactory to the Bank; and (C) separate audit reports on the project accounts; and

- (iii) furnish to the Bank such other information concerning such records, and accounts and the audit of such financial statements and concerning said auditors, as the Bank may from time to time reasonably request.

Section 4.02. (a) RNCMNR shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for Part A of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

- (ii) describes physical progress in implementation of Part A of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

- (iii) sets forth the status of procurement under Part A of the Project, as at the end of the period covered by said report.

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

Section 4.03. RNCMNR shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of Part A of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, within 120 days from the Project Effectiveness date, and quarterly thereafter, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of Part A of the Project during the period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of Part A of the Project and the achievement of the objectives thereof during the period following such date;

(c) consolidate the fourth quarterly report pursuant to Section 4.03 (b) above into the Annual Report for each calendar year, in a format satisfactory to the Bank, outlining the progress made in the implementation of Part A of the Project and including the measures recommended to ensure the efficient carrying out of Part A of the Project and the achievement of the objectives thereof during the following calendar year; and

(d) carry out a mid-term review with the Bank, by September 30, 2007, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Part A of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and taking into account the Bank's views on the matter.

Section 4.04. RNCMNR shall maintain a project management unit (PMU) with a sufficient number of qualified staff and adequate facilities, as satisfactory to the Bank.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of RNCMNR thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify RNCMNR thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

For RNCMNR:

Romanian National Company of Motorways and National Roads
38, Dinicu Golescu, Floor 8
77113 Bucharest, 1
Romania

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed under this Agreement on behalf of RNCMNR, may be taken or executed by its Director General or such other person or persons as said Director General shall designate in writing, and RNCMNR shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Mihail Basulescu
Authorized Representative

MOTORWAYS
ROMANIAN NATIONAL COMPANY OF
AND NATIONAL ROADS

By /s/ Anand Seth
Authorized Representative