

CONFORMED COPY

LOAN NUMBER 4176-0 RO
4176-1 RO

Loan Agreement

(Agricultural Sector Adjustment Loan)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated July 1, 1997

LOAN NUMBERS 4176-0 RO
4176-1 RO

LOAN AGREEMENT

AGREEMENT, dated July 1, 1997, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated May 3, 1997 from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's agricultural sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during the execution thereof; and

(B) on the basis, inter alia, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in two portions as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective

meanings therein set forth and the following additional terms have the following meanings:

(a) "Deutsche Mark" and "DEM" each means the lawful currency of the Federal Republic of Germany;

(b) "Deposit Account" means either deposit account referred to in Section 2.02 (b) of this Agreement; and "USD Deposit Account" and "DEM Deposit Account" mean the Deposit Accounts to be maintained in Dollars and Deutsche Marks, respectively;

(c) "USD Loan Tranche" means the amount of the Loan specified in Section 2.01 (a) of this Agreement;

(d) "DEM Loan Tranche" means the amount of the Loan specified in Section 2.01 (b) of this Agreement;

(e) "NAAP commercial companies" means the companies established by Governmental Decision No. 184 dated May 5, 1997, as a result of the dissolution of the Borrower's National Agency for Agricultural Products; and

(f) "Comcereals" means the companies established by Governmental Decision No. 1054 dated December 22, 1995, as a result of the dissolution of the Borrower's regia autonoma "ROMCEREAL".

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, the following amounts:

(a) an amount equal to two hundred eighty million Dollars (\$280,000,000); and

(b) an amount equal to one hundred seventeen million five hundred thousand Deutsche Marks (DEM 117,500,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b), (c) and (d) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Bank, the first request for withdrawal from the Loan Account, and thereafter maintain in its central bank, a deposit account in Dollars and a deposit account in Deutsche Marks on terms and conditions satisfactory to the Bank. All withdrawals from the Loan Account shall be deposited by the Bank into the USD Deposit Account or the DEM Deposit Account, as the case may be.

(c) The Borrower undertakes that the proceeds of the Loan shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Bank shall have determined at any time that any proceeds of the Loan shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Bank: (i) deposit into the USD Deposit Account or the DEM Deposit Account, as the case may be, an amount equal to the amount of said payment; or (ii) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Loan Account for cancellation.

(d) No withdrawals shall be made from the Loan Account after the aggregate of the proceeds of the Loan withdrawn from the Loan Account shall have reached the equivalent of \$200,000,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (i) that the macro-economic framework of the Borrower is consistent with the Program as determined on the basis of indicators agreed upon between the Borrower and the Bank; (ii) with the progress achieved by the Borrower in the carrying out of the Program; and (iii) that the actions described in Schedule 3 to this Agreement have been taken. If, after said exchange of views, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within ninety (90) days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

Section 2.03. The Closing Date shall be December 31, 1998, or such later date

as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of: (i) the USD Loan Tranche withdrawn and outstanding from time to time, at a rate for each Interest Period equal to USD LIBOR Base Rate plus USD LIBOR Total Spread; and (ii) the DEM Loan Tranche withdrawn and outstanding from time to time, at a rate for each Interest Period equal to DEM LIBOR Base Rate plus DEM LIBOR Total Spread.

(b) For the purpose of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding, the next following Interest Payment date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "USD LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "USD LIBOR Total Spread" means, for each Interest Period:

(A) one-half of one percent ($1/2$ of 1%);

(B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the USD Loan Tranche; as reasonably determined by the Bank and expressed as a percentage per annum.

(v) "DEM LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Deutsche Marks for value the first day of such Interest Period (or, in the case of the initial Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(vi) "DEM LIBOR Total Spread" means, for each Interest Period:

(A) one-half of one percent ($1/2$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the DEM Loan Tranche; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of USD LIBOR Base Rate, USD LIBOR Total Spread, DEM LIBOR Base Rate, and DEM LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the

determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization set forth in Schedule 2 to this Agreement.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Schedule 3 to this Agreement.

Section 3.02. Upon the Bank's request, the Borrower shall:

(a) have the USD Deposit Account and the DEM Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than six (6) months after the date of the Bank's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(c) furnish to the Bank such other information concerning the USD Deposit Account and the DEM Deposit Account, and the audit thereof, as the Bank shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Termination

Section 5.01. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
17 Apolodor Street
Bucharest
Romania

Telex:

11230

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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

ROMANIA

By /s/ Mircea Geoana

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kenneth G. Lay

Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Loan shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Borrower for goods or services supplied from the territory of the Borrower;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another loan or credit;
3. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by

the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party);

6. expenditures: (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

7. expenditures under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

SCHEDULE 2

Amortization Schedule

Payment of Principal

Payment Due	expressed in Date	
	Dollars	Deutsche Marks
November 15, 2002	5,920,000	3,025,000
May 15, 2003	6,095,000	3,075,000
2003	6,275,000	3,130,000
May 15, 2004	6,460,000	3,180,000
2004	6,655,000	3,235,000
May 15, 2005	6,850,000	3,295,000
2005	7,055,000	3,350,000
May 15, 2006	7,260,000	3,410,000
2006	7,475,000	3,465,000
May 15, 2007	7,700,000	3,525,000
2007	7,925,000	3,585,000
May 15, 2008	8,160,000	3,650,000
2008	8,405,000	3,710,000
May 15, 2009	8,655,000	3,775,000
2009	8,910,000	3,840,000
May 15, 2010	9,175,000	3,905,000
2010	9,445,000	3,975,000
May 15, 2011	9,725,000	4,045,000
2011	10,015,000	4,115,000
May 15, 2012	10,310,000	4,185,000
2012	10,620,000	4,255,000
May 15, 2013	10,930,000	4,330,000
2013	11,255,000	4,405,000
May 15, 2014	11,590,000	4,480,000
2014	11,935,000	4,560,000
May 15, 2015	12,290,000	4,635,000
2015	12,650,000	4,715,000
May 15, 2016	13,025,000	4,795,000
2016	13,415,000	4,880,000
May 15, 2017	13,820,000	4,970,000

SCHEDULE 3

Action Referred to in Section 2.02 (d) of this Agreement

1. The Borrower has provided satisfactory evidence to the Bank that: (i) all fertilizer subsidies have been eliminated; (ii) the Borrower has provided, in its budget plan for 1998, for a reduction in seed subsidies of at least 25%, in nominal terms, in comparison with the amount of seed subsidies in the 1997 budget; and (iii) the Borrower has privatized or, if not privatized, initiated liquidation (with the appointment of a liquidator) of the two seed companies UNISEM and SEMROM (or successor companies thereto).
2. The Borrower has provided satisfactory evidence to the Bank that: (i) the average production weighted tariff on agricultural products is not higher than 22%, as calculated in accordance with a methodology acceptable to the Bank; (ii) no tariff on the import price of pig and processed pork products, milk and dairy products, and poultry and processed poultry products, exceeds 45%; (iii) no tariff on the import price of agricultural products, other than those relating to the products listed under letter (ii) of this paragraph, exceeds 40%; and (iv) no administrative waivers of tariffs on the import price of agricultural products have been granted since June 30, 1997.
3. The Borrower has provided satisfactory evidence to the Bank that the Borrower has: (a) privatized or, if not privatized, initiated liquidation (with the appointment of a liquidator) of at least: (i) twenty NAAP commercial companies; (ii) thirty Comcereals; and (iii) one thousand five hundred out of a list of one thousand six hundred and eighty-two former State agricultural service companies; and (b) taken all necessary measures on its part in view of the privatization of fourteen (14) more Comcereals.
4. The Borrower has provided satisfactory evidence to the Bank that the Borrower's State Emergency Wheat Reserve has been reduced to no more than 350,000 metric tons by August 31, 1997, and such level has not been exceeded thereafter.
5. The Borrower has provided satisfactory evidence to the Bank that: (i) at least fifty (50) out of a list of seventy-five former State farms have been reorganized into smaller functional units and privatized or, if not privatized, their liquidation (with the appointment of a liquidator) has been initiated; and (ii) at least fifty (50) more

former State farms, collectively occupying an area of at least 250,000 hectares, out of a list acceptable to the Bank, have been reorganized into smaller functional units, and plans, acceptable to the Bank, for their privatization have been submitted to the Bank.

6. The Borrower has provided satisfactory evidence to the Bank that all State pig and poultry enterprises have been privatized or, if not privatized, their liquidation (with the appointment of a liquidator) has been initiated.

7. The Borrower has provided satisfactory evidence to the Bank that all necessary measures have been adopted for the implementation of a plan, acceptable to the Bank, for the reorganization of the Borrower's Ministry of Agriculture and Food, with a new definition of the functions exercised by such Ministry.

