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**LOAN NUMBER 4758 RO**

## **Loan Agreement**

**(Modernizing Agricultural Knowledge and Information Systems Project)**

**between**

**ROMANIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated January 28, 2005**

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**LOAN NUMBER 4758 RO**

**LOAN AGREEMENT**

AGREEMENT, dated January 28, 2005, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

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 May 1, 2004) (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) “ANCA” means the National Agency for Agricultural Consulting, established under MAFRD pursuant to Governmental Decision No. 676 of the year 1998, to be responsible for farm advisory services, or any successor thereto;

(b) “ANSVSA” means the National Authority for Sanitary, Veterinary and Food Safety of Romania, or any successor thereto;

(c) “ASSP” means the Agricultural Support Services Project implemented by the Borrower, for which the Bank has provided the ASSP Loan;

(d) “ASSP Loan” means the loan provided to Romania by the Bank pursuant to the Loan Agreement between the Bank and the Borrower dated March 27, 2000;

(e) “CGS Operational Manual” means the manual for the operation of the Competitive Grant Scheme, to be adopted by the MAFRD in accordance with the provisions of paragraph 1 of Part C of Schedule 5 to this Agreement;

(f) “Competitive Grant Board” means the board established by the MAFRD for the oversight of the Competitive Grant Scheme, and operating pursuant to the provisions of the CGS Operational Manual and the provisions of paragraph 3 of Part C of Schedule 5 to this Agreement;

(g) “Competitive Grant Scheme” means the scheme adopted by MAFRD to promote innovation and improvements in the provision of research and extension services by means of Research Grants awarded to qualifying beneficiaries on a competitive basis, which has been carried out, from the year 2000 onwards, under the auspices of MAFRD in the context of the ASSP, with funding from the ASSP Loan;

(h) “Environmental Management Plan” means the plan, dated July 29, 2004, prepared and adopted by the Borrower, satisfactory to the Bank, describing the environmental mitigation, monitoring and institutional measures for the Project;

(i) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(j) “MAFRD” means the Ministry of Agriculture, Forests, and Rural Development of the Borrower, or any successor thereto;

(k) “PMU” means the Project Management Unit established within MAFRD for management of Project implementation;

(l) “Procurement Plan” means the Borrower’s procurement plan, dated August 31, 2004, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(m) “Reform Action and Implementation Plans” means the plans to be developed, approved and adopted, pursuant to the provisions of paragraphs 1 and 2 of Part B of Schedule 5 to this Agreement, by the participating agricultural research institutes for the purposes of the Agricultural Research Institute Development Program under Part B.2 of the Project;

(n) “Research Grant” means a grant made or proposed to be made by MAFRD to a qualifying beneficiary selected under the Competitive Grant Scheme for the carrying out of a proposal for applied research services under Part B.3 of the Project, which proposal shall have been approved by the Competitive Grant Board in accordance with the provisions of paragraph C.2 of Schedule 5 to this Agreement; and

(o) “Special Accounts” means the accounts 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 the Loan Agreement, an amount equal to forty-one million four hundred thousand Euro (€1,400,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works, services, training and incremental operating costs required for the Project and to be financed out of the proceeds of the Loan; and (ii) amounts paid (or, if the Bank shall so agree, amounts to be paid) on account of withdrawals made to meet the reasonable costs of works, goods and services required for a Research Grant made under Part B.3 of the Project in respect of which the withdrawal from the Loan Account is requested.

(b) The Borrower may, for the purposes of each of: (i) Parts A.1, A.2, A.3, A.4 and A.6 of the Project (Special Account A) to be administered by ANSVSA; and (ii) Parts A.5, B, C and D of the Project (Special Account B) to be administered by MAFRD, open and maintain in Euro a separate special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2010, 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 front-end fee in an amount equal to one percent (1.00%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. Such fee shall be payable not later than sixty (60) days after the Effective Date.

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 1.00%) 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 euro 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 1.00%); (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 2.06, 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 new 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 in arrears on April 15 and October 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 3 to this Agreement.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, the Borrower shall carry out Part A of the Project through ANSVSA and MAFRD, and Parts B, C and D of the Project through MAFRD, with due diligence and efficiency and in conformity with appropriate financial, technical and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of

the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall, through MAFRD and ANSVSA, update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) 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 Borrower and the Bank, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

#### **ARTICLE IV**

##### **Financial Covenants**

Section 4.01. (a) The Borrower, acting through MAFRD and ANSVSA, 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 the operations, resources and expenditures related to the Project; and

(b) The Borrower, acting through MAFRD and ANSVSA, shall:

(i) have the financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts 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, (A) certified copies of the respective financial statements referred to in paragraph (a) of this Section for such year (or such other period

agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, of such scope and detail as the Bank shall have reasonably requested; 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.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 expenditures; and
- (iv) ensure that such records and accounts are included in the annual audit 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 expenditures submitted during the fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon the support the related withdrawals.

Section 4.02. (a) The Borrower, acting through MAFRD, 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 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 Project implementation, 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 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.

## **ARTICLE V**

### **Effective Date**

Section 5.01. The date one hundred fifty (150) 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 Public 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 Public Finance  
17, Apolodor Street  
Bucharest  
Romania

Telex:

Facsimile:

11239

4021 312 6792

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:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

(202) 477-6391

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.

ROMANIA

By /s/ Ionel Popescu

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Anand Seth

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euro)</u>	<u>% of Expenditures to be financed</u>
(1) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(a) under Parts A.1, A.2, A.3, A.4 and A.6 of the Project	4,120,000	
(b) under Parts A.5, B.1, C and D of the Project	3,610,000	
(2) Consultants' services, including audit		85% of foreign expenditures; and 75% of local expenditures
(a) under Parts A.1, A.2, A.3, A.4, and A.6 of the Project	2,360,000	
(b) under Parts A.5, B.1, C and D of the Project	5,000,000	
(3) Training		100%
(a) under Parts A.1, A.2, A.3, A.4 and A.6 of the Project	300,000	
(b) under Parts A.5, B.1, C and D of the Project	4,020,000	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euro)</u>	<u>% of Expenditures to be financed</u>
(4) Civil Works		100% of foreign expenditures; and 80% of local expenditures
(a) under Parts A.1, A.2, A.3, A.4, and A.6 of the Project	3,670,000	
(b) under Part A.5, B.1, C and D of the Project	20,000	
(5) (a) Research Institute Program Development under Part B.2 of the Project	290,000	85% of foreign expenditures; and 75% of local expenditures
(b) Research Institute Program Implementation under Part B.2 of the Project	11,990,000	80%
(6) Research Grants under the Competitive Grant Scheme under Part B.3 of the Project	3,920,000	49%
(7) Incremental Operating Costs		85% until December 31, 2007; 70% until December 31, 2009; and 25% thereafter
(a) under Parts A.1, A.2, A.3, A.4 and A.6 of the Project	410,000	
(b) under Parts A.5, B.1, C and D of the Project	<u>1,690,000</u>	
TOTAL	<u>41,400,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term “Incremental Operating Costs” means salaries of the staff of the PMU; office and laboratory supplies; operating, maintenance and insurance costs for vehicles and office equipment; bank charges; communication (including internet); refurbishment and rehabilitation of offices; local transportation costs, including per diem and accommodation, for the PMU, ANCA, ANSVSA, CGS unit, Competitive Grant Board, and selected agricultural research institutes under Part B.2 of the Project;

(d) the term “Research Institute Program Development” means support granted by MAFRD to selected agricultural research institutes under Part B.2 of the Project, for developing a detailed Reform Action and Implementation Plan and budget, to be approved by MAFRD and the governing boards of the respective agricultural research institutes with the concurrence of the Bank in accordance with the provisions of paragraph 2 of Part B of Schedule 5 to this Agreement; and

(e) the term “Research Institute Program Implementation” means support granted by MAFRD to the selected agricultural research institutes under Part B.2 of the Project, for implementation of the agreed specific reform measures and work programs for a specific period of time, under the Reform Action and Implementation Plans adopted pursuant to the provisions of paragraph 2 of Part B of Schedule 5 to this Agreement.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) any expenditures under any Category in the table in paragraph 1 above, unless the Bank has received payment in full of the front-end fee referred to in Section 2.04 of this Agreement; and (c) payments made for expenditures for Research Institute Program Implementation under Category (5) (b) set forth in the table in paragraph 1 of this Schedule in respect of any agricultural research institute until: (i) such research institute, if not yet a national institute, has been transformed into a national institute in accordance with the provisions of Law 324 of July 2003; and (ii) the Reform Action and Implementation Plan and budget in respect of such research institute has been approved by MAFRD, the governing board of the research institute concerned, and the Bank, and is being implemented in accordance with the provisions of paragraphs 3 and 4 of Section B of Schedule 5 to this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) training; (b) goods under contracts costing less than \$100,000 equivalent each; (c) works under contracts costing less than \$200,000 equivalent each; (d) services of individual consultants costing less than \$50,000 equivalent per contract; (e) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (f) Research Institute Program Development under Category (5) (a) of this Schedule; (g) Research Grants under the Competitive Grant Scheme under Category (6) of this Schedule; and (h) operating costs, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Government to improve the competitiveness of farmers and agro-processors in the EU accession environment, through: (i) better implementation of measures for inspection control, risk management and communication in food safety matters; (ii) strengthened capacity of the national research system to provide agricultural knowledge, skills, and information based on the needs of the agri-food sub-sector in line with EU requirements; (iii) improved capacity of research, extension, and food safety specialists to better serve agricultural producers' needs in the context of the EU; and (iv) increased access of farmers and processors to knowledge of technologies related to production, quality control, food safety, processing and marketing in order to meet EU requirements.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Strengthening the National Authority for Sanitary, Veterinary and Food Safety (ANSVSA)

##### 1. Institutional Capacity Building

(a) Implementation of measures to build capacity through strengthening ANSVSA's communications system with support for information technology and training; and (b) developing an effective public awareness system, including the establishment of a press office.

##### 2. Laboratory Needs under EU

(a) Building and equipping of two national reference laboratories: the Institute for Hygiene and Public Health; and the laboratory facility for analysis of animal feed; and (b) provision of essential equipment in three regional laboratories.

##### 3. Support for Border Inspection Posts

Construction and equipping of border inspection posts, with facilities for the veterinary unit and facilities for the phyto-sanitary unit to handle plant materials.

4. Animal Welfare

Carrying out of a program for animal welfare in livestock production through development of a demonstration and training facility.

5. Phyto-sanitary Central Laboratories

Strengthening of two national reference laboratories, as well as the regional laboratories under MAFRD through additional laboratory and IT equipment in order to receive accreditation.

6. Training Program

Support for the ANSVSA in implementing its staff training program for information technology, and training of food inspectors.

Part B: Support for Agricultural Research

1. Provision of support to enable two national reference laboratories to provide analysis services required in respect of EU requirements.
2. Provision of assistance to selected priority research institutes to develop reform strategies and carry out an agreed investment program for reform.
3. Implementation of the Competitive Grant Scheme established in accordance with the agreed CGS Operational Manual.

Part C: Support for Advisory and Information System

1. Establishment of a training and information center at Bucharest Agricultural and Veterinary University, with linkages to agricultural universities in Cluj, Iasi and Timisoara.
2. Improving effectiveness of advisory services through: (i) contract extension activities; and (ii) improving the existing public advisory system.



Part D: Project Management Unit

Provision of support to the PMU for project coordination and administration.

\* \* \*

The Project is expected to be completed by March 31, 2010

**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	Payment of Principal (Expressed in <u>Euro</u> )
On each April 15 and October 15 beginning April 15, 2010 through October 15, 2021	1,725,000

## **SCHEDULE 4**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

#### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$250,000 equivalent per contract and works estimated to cost less than \$3,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in the annex to this Schedule.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract and works estimated to cost less than \$250,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. Single Source Selection. Services for carrying out of a program for animal welfare and training for trainers, extension agents; food safety inspectors and researchers, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to any prior review by the Bank as may be indicated in the Procurement Plan.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. If the Procurement Plan provides for prior review of contracts for the employment of individual consultants, the record of justification for such contracts, referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines, shall be subject to Prior Review by the Bank. All other contracts shall be subject to Post Review by the Bank.

**Annex to  
Schedule 4**

**Mandatory Provisions for Procurement under Bank-Financed Contracts Subject to  
National Competitive Bidding**

Contracts for goods or works for which Schedule 4 to the Loan Agreement allows procurement under paragraphs 3.3 and 3.4 of the Procurement Guidelines may be procured in accordance with the provisions of national laws and regulations with the following exceptions:

A. Procedures

The Open Procedure, as defined in Article 9 of the “Emergency Ordinance Regarding Public Procurement”, shall be followed in all cases, irrespective of value. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper or the Official Gazette, allowing a minimum of thirty (30) days for the preparation and submission of bids.

B. Assessment of Bidders’ Qualifications

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper or the Official Gazette, allowing a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents, which shall be determined by a ‘pass/fail’ method, not through use of a merit point system. Where pre-qualification is not used, the qualifications of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying minimum experience, technical and financial requirements which shall be explicitly stated in the bidding documents.

C. Participation by Government-owned Enterprises

Government-owned enterprises in Romania shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

D. Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, which shall contain draft contract and conditions of contract acceptable to the Bank. Bidding instructions shall clearly stipulate that discount, if any, must be stated by the bidder either in a cover letter or in the bid form. In case of joint ventures, bidding conditions shall stipulate joint and several liability of all the partners of the joint venture.

E. Bid Submission, Opening and Evaluation, Award of Contract

(a) Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened at the public bid opening. Should bids be submitted in two or more envelopes, all envelopes shall be opened at the public bid opening.

(b) Bids shall be opened in public immediately after the deadline for submission of bids. No bid shall be rejected during bid opening. The name of the bidder, the total amount of each bid, and any discounts shall be read aloud and recorded in the minutes of the public bid opening. Any discount not mentioned in the cover letter or bid form shall not be taken into account in the evaluation.

(c) The evaluation of bids shall be done in strict adherence to the monetarily quantifiable criteria specified in the bidding documents and a merit point system or scoring on the basis of "technical and economical financial achievements" shall not be used.

(d) Extension of bid validity shall be allowed once only for a maximum of thirty (30) days. No further extensions should be requested without the prior approval of the Bank.

(e) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.

(f) No preference shall be applied under National Competitive Bidding.

(g) There shall be no negotiations, even with the lowest evaluated bidder, without the Bank's prior concurrence.

(h) The results of evaluation and the names of the winning bidder shall be published.

F. Price Adjustment

Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

G. Rejection of All Bids

(a) All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.

(b) When the number of bids received is less than two, re-bidding shall not be carried out without the Bank's prior concurrence.

H. Securities

No advance payments shall be made to contractors without a suitable Advance Payment security. The wording of all such securities shall be included into the bidding documents and shall be acceptable to the Bank.



## SCHEDULE 5

### Implementation Program

#### A. Responsibilities for Project Implementation and Supervision

1. The Borrower shall, through MAFRD, maintain the PMU until the completion of the Project with staff, resources and terms of reference satisfactory to the Bank and shall assign to it responsibility for overall Project coordination.

2. The Borrower shall, through MAFRD and ANSVSA:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out 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, on or about September 30, 2007, 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 the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by November 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 the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

3. The Borrower shall, through ANSVSA and MAFRD, carry out the measures required under the Environmental Management Plan in a timely manner and in compliance with: (a) environmental standards satisfactory to the Bank; and (b) all applicable laws and regulations of the Borrower relating to health, safety and environmental protection.

B. Agricultural Research Institute Development Program under Parts B.1 and B.2 of the Project

The Borrower, through MAFRD, shall ensure that:

1. during the first year of Project implementation, each of the selected agricultural research institutes will develop detailed action plans (Reform Action and Implementation Plans) for the reform of such institute's technical capacity and for the building of new capacity to carry out priority research programs, such as shall be satisfactory to MAFRD and the Bank within the framework of the overall objectives of the Project;
2. the respective Reform Action and Implementation Plan, consisting of detailed reform measures and the research work program to be carried out within a specific agreed period of time during the implementation of the Project, together with the estimated budget for implementing the same, shall be reviewed and approved by MAFRD, the governing board of the research institute concerned, and the Bank;
3. the right of the beneficiary research institute to receive the respective amounts approved as support for institutional reform and research work program implementation shall be made subject to a periodic determination by the MAFRD, with the concurrence of the Bank, that the research institute concerned has made satisfactory progress in the implementation of its Reform Action and Implementation Plan; and
4. the selected agricultural research institutes shall carry out the respective Reform Action and Implementation Plans in accordance with the approved work program, timetable and budget, and shall not abrogate or substantially amend the Reform Action and Implementation Plans without the prior approval of the MAFRD and the Bank.

C. Implementation of the Competitive Grant Scheme under Part B.3 of the Project

1. CGS Operational Manual

The Borrower shall cause MAFRD to adopt, within three (3) months from the date of effectiveness of the Loan Agreement, a manual satisfactory to the Bank (the CGS Operational Manual) for the operation of the Competitive Grant Scheme, and thereafter to maintain such manual at least until the completion of the Project, and not revoke, abrogate or substantially amend the CGS Operational Manual without the Bank's prior approval.

2. Procedures for Research Grants

The Borrower, through MAFRD, shall ensure:

(a) that proposals for Research Grants from the CGS for applied research services under Part B.3 of the Project shall be solicited and evaluated in accordance with the principles and procedures set forth in the CGS Operational Manual;

(b) that the first group of proposals for awarding Research Grants from the CGS shall be furnished to the Bank for review and approval; and

(c) that the award of Research Grants shall be made in accordance with the standard contract form included in the CGS Operational Manual, whereby: (i) the proposal for the carrying out of which the Research Grant is awarded is adequately described; (ii) the beneficiary of a Research Grant shall be required to carry out such proposal as described and within the budgetary limits set forth in the contract and to procure goods and services required for the carrying out of the proposal in accordance with the procedures set forth or referred to in the contract; and (iii) the Competitive Grant Board shall be empowered, upon failure by such beneficiary to carry out its obligations under the contract, to terminate such contract, cease disbursement of the grant provided thereunder and request other appropriate remedies available under the law.

3. Competitive Grant Board

The Borrower shall ensure that MAFRD shall adequately consult with the Bank prior to effecting a change in the composition or functions of the Competitive Grant Board. The Borrower shall cause MAFRD to maintain the Competitive Grant Board with such staff, facilities and other resources as shall be required for the Competitive Grant Board to implement Part B.3 of the Project.

## SCHEDULE 6

### Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1)(a), (2)(a), (3)(a), (4)(a) and (7)(a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Special Account A and Categories (1)(b), (2)(b), (3)(b), (4)(b), (5), (6) and (7)(b) set forth in said table in respect of Special Account B;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means the amount of ₪300,000 in respect of the Special Account A and an amount equivalent to ₪1,000,000 in respect of the Special Account B, to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of ₪250,000 in respect of Special Account A, and an amount equivalent to ₪300,000 in respect of the Special Account B, until (i) in respect of Special Account A of the Project the aggregate amount of withdrawals from the Loan Account allocated to Categories (1)(a), (2)(a), (3)(a), (4)(a) and (7)(a), plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts A.1, A.2, A.3, A.4 and A.6 of the Project shall be equal to or exceed the equivalent of ₪1,000,000, and (ii) in respect of Special Account B, the aggregate amount of withdrawals from the Loan Account allocated to Categories (1)(b), (2)(b), (3)(b), (4)(b), (5), (6) and (7)(b), plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts A.5, B, C and D of the Project shall be equal to or exceed the equivalent of ₪4,000,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule, including local currency payments made directly to suppliers and contractors through corresponding transfer accounts opened in commercial banks, in accordance with rules and procedures acceptable to the Bank.

3. After the Bank has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower through MAFRD and ANSVSA shall furnish to the Bank a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account such amount or amounts as the Borrower through MAFRD and ANSVSA shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower through MAFRD and ANSVSA shall furnish to the Bank requests for deposits into the respective Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower through MAFRD and ANSVSA shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower through MAFRD and ANSVSA out of the respective Special Account, the Borrower through MAFRD and ANSVSA shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower through MAFRD and ANSVSA directly

from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower through MAFRD and ANSVSA shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for such Special Account shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower through MAFRD and ANSVSA shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the respective Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into any Special Account shall be made until the Borrower through MAFRD and ANSVSA has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.