

CONFORMED COPY

LOAN NUMBER 4489 RO

Loan Agreement

(Private Sector Adjustment Loan)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 17, 1999

LOAN NUMBER 4489 RO

LOAN AGREEMENT

AGREEMENT, dated June 17, 1999, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated May 4, 1999 from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy (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 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 for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 18, is modified to read:

"'Project' means the program, referred to in the Preamble to the Loan Agreement, in support of which the Loan is made.";

(b) Section 4.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, withdrawals from the Loan Account shall be made in the currency of the deposit account specified in Section 2.02 of the Loan Agreement.";

(c) Section 5.01 is modified to read:

"The Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in accordance with the provisions of the Loan Agreement and of these General Conditions";

(d) The last sentence of Section 5.03 is deleted;

(e) 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 first phase of the program 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."; and

(f) Section 9.05 is deleted and Sections 9.06, 9.07 (as modified above), 9.08 and 9.09 are renumbered, respectively, Sections 9.05, 9.06, 9.07 and 9.08.

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 term "Deposit Account" means the account referred to in Section 2.02 (b) 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 this Agreement, an amount equal to three hundred million Dollars (\$300,000,000).

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 on terms and conditions satisfactory to the Bank. All withdrawals from the Loan Account shall be deposited by the Bank into the Deposit Account.

(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 Deposit Account 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: (i) until the fee referred to in Section 2.04 of this Agreement has been paid; and (ii) after the aggregate of the proceeds of the Loan withdrawn from the Loan Account shall have reached the amount of one hundred fifty million Dollars (\$150,000,000), 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 Program; (B) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program; and (C) that the actions described in Schedule 3 to this Agreement have been taken, in form and substance satisfactory to the Bank. 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, or that the macroeconomic framework is not consistent with the objectives of the Program, and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, or the macroeconomic framework has not become consistent with the objectives of the Program, as the case may be, 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 March 31, 2000, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. On or promptly after the Effective Date, the Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan.

Section 2.05. 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 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes 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 2.07 of this Agreement.

(iii) "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 Interest 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) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent (3/4 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 Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and 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, 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 2.07. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule 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 the carrying out of 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 the carrying out of 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 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 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 (p) 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

Effective date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the macroeconomic framework of the Borrower is consistent with the objectives of the Program.

Section 5.02. The date one hundred 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:

11239

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/ Andrew N. Vorkink

Country Director
Bulgaria and Romania Country Unit
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 or 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 a 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
fuel for	718.7	718 Nuclear reactors, and parts thereof; elements (cartridges), non-irradiated, nuclear reactors
728	728.43	Tobacco processing machinery
platinum	897.3	897 Jewelry of gold, silver or group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	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

Date Payment Due	Payment of Principal (Expressed in Dollars)*
September 15, 2004	6,595,000

March 15, 2005	6,775,000
September 15, 2005	6,960,000
March 15, 2006	7,150,000
September 15, 2006	7,345,000
March 15, 2007	7,545,000
September 15, 2007	7,750,000
March 15, 2008	7,960,000
September 15, 2008	8,175,000
March 15, 2009	8,400,000
September 15, 2009	8,630,000
March 15, 2010	8,860,000
September 15, 2010	9,105,000
March 15, 2011	9,350,000
September 15, 2011	9,605,000
March 15, 2012	9,865,000
September 15, 2012	10,135,000
March 15, 2013	10,410,000
September 15, 2013	10,695,000
March 15, 2014	10,985,000
September 15, 2014	11,285,000
March 15, 2015	11,590,000
September 15, 2015	11,905,000
March 15, 2016	12,230,000
September 15, 2016	12,560,000
March 15, 2017	12,905,000
September 15, 2017	13,255,000
March 15, 2018	13,615,000
September 15, 2018	13,985,000
March 15, 2019	14,375,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 3

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

I. Bank Restructuring

1. The Borrower has: (i) submitted to the Bank a satisfactory restructuring plan for the privatization of Banca Comerciala Romana; (ii) appointed a privatization advisor, acceptable to the Bank, for carrying out the privatization of Banca Comerciala Romana; and (iii) completed a due diligence report, satisfactory to the Bank, on the loan portfolio of Banca Comerciala Romana.

2. The Borrower has: (i) submitted to the Bank a satisfactory restructuring plan for the privatization of Banca Agricola; (ii) appointed a privatization advisor, acceptable to the Bank, to assist the restructuring committee of Banca Agricola in the implementation of the restructuring plan for the privatization of Banca Agricola; and (iii) identified and transferred to the Borrower's Asset Resolution Agency, in a manner acceptable to the Bank, at least fifty percent (50%) of the non-performing assets of Banca Agricola.

3. The Borrower has adopted irreversible measures, agreed with the Bank, for the implementation of the liquidation procedure of Bancorex.

4. The Borrower has provided satisfactory evidence to the Bank that the National Bank of Romania has issued regulations, based on internationally accepted accounting standards, providing that: (i) Romanian commercial banks shall, on a monthly basis, produce a risk classification of their portfolio and provisions for loan losses, which shall be tax deductible; (ii) Romanian commercial banks shall classify in the loss category all exposures (namely principal and accrued, but not received, interest) to clients against which forced execution, bankruptcy or liquidation procedures have been initiated; (iii) all such exposures shall be provisioned at one hundred percent (100%)

and shall be tax deductible, irrespective of the value of the collateral attached to such exposures; and (iv) Romanian commercial banks shall write off against provisions all loans classified in the loss category and overdue for more than three hundred sixty (360) days.

5. The Borrower has provided satisfactory evidence to the Bank that: (i) the Borrower's Asset Resolution Agency has qualified management and staff members, and terms of reference for its operation, acceptable to the Bank; and (ii) advisors to the management of such Agency, acceptable to the Bank, have been appointed.

II. Privatization

6. The Borrower has completed tendering procedures and concluded contracts, satisfactory to the Bank, with international investment banks acceptable to the Bank, for the privatization of at least three of the four large State owned enterprises agreed with the Bank.

7. The Borrower has: (i) selected, in a manner satisfactory to the Bank, five large State owned enterprises for privatization; and (ii) appointed international investment banks, acceptable to the Bank, for carrying out such privatization.

8. The Borrower has: (i) selected, in a manner satisfactory to the Bank, five large State owned enterprises for workout or liquidation; and (ii) appointed international liquidators, acceptable to the Bank, for carrying out such workout or liquidation.

9. The Borrower has offered for sale, in pools acceptable to the Bank, at least thirty (30) large State owned enterprises agreed with the Bank, to sale agents acceptable to the Bank, and has concluded advisory privatization contracts with such sale agents for the privatization of said enterprises.

10. The Borrower has provided satisfactory evidence to the Bank that the Borrower's State Ownership Fund has: (i) privatized or liquidated at least fifteen (15) large State owned enterprises and at least six hundred (600) small- and medium-sized State owned enterprises, representing altogether at least five percent (5%) of the total equity portfolio of the Borrower's State Ownership Fund.

11. The Borrower has proved satisfactory evidence to the Bank that the Borrower's State Ownership Fund has made a firm offer to sell the residual shares it holds in one hundred sixty (160) enterprises.

12. The Borrower has appointed liquidators for, or terminated the operations of, State owned enterprises generating at least twelve percent (12%) of the losses (including State subsidies) of the Borrower's State Ownership Fund.

13. The Borrower has provided satisfactory evidence to the Bank that: (i) it has achieved a twenty-five percent (25%) proportional reduction of the accounting losses from operations (including State subsidies) of the six mining companies agreed with the Bank, as evidenced in their latest available quarterly reports for 1999, by comparison with the accounting losses from operations (including State subsidies) of said companies, as evidenced in their financial statements for 1998; and (ii) contracts, satisfactory to the Bank, for the technical closure and environmental mitigation work with respect to at least ten (10) mines have been concluded.

14. The Borrower has offered for sale at least thirty-five percent (35%) of the total capital of Petrom, including new shares.

III. Business Environment

15. The Borrower has: (i) completed a regulatory and structural assessment study, and an improvement action plan, satisfactory to the Bank, for the regulatory and structural framework of the electricity, telecommunications, railways, and oil and gas sectors; and (ii) appointed international advisors, acceptable to the Bank, for the preparation of a privatization strategy regarding the generation and distribution of electricity.

16. The Borrower has: (i) enacted a law on security interests in personal property; and (ii) issued implementing regulations relating to such law, satisfactory to the

Bank.

17. The Borrower's Government has prepared and submitted to the Borrower's Parliament: (i) a draft amendment to the corporate income tax law; and (ii) a draft personal income tax law, satisfactory to the Bank.

18. The Borrower has adopted by-laws, acceptable to the Bank, for the Borrower's Audit Chamber.

19. The Borrower has completed a business environment study, and an action plan for the improvement of the business environment, satisfactory to the Bank.

IV. Social Mitigation

20. The Borrower has enacted a Framework Law on Collective Dismissals, satisfactory to the Bank.

21. The Borrower has provided satisfactory evidence to the Bank that: (i) the Borrower has financed any existing deficit in the Borrower's Unemployment Fund; and (ii) all unemployment benefits and severance payments have been paid to eligible workers.

22. The Borrower has submitted to the Bank a satisfactory report on: (i) unemployment levels; (ii) nominal and real unemployment benefit levels; and (iii) a cash-flow analysis and a financial forecast for the Borrower's Unemployment Fund.

23. The Borrower has adopted legal measures, satisfactory to the Bank, on the accreditation of organizations for the administration of funds for micro-credits.

24. The Borrower has submitted to the Bank a report, satisfactory to the Bank, on: (i) the number of social assistance recipients; (ii) nominal and real social assistance benefit levels; (iii) the kinds and quality of social assistance benefit delivery systems; and (iv) an action plan for the improvement of such delivery systems.

