

CONFORMED COPY

LOAN NUMBER 3600 POL

Loan Agreement

(Agriculture Sector Adjustment Loan)

between

REPUBLIC OF POLAND

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 8, 1993

LOAN NUMBER 3600 POL

LOAN AGREEMENT

AGREEMENT, dated September 8, 1993, between REPUBLIC OF POLAND (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated March 16, 1992, 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 the financing of urgently needed imports required during such execution;

(B) it is contemplated that the Borrower may require assistance in the implementation of a Debt Reduction Plan (as hereinafter defined); and

(C) 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 tranches 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" of the Bank, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports, debt reduction operations and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program and the Debt Reduction Plan referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.";

(c) The last sentence of Section 3.02 is deleted; and

(d) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 343 (1986);

(b) "Debt Reduction Plan" means a plan of the Borrower, satisfactory to the Bank, aimed at reducing the Borrower's payments of principal, interest and other charges on external loans from non-official creditors; and

(c) "Implementation Agreement" means the agreement to be entered into between the Borrower and the Bank regarding the use of part of the proceeds of the Loan in the carrying out of the Debt Reduction Plan, referred to in Section 3.02 of this Agreement.

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, various currencies that shall have an aggregate value equivalent to the amount of three hundred million dollars (\$300,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the

Loan Account in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994, 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 the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989, bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on 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 schedule set forth in Schedule 2 to this Agreement.

Section 2.08. (a) National Bank of Poland is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts National Bank of Poland with responsibility for the preparation of withdrawal applications under the Loan and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$1,000,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. The Borrower shall carry out Part A and, if so determined under Section 3.05 of this Agreement, Part B of the Project with due diligence and efficiency and in conformity with appropriate commercial, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. The Borrower shall submit a plan for the reduction of its payments of principal, interest and other charges under loans from non-official external creditors. If in the exclusive opinion of the Bank such plan meets the requirements for Bank support of debt reduction operations, the Borrower and the Bank shall seek to conclude an agreement (the Implementation Agreement) providing for the use of the portion of the proceeds of the Loan allocated to Category (2) in the table of Schedule 1 to this Agreement in the execution of the plan.

Section 3.03. (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 4 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.

Section 3.04. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.05. The Borrower shall strengthen the principal agencies of the Borrower involved in the implementation of the Program through the implementation of an action plan as set forth in Schedule 6 to this Agreement. To that end, the Borrower will make adequate administrative arrangements to coordinate the employment and activities of consultants whose qualifications, experience and terms of reference shall be satisfactory to the Bank.

Section 3.06. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, 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
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audits referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

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 ninety (90) 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. Except as provided in Section 2.08 (a) of this Agreement, the Minister of Agriculture 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:

Ministerstwo Rolnictwa
i Gospodarki Żywnościowej
ul. Wspólna 30
00-930 Warszawa
Republic of Poland

Telex:

814597

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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.

REPUBLIC OF POLAND

By /s/ Jacek Janiszewski
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kemal Dervis
Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Loan may be withdrawn from the Loan Account for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or subgroups, 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	718.1	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
Group	Subgroup	Description of Items
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, nonmonetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$60,000,000, may be made on account of payments for expenditures before that date but after April 1, 1992;

(d) expenditures for goods procured under contracts costing less than \$25,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption; and

(g) expenditures for services in excess of an aggregate amount equivalent to \$10,000,000

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$3,500,000 may be required by the Bank upon the basis of statements of expenditure under such terms and conditions as the Bank shall specify.

4. No withdrawal shall be made and no commitment shall be entered

into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments shall have reached the equivalent of \$100,000,000, 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: (a) with the progress achieved by the Borrower in the carrying out of the Program and with the continued maintenance of a macro-economic framework consistent with the objectives thereof, as determined on the basis of indicators acceptable to the Borrower and the Bank, and (b) that the actions described in Schedule 4 to this Agreement have been taken and are satisfactory to the Bank.

5. If, after the exchange of views described in paragraph 4 above, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 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.

SCHEDULE 2

Description of the Project

The objectives of the Project are the carrying out the Program to achieve the structural adjustment of the Borrower's agricultural sector and, if so determined under Section 3.02 of this Agreement, to improve the Borrower's external debt situation by the implementation of an external debt reduction program.

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 to achieve such objectives:

Part A: Imports

Financing of urgently needed imports required during the execution of the Project.

Part B: Debt Reduction Plan

Implementation of a Debt Reduction Plan which, in the judgment of the Borrower and of the Bank, shall meet the requirements of the Bank's support of debt reduction.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 15, 1997	7,045,000
May 15, 1998	7,310,000
November 15, 1998	7,580,000
May 15, 1999	7,860,000
November 15, 1999	8,155,000
May 15, 2000	8,455,000
November 15, 2000	8,770,000
May 15, 2001	9,095,000
November 15, 2001	9,435,000
May 15, 2002	9,785,000
November 15, 2002	10,150,000
May 15, 2003	10,525,000
November 15, 2003	10,915,000
May 15, 2004	11,320,000

November 15, 2004	11,745,000
May 15, 2005	12,180,000
November 15, 2005	12,630,000
May 15, 2006	13,100,000
November 15, 2006	13,590,000
May 15, 2007	14,090,000
November 15, 2007	14,615,000
May 15, 2008	15,160,000
November 15, 2008	15,720,000
May 15, 2009	16,305,000
November 15, 2009	16,910,000
May 15, 2010	17,555,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's

invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Procurement of pesticides shall be consistent with guidelines for use and selection of pesticides agreed with the Bank.

3. Contracts for the procurement of goods estimated to cost the equivalent of less than \$5,000,000 shall be awarded in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers from at least two countries, except that direct contracting procedures acceptable to the Bank may be used where considered appropriate under paragraph 3.5 of the Guidelines.

4. Subject to the prior approval of the Bank, commonly traded commodities may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Bank, in accordance with procedures acceptable to the Bank.

5. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

6. With respect to each contract referred to in paragraphs 3 and 4 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

7. The provisions of the preceding paragraph 6 of this Schedule shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

8. Consultants' services shall be procured under contracts awarded to consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World

Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Actions Referred to in Paragraph 4 (b) of Schedule 1 to this Agreement

1. The Borrower's budget for 1993 for support for the intervention activities of the Agency for Agricultural Marketing shall not exceed in percentage terms the 1991 amount by more than one-half of the rate of inflation contained in the budgetary assumptions of the Borrower's Ministry of Finance, and an operational audit has been completed on the operations of the said Agency, including an evaluation of its efforts in promoting private sector agricultural trading activities and recommending measures to improve its functions.
2. Satisfactory progress in the implementation of three agreed upon subsector privatization programs.
3. Preparation of measures, accompanying the privatization programs under paragraph 2 hereof, related to: (a) trade and price policy; (b) antitrust subsectoral guidelines for the Borrower's Anti-Monopoly Office; (c) public investment program implications; and (d) research and training programs.
4. Adoption of the Borrower's budget for 1994 which shall reflect appropriate economic, financial and institutional criteria for public investment in agriculture.
5. Satisfactory progress in the implementation of a suitable organizational restructuring program for the Borrower's Ministry of Agriculture and Food Economy and related agencies.
6. Establishment of an interagency agricultural subcommittee within the Committee for Scientific Research under terms of reference.

SCHEDULE 6

Action Plan in Support of the Program

1. Audit, reorganization of the bookkeeping and accounting procedures, and risk audit of the Agency for Agricultural Markets.
2. Establishment of monitoring capability of Polish access to foreign agricultural markets.
3. A study of effective protection of the Polish food processing industry.
4. Development of improved management of the public investment program in the agricultural sector.
5. Restructuring of public agencies in charge of standards, inspection, food quality and consumer protection and privatization of a selected number of these agencies.
6. Development of an environmental protection program for the food processing industry.
7. Preparation of a master plan for the development of wholesale marketing and commodities exchanges of agricultural products.
8. Rural infrastructure: training in project preparation, evaluation and financing.
9. Rural development: assistance to gminas in formulating and implementing local development and space use plan and promotion of micro-enterprises.
10. Technical support to the regional offices of the Agricultural

Property Agency.

11. Restructuring agricultural education, research and extension support for the Inter-Agency Coordinating Sub-committee.

12. A study for the restructuring of the Ministry of Agriculture and Food Economy.

13. A pilot program on quality management in the dairy subsector.

