

CONFORMED COPY

LOAN NUMBER 3599 POL

Loan Agreement

(Enterprise and Financial Sector Adjustment Loan)

between

REPUBLIC OF POLAND

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated October 11, 1993

LOAN NUMBER 3599 POL

LOAN AGREEMENT

AGREEMENT, dated October 11, 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 April 8, 1993 (the DP letter) from the Borrower describing a program of actions, objectives and policies designed to achieve the restructuring and privatization of public enterprises and the banking system 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 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 and the Debt Reduction Plan to provide such assistance to the Borrower by making the Loan 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) "Banking System Transformation Sub-Program" means the program referred to in paragraph 10 of Schedule 5 to this Agreement;

(b) "Bank Supervision Sub-Program" means the detailed plan to strengthen the supervision of banks by NBP set forth in paragraphs 51 through 60 of the DP letter;

(c) "COM" means the Borrower's Council of Ministers;

(d) "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;

(e) "EBRP Sub-Program" means the Borrower's program provided in the EBRP Law, aimed at the restructuring and/or privatization of SOEs to be carried out by SOCBs and IDA and the recapitalization of SOCBs and referred to in the Program;

(f) "EBRP Decree" means the Borrower's Decree, satisfactory to the Bank, regulating the provisions of the EBRP Law;

(g) "EBRP Law" means the law of the Borrower contained in the Bill of Law No. 18, dated March 4, 1993, which allows the Executive Branch of the Borrower to carry out the EBRP Sub-Program;

(h) "IDA" means the Borrower's Industrial Development Agency

established by the Act of Liquidation of some target funds, published in Journal of Laws of December 14, 1990, No. 89, item 517;

(i) "Intervention Decree" means the COM's Decree or Resolution, satisfactory to the Bank, regulating the financial assistance to be provided by the Borrower to SOEs pursuant to the Borrower's Budget Laws for year 1993 and thereafter;

(j) "IDA Program of Organizational and Staffing Strengthening - Phase I" means the comprehensive program of organizational and staffing strengthening for IDA, satisfactory to the Bank set forth in the letter from IDA to the Bank dated March 16, 1993;

(k) "IDA Program of Organizational and Staffing Strengthening - Phase II" means the program of organizational and staffing strengthening to be carried out by IDA in 1994 and referred to in paragraph 13 of Schedule 5 to this Agreement;

(l) "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 3.05 of this Agreement;

(m) "MOF" means the Ministry of Finance of the Borrower;

(n) "Monitoring Unit" means the unit in MOF referred to in paragraph 42 of the DP letter;

(o) "MOP" means the Borrower's Ministry of Privatization;

(p) "MOP 1993 Program of Organizational and Staffing Strengthening" means the Program of Organizational and Staffing Strengthening for MOP described in the letter from MOP to the Bank dated March 18, 1993;

(q) "MOP 1994 Program of Organizational and Staffing Strengthening" means the Program of Organizational and Staffing Strengthening for MOP to be carried out in 1994 and referred to in paragraph 9 of Schedule 5 to this Agreement;

(r) "NBP" means the National Bank of Poland, the Borrower's central bank, established and operating pursuant to the Borrower's Law of January 31, 1989, published, as amended, in the Borrower's Journal of Laws No. 72, item 360, dated September 29, 1992;

(s) "Privatization" means the transfer of majority ownership, control or management of SOEs to the private sector;

(t) "Privatization Law" means the Borrower's Law of July 13, 1990, published in the Borrower's Journal of Laws No. 51, dated July 24, 1990, item 298;

(u) "Privatization Sub-Program" means the Borrower's detailed program for the privatization of SOEs described in paragraphs 44 through 49 of the DP letter;

(v) "Recapitalization Bonds" means the bonds to be issued by the Borrower pursuant to the EBRP Law and the Borrower's 1993 Budget Law to support the capitalization of the SOCBs;

(w) "SITC" means 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);

(x) "SOCB" means one of the nine commercial banks, as long as they are majority owned or controlled by, or operating for the benefit of, the Borrower;

(y) "SOE" means an enterprise majority owned or controlled by the Borrower or any of its agencies or administrative subdivision thereof;

(z) "Special SOE" means an SOE selected by the COM to receive budgetary financial support under the Program;

(aa) "Specialized Bank" means any of the following banks: Bank Handlowy w Warszawie S.A., Bank Gospodarki Zywnosciowej, PKO S.A., and PeKao B.P.;

(bb) "WOD" means the department or unit established by each SOCB to be in charge of the restructuring or liquidation of SOEs under the EBRP Sub-Program; and

(cc) "Zloty" means the currency of the Borrower.

## 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 four hundred and fifty million dollars (\$450,000,000), 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 June 30, 1995 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 February 15 and August 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 3 to this Agreement.

Section 2.08. (a) NBP 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 NBP 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. (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 Schedules 5 and 6 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 3.03. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.04. (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.

Section 3.05. 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.

#### 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

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the EBRP Law, the EBRP Decree, the Intervention Decree have been enacted in terms consistent with the Program;

(b) pursuant to the Borrower's 1993 Budget law (i) the COM has been authorized to appropriate an amount equivalent to at least one hundred and twenty million dollars for providing support to Special SOEs, and (ii) the issuance of Recapitalization Bonds in amounts equivalent to about twenty one trillion zloty has been authorized; and

(c) the macro-economic framework of the Borrower is consistent with the objectives of the Program.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the EBRP Law, the EBRP Decree and the Intervention Decree have been enacted, and the budget appropriation referred to in paragraph (b) of Section 5.01 of this Agreement has been authorized in accordance with the Laws of the Borrower and are in full force and effect.

Section 5.03. 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

Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 (a) of this Agreement, 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  
00-916, Warszawa  
ul. Swietokrzyska 12  
Republic of Poland

Cable address:

MINF  
Poland

Telex:

814386 PL

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:

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

IN WITNESS WHEREOF, the parties hereto, acting through their

duly authorized representatives, have caused this Agreement to be signed in their respective names in Warsaw, Republic of Poland, as of the day and year first above written.

REPUBLIC OF POLAND

By /s/ Jerzy Osiatyński  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ernest Stern  
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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Imported goods under Part A of the Project:		100% of foreign expenditures
(a) to be dis- bursed on or after the Effective Date	125,000,000	
(b) to be dis- bursed on or after the Effective Date, sub- ject to the provisions of paragraph 5 (a) of this Schedule	100,000,000	
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(c) to be dis- bursed on or after the Effective Date, subject to the pro- visions of paragraph 5 (b) of this Schedule	125,000,000	



(2) Debt Reduction Plan	100,000,000	to be agreed by the Bank and the Borrower, subject to paragraph 3.II below
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TOTAL	450,000,000	=====
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2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower.

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

I. Category (1) of the table in paragraph 1 above:

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	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 semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
728.43	-	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(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 exceeding the equivalent of \$45,000,000 may be made on account of payments made for such expenditures under Category (1) above before that date but after February 15, 1993;

(d) expenditures for goods procured under contracts costing less than \$50,000 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; and

(f) expenditures for goods regarded by the Bank as environmentally hazardous and goods intended for a military or paramilitary purpose or for luxury consumption.

II. Category (2) in the table in paragraph 1 of this Schedule: unless the Implementation Agreement is in full force and effect in accordance with its terms, provided, however, that if the Implementation Agreement shall have not been declared effective by the Bank according to its terms by June 30, 1994, or such other later date that the Bank may establish by notice to the Borrower, then the Bank may at the request of the Borrower reallocate on a proportional basis such amount of the Loan or part thereof to paragraphs (a), (b) or (c) of Category (1) in the table in paragraph 1 of this Schedule.

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

5. 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 under Category (1) of the table in paragraph 1 of this Schedule after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments under such Category (1) shall have reached the equivalent of (a) \$125,000,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.03 of this Agreement based on evidence satisfactory to the Bank: (i) that the macro-economic framework is consistent with the objectives of the Program as determined by the Bank on the basis of economic and financial indicators acceptable to the Borrower and the Bank, (ii) with the progress achieved by the Borrower in the carrying out of the Program, and (iii) that the actions described in Schedule 5 to this Agreement have been taken and are satisfactory to the Bank and (b) \$225,000,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.02 of this Agreement based on evidence satisfactory to the Bank: (i) continued maintenance of a macro-economic framework consistent with the objectives of the Program, as determined by the Bank on the basis of economic and financial indicators acceptable to the Borrower and the Bank, (ii) with the progress achieved by the Borrower in the carrying out of the Program, and (iii) that the actions described in Schedule 6 to this Agreement have been taken and are satisfactory to the Bank.

6. If, after the exchange of views described in paragraph 5 (a) or paragraph 5 (b) 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 a program to allow the financial restructuring and privatization of SOEs and SOCBs and to improve the environment for competitive private sector activity and investment and, if so determined under Section 3.05 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)*
On each February 15 and August 15 beginning on August 15, 1998 through February 15, 2010	18,750,000

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\* 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
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	0.88

more than 15 years  
before maturity

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 Business; 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. Contracts for the procurement of goods estimated to cost the equivalent of less than \$5,000,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Bank; and

(b) by other purchasers, 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.

3. 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.

4. 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.

5. With respect to each contract referred to in paragraphs 2 and 3 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.

6. The provisions of the preceding paragraph 5 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.

#### SCHEDULE 5

##### Actions Referred to in Paragraph 5 (a) of Schedule 1 to this Agreement

1. Adequate progress in the execution of the EBRP Sub-program as provided in the EBRP Law, the EBRP Decree and the Intervention Decree, including substantial compliance by the SOCBs and IDA with the obligations and deadlines therein set forth and appropriate monitoring of the SOCBs' execution of the EBRP Sub-program by the Monitoring Unit.

2. The Recapitalization Bonds have been issued and delivered to the SOCBs in an aggregate amount and on terms and conditions acceptable to the Bank.

3. Adequate progress in increasing the capabilities of WODs by SOCBs.

4. The Borrower and the Bank shall have agreed on the amount of appropriations for providing financial support to Special SOEs under the draft budget for fiscal year 1994.

5. Progress in the execution of the Privatization Sub-program, as measured by privatization targets therein set forth.

6. The Privatization Law has been amended to facilitate the carrying out of the Privatization Sub-program.

7. Enactment of the Law on the creation of National Investment Funds and their privatization.

8. The Borrower has formally assigned ownership of SOEs to the relevant Governmental agencies.

9. The MOP 1993 Program of Organizational and Staffing Strengthening has been carried out and the Borrower and the Bank have agreed on a program of organizational and staffing strengthening to be carried out by MOP in 1994.

10. The Borrower has developed a medium-term program aimed at the privatization of the banking system, including targets to attain its objectives.

11. Adequate progress in the execution of the Bank Supervision Sub-program by NBP.

12. The Borrower has provided financial assistance to Special SOEs under the EBRP Sub-program in accordance with the 1993 Budget Law, and the Intervention Decree.

13. Adequate progress in the execution of the IDA Program of Organizational and Staffing Strengthening - Phase I, and the Borrower and the Bank have agreed on a second phase of such program to be carried out by IDA in 1994.

14. The Borrower has implemented measures ensuring that the Specialized Banks will not cause disruptions in the execution of the EBRP Sub-program.

#### SCHEDULE 6

##### Actions Referred to in Paragraph 5 (b) of Schedule 1 to this Agreement

1. Adequate progress in the execution of the EBRP Sub-program as provided in the EBRP Law, the EBRP Decree and the Intervention Decree, including substantial compliance by the SOCBs and IDA with the obligations and deadlines therein set forth and appropriate monitoring of the SOCBs' execution of the EBRP Sub-program by the Monitoring Unit.

2. Timely compliance by the Borrower of its obligations to service the Recapitalization Bonds.

3. The Borrower's Budget Law for fiscal year 1994 has been enacted, including appropriations, in amounts satisfactory to the Bank, for providing assistance to Special SOEs under the EBRP Sub-program.

4. The Borrower has provided financial assistance to Special SOEs under the EBRP Sub-program in accordance with the Borrower's 1994 Budget Law, and the Intervention Decree.

5. Progress in the execution of the Privatization Sub-program, as measured by the privatization targets therein set forth.

6. Progress in the execution of the Banking System Transformation Sub-program and particularly in the privatization of SOCBs.

7. NBP shall have carried out the Bank Supervision Sub-program in accordance with its terms.

8. Of those SOEs that have concluded conciliation procedures pursuant to the EBRP Law about seventy percent have been converted into joint stock companies and about thirty percent of such SOEs have been either privatized or the share of the Borrower's Treasury in their capital stock has been reduced to less than fifty percent.

9. Adequate progress in the execution of the MOP 1994 Program of Organizational and Staffing Strengthening.

10. Adequate progress in the execution of the IDA Program of Organizational and Staffing Strengthening - Phase II.

11. The MOF shall have contracted for full portfolio and financial audits of the SOCBs as of December 31, 1993, and assessments of the performance of the SOCBs of their obligations under the EBRP law and the EBRP Decree, and shall have furnished to the Bank copies of such audits and assessments, with the exception of the portfolio and financial audits of SOCBs selected by the MOF for privatization in 1994.

