

CONFORMED COPY

LOAN NUMBER 3363 RO

(Technical Assistance and Critical Imports Project)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 3, 1991

LOAN NUMBER 3363 RO

LOAN AGREEMENT

AGREEMENT, dated July 3, 1991, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS (B): The Borrower intends to contract from the European Investment Bank (EIB) a loan (the EIB Loan) in an amount equivalent to seventeen million four hundred thousand dollars (\$17,400,000) to assist in the financing of Part A.2 of the Project, on the terms and conditions set forth in an agreement (the EIB Loan Agreement) to be entered into between the Borrower and EIB; and

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

(a) The last sentence of Section 3.02 is deleted.

(b) 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Agricultural Bank" means the Borrower's Agricultural Bank (Banca Agricola), established and operating pursuant to the Borrower's Decision No. 1196, dated November 12, 1990;

(b) "Bucharest Metro" means the Borrower's Bucharest metropolitan underground rail transport system;

(c) "Categories" means, collectively, each of the categories of items to be financed out of the proceeds of the Loan, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and the term "Category" means any one of the Categories;

(d) "Commercial Bank" means the Borrower's Commercial Bank (Banca Comerciala Romana), established and operating pursuant to the Borrower's Decision No. 1196, dated November 12, 1990;

(e) "CONVEK SA" means the Borrower's Commercial Company for Bulk Terminal Operations, established and operating pursuant to the Borrower's Decision No. 19, dated January 10, 1991;

(f) "CONTRANSIMEX" means the Borrower's Foreign Trade Company for Public Works and Engineering, established and operating pursuant to the Borrower's Decision No. 93, dated January 31, 1991;

(g) "Cooperative Bank" means the Borrower's Cooperative Bank (Bank Coop), established and operating pursuant to the Borrower's Governmental Decision No. 992, dated November 3, 1990;

(h) "Development Bank" means the Borrower's Romanian Bank for Development (Banca Romana de Dezvoltare), established and operating pursuant to the Borrower's Decision No. 1178, dated November 2, 1990;

(i) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in the calendar year;

(j) "Interbank Market Rate" means the foreign currency exchange rate for the convertibility of the Leu (as such term is defined hereinafter) as established from time to time in accordance with the provisions of the Borrower's Law No. 15, dated 1990;

(k) "Leu" means the monetary unit of the Borrower, and the term "Lei" means the plural of the term Leu;

(l) "MOA" means the Borrower's Ministry of Agriculture and Foodstuff;

(m) "MEF" means the Borrower's Ministry of Economy and Finance;

(n) "MOI" means the Borrower's Ministry of Industry;

(o) "MOLSP" means the Borrower's Ministry of Labor and Social Protection;

(p) "NAP" means the Borrower's National Agency for Privatization (Agentia Nationale de Privatizare), established and operating under the Borrower's Decision No. 823, dated July 25, 1990;

(q) "NCS" means the Borrower's National Commission of Statistics (Comisia Nationale de Statistica), established and operating pursuant to the Borrower's Decision No. 27, dated December 30, 1990;

(r) "Participation Agreements" means, collectively, each of the participating bank agreements to be entered into between the Borrower and the Participating Banks (as such term is defined hereinafter) pursuant to Section 3.02 (b), and Part B of Schedule 7 to, this Agreement, and the term "Participation Agreement" means any one of the Participation Agreements;

(s) "Participating Banks" means, collectively, each of the Agricultural Bank and the Development Bank, and the term "Participating Bank" means either one of the Participating Banks;

(t) "PETROM" means the Borrower's Autonomous Petroleum Authority (Regia Autonoma a Petrolului), established and operating pursuant to the Borrower's Decision No. 23, dated January 30, 1991;

(u) "PIU" means the Project Implementation Unit established within MEF pursuant to the MEF Ministerial Decision No. 233, dated April 15, 1991;

(v) "RAL" means the Borrower's Autonomous Lignite Authority (Regia Autonoma de Lignitului), established and operating pursuant to the Borrower's Decision No. 1211, dated November 26, 1990;

(w) "RENEL" means the Borrower's Autonomous Electricity Authority (Regia Autonoma de Electricitate), established and operating pursuant to the Borrower's Decision No. 1199, dated November 12, 1990;

(x) "ROMGAZ" means the Borrower's Autonomous Natural Gas Authority (Regia Autonoma a Gazelor Naturale), established and operating pursuant to the Borrower's Decision No. 16, dated January 10, 1991;

(y) "ROMAGRIMEX" means the Borrower's Foreign Trade Company for Agriculture, established and operating pursuant to the Borrower's Decision No. 69, dated January 26, 1991;

(z) "ROMPOST-TELECOM" means the Borrower's Romanian Post and Telecommunications Authority, established and operating pursuant to the Borrower's Decision No. 883, dated July 30, 1990;

(aa) "Savings Bank" means the Borrower's Savings Bank (Casa de Economii si Consemnatiuni), established and operating pursuant to the Borrower's Decree No. 371, dated 1958;

(bb) "SOCEP SA" means the Borrower's Commercial Company for Container and General Cargo Terminal Operations, established and operating pursuant to the Borrower's Decision No. 19, dated January 10, 1991;

(cc) "Subsidiary Loan Agreements" means, collectively, each of the subsidiary loan agreements to be entered into between the Borrower and the Implementing Agencies (as such term is defined

hereinafter) pursuant to Section 3.02 (a) of, and Part A of Schedule 7 to, this Agreement, and the term "Subsidiary Loan Agreement" means any one of the Subsidiary Loan Agreements;

(dd) "Subloans" means the loans proposed to be made by the Borrower to the Implementing Agencies (as such term is defined hereinafter) for the carrying out of their Respective Project Component (as such term is defined hereinafter) in accordance with the terms and conditions of the corresponding Subsidiary Loan Agreement, and the term "Subloan" means any one of the Subloans;

(ee) "Implementing Agencies" means, collectively, the Borrower's agencies, enterprises and other entities referred to in paragraph (b), paragraphs (e) and (f), paragraphs (o) through (q), paragraph (t), paragraphs (v) through (z) and paragraph (bb) of this Section, and the term "Implementing Agency" means any one of the Implementing Agencies;

(ff) "Respective Project Component" means in the case of: Bucharest Metro, Part A (4) (b) of the Project; CONVEX SA, Part A (4) (c) of the Project; CONTRANSIMEX, Part A (4) (a) of the Project; MOLSP, Part B (8) of the Project; NAP, Part B (2) of the Project; NCS, Part C (2) of the Project; PETROM, Parts A (1) (a) and B (5) (b) (ii) and (iii) of the Project; RAL, Parts A (3) and B (7) of the Project; RENEL, Part A (2) of the Project; ROMGAZ, Part A (1) (b) of the Project; ROMAGRIMEX, Part A (7) of the Project; ROMPOST-TELECOM, Part A (5) of the Project; and SOCEP SA, Part A (4) (c) of the Project; and

(gg) "Special Accounts" means, collectively, the accounts referred to in Section 2.02 (b) of this Agreement, and the term "Special Account" means any one of the Special Accounts.

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, various currencies that shall have an aggregate value equivalent to the amount of one hundred and eighty million dollars (\$180,000,000), 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. (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 expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain a special deposit account in dollars and a special deposit account in deutsche mark in banks acceptable to the Bank and on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of

Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

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

(c) For the purposes of this Section:

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

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

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

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

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

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

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

Section 2.06. Interest and other charges shall be payable semiannually on March 15 and September 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.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out, or cause to be carried out, the Project with due diligence and efficiency and in conformity

with appropriate technical, financial 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 shall carry out, or cause to be carried out, the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) The Borrower shall make part of the proceeds of the Loan available to the Implementing Agencies for the carrying out of their Respective Project Component under Subsidiary Loan Agreements on terms and conditions satisfactory to the Bank, including, inter alia, the principal terms and conditions set forth in Part A of Schedule 7 to this Agreement.

(b) For the purposes of administering the implementation and supervision of the Subsidiary Loan Agreements, the Borrower shall enter into Participation Agreements with the Participating Banks on terms and conditions satisfactory to the Bank, including, inter alia, the principal terms and conditions set forth in Part B of Schedule 7 to this Agreement.

(c) Without any limitation or restriction to the provisions of Schedule 7 to this Agreement, the Borrower shall exercise its rights and comply with its obligations under each of the Subsidiary Loan Agreements and Participation Agreements in such a manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Subsidiary Loan Agreements or Participation Agreements, or any provision thereof.

Section 3.03. (a) The Borrower shall: (i) not later than December 31, 1992, submit to the Bank for its review and comment an action plan, developed on the basis of the recommendations of the energy cost and pricing study referred to in Part B (4) (b) (i) of the Project, for, inter alia, reforming the pricing structure of its energy sector; and (ii) promptly thereafter carry out said action plan with due diligence and efficiency, taking into account the Bank's comments thereon.

(b) The Borrower shall, not later than January 31, 1993, submit to the Bank for its review and comment an action plan, based on terms of reference satisfactory to the Bank, for, inter alia, the prompt improvement of RAL's economic and financial viability (including, but without limitation, the restructuring or closure of lignite mines and the carrying out of measures for increasing production from low cost surface mines and decreasing production from inefficient underground mines), and for ensuring the availability of necessary lignite coal supplies for the Borrower's two (2) rehabilitated power plants located in Rovinari and Turceni.

(c) The Borrower shall: (i) not later than September 1, 1992, on the basis of the findings and recommendations of the first phase of the irrigation sector study referred to in Part B (5) of the Project, submit to the Bank, for its review and comments the Borrower's proposed immediate and short-term priority investments for its irrigation sector; and (ii) not later than August 1, 1993, on the basis of the findings and recommendations of the second and third phase of said study, submit to the Bank, for its review and comments, both the Borrower's proposed five (5) year and ten (10) year investment programs for its irrigation sector, which programs shall be of such scope and in such detail as the Bank shall reasonably request.

Section 3.04. The Borrower shall, until completion of the Project, maintain, or cause to be maintained, the PIU in a form and with such composition and functions (including, but without limitation, those set forth in paragraph A of Schedule 5 to this Agreement) under terms of reference all satisfactory to the Bank.

Section 3.05. Prior to initiating the procurement of any goods provided under Part 4 (a) of the Project, the Borrower shall establish a system, satisfactory to the Bank, for the sale through competitive bidding of said goods, which system shall ensure, inter alia, that: (i) each of said goods shall be purchased by the highest bidders, on the basis of a competitive bidding process to be publicly announced; (ii) bids shall be submitted in sealed envelopes and shall specify the offered price and required quantities; (iii) opening of bids shall take place in public and in the presence of bidders wishing to attend; and (iv) no award shall be made unless the price offered is equal to at least the good's Lei equivalent of its foreign currency c.i.f. cost as valued at the lowest Interbank Market Rate for the thirty (30) days immediately preceding the public announcement.

Section 3.06. (a) The Borrower shall, not later than August 31, 1992, review and exchange views with the Bank on the following: (i) the Borrower's unfinished investment projects, for the purpose of, inter alia, determining the Borrower's future plan for the financing of said projects; (ii) on the basis of the findings and recommendations pursuant to the review under sub-paragraph (i) above, the Borrower's proposed investment programs and related financing plans for its public investments to be financed by its central government and semi-autonomous agencies during the Fiscal Year 1993.

(b) Promptly after the review provided for in sub-paragraph (a) (ii) of this Section, the Borrower shall carry out said investment programs with due diligence and efficiency, taking into account the Bank's comments and views thereon.

Section 3.07. Except as the Bank shall otherwise agree, procurement of the goods 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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the Implementing Agencies and the departments, agencies or other entities of the Borrower responsible for carrying out the Project, or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts 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 (6) months after the end of each such year, 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 (1) year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account or payment out of the Special Accounts 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 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 expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that:

(a) The EIB Loan Agreement shall have failed to become effective by December 31, 1991, or such later date as the Bank may agree; provided, however that the provisions of this paragraph shall not apply if the Borrower establishes, to the satisfaction of the Bank, that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- (b) (i) Subject to sub-paragraph (ii) of this paragraph:
 - (A) the right of the Borrower to withdraw the proceeds of the EIB Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the EIB Loan Agreement, or
 - (B) the EIB Loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Sub-paragraph (i) of this paragraph (b) shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under the EIB Loan Agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in sub-paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of sub-paragraph (b) (ii) of that Section.

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/ V. Constantinescu
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ R. Cheetham
Acting Regional Vice President
Europe, Middle East and North Africa

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. Goods:		
(a) (i) Part A (1) (i) of the Project	26,000,000))	
(ii) Part A (1) (ii) of the Project	9,000,000))	
(b) Part A (2) of the Project	22,800,000))	100% of foreign expenditures
(c) Part A (3) of the Project	26,600,000))	
(d) Part A (4) of the Project)))	
(i) Part A (4) (i)	26,800,000	
(ii) Part A (4) (ii)	2,600,000	
(iii) Part A (4) (iii)	1,700,000	
(iv) Part A (4) (iv)	3,900,000	
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(e) Part A (5) of the Project	6,800,000))	
(f) Part A (6) of the Project	15,900,000))	100% of foreign expenditures
(g) Part A (7) of	7,000,000	

Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto, and is legally binding upon such parties in accordance with its terms.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) support the output performance of certain of the Borrower's key economic sectors, through financing said sectors' imports of vital spare parts and other goods; and (b) provide technical assistance to assist the Borrower in carrying out its ongoing macro-economic and sectoral reform program.

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: Import of Goods

(1) Petroleum and Gas Sectors: Provision of drilling, well, pumping and other equipment, spare parts and materials for the rehabilitation of about: (a) one thousand two hundred (1,200) petroleum wells; and (b) ninety (90) gas wells.

(2) Power Sector: Provision of equipment, spare parts and related materials for:

(a) Rehabilitating four (4) 330 MW electricity generating units, two (2) located in Turceni and the other two (2) located in Rovinari;

(b) Upgrading the protection system of three (3) transformer stations located in Tintareni, Urechesti and Filesti;

(c) Improving the operating safety of the central electricity dispatching center located in Bucharest, and of all regional electricity dispatching centers;

(d) Upgrading the performance of the electrostatic precipitators located in Turceni;

(e) Provision of equipment and related materials for the measurement of pollution emission levels; and

(f) Provision of computer equipment and materials.

(3) Lignite Mining Sector: Provision of equipment, spare parts and related materials for the RAL lignite mines which supply lignite coal to the two (2) power plants located in Rovinari and Turceni.

(4) Transportation Sector: Provision of: (a) spare parts, tires and engines for buses and trucks; (b) safety tools and measurement devices for the Bucharest Metro; and (c) equipment, spare parts and related materials for the deep-sea Port of Constanza, including lift trucks, bulk handling and container equipment, forklift trucks, cranes and conveyor system parts.

(5) Telecommunications Sector: Provision of telecommunications cables, transmission equipment, spare parts, measuring instruments and related items.

(6) Irrigation Sector: Provision of irrigation pumps, motors, spare parts and related equipment and materials for upgrading the pumping capacities of the following fifteen (15) irrigation systems: B-OIANU-STICLEANU CALARASI; SPE VITCOVIA; SIST. CONESTI; SIST. GREOCA; SIST. GURA IALOMITEI; IEGALIA (SPA BORECA); DICHISENI (T. CALARASI); GALATI-CALARASI; MOVILA MIRESEI (T. BRAILA); SIST. GALATI (SPA GHIMIA); IMB; GROJORI-CHISCONI; BORCEA deSUS (CALARASI); BILIESTI-CIORVANOSTI; and GALICEA (DOJI).

(7) Agricultural Mechanization: Provision of batteries and transmission belts for harvesting combines.

Part B: Technical Assistance

(1) Accounting and Auditing: Developing, introducing and strengthening a national accounting and auditing profession, including the development of a modern accounting and auditing system.

(2) Private Sector Development: Enterprise Privatization:

(a) Designing and developing a strategy and related legislation, regulations, options and techniques for the privatization of state enterprises;

(b) Developing techniques and methodologies for small-scale state enterprise privatization;

(c) Carrying out, on a pilot basis, of a privatization program of selected small establishments; and

(d) Provision of advisory and expert services to strengthen the capabilities of NAP in the areas of the formulation of an enterprise privatization strategy, and assist in model privatization programs, including study seminars and training abroad for selected NAP professional staff and the provision of computer equipment and materials in connection therewith.

3. Industrial Restructuring:

(a) Developing a strategy and institutional framework, and an implementation program thereunder, for the restructuring of state industrial enterprises, and preparing model restructuring programs for eight (8) state industrial enterprises to be selected in accordance with a methodology and criteria satisfactory to the Bank; and

(b) Provision of advisory and expert services to strengthen the capabilities of MOI in the areas of energy policy and industrial restructuring, including study seminars and training abroad for selected MOI professional staff and the provision of computer equipment and materials in connection therewith.

(4) Bank Restructuring: Preparing strategy development plans, staff training plans and assessments of computer hardware requirements for each of the Agricultural Bank, Commercial Bank, Cooperative Bank, Development Bank and Savings Bank.

(5) Energy:

(a) Developing a system for the determination of energy costs and prices, and an implementation program thereunder, for the full liberalization of said energy prices; and

(b) Carrying out of the following studies, based on terms of reference satisfactory to the Bank: (i) a study of energy cost and pricing; (ii) a study auditing and assessing oil and gas reserves; and (iii) a study evaluating the Borrower's hydrocarbon potential.

(6) Irrigation: Carrying out of an irrigation sector study, based on terms of reference satisfactory to the Bank, assessing the existing irrigation system for the purpose of developing recommendations for its modernization/privatization.

(7) Mining: Provision of advisory and expert services to: (a) assist in the cost efficient organization, and the increase in productivity, of certain of the Borrower's low cost surface mines; and (b) formulating recommendations for the long-term improvement of said mines' productivity performance.

(8) Employment Services: Assistance to MOLSP in the areas of, inter alia, staff development, computerization of employment services, development of pro-active labor market measures, an

employment counselling and training referral service, a labor market information system, and a social insurance system and pension fund, including provision of experts' services, training and computer equipment and materials in connection therewith.

Part C: Institutional Development

(1) Provision of advisory and expert services to:

(a) Strengthen the capabilities of MEF in the areas of macro-economic policy-making, quantitative analysis, economic forecasting, review of non-performing public investment portfolios, development of a public investment review system, including study seminars and training abroad for selected MEF professional staff and the provision of computer equipment and materials in connection therewith; and

(b) Strengthen the capabilities of the National Reform Council in the areas of macro-economic and legislative reform, including study seminars and training abroad for selected professional staff of said council and the provision of computer equipment and materials in connection therewith.

(2) Provision of mainframe computer equipment and materials for statistical data analysis and processing to NCS, including training for selected NCS staff in connection therewith.

(3) Provision of advisory and expert services to strengthen the capabilities of the PIU in respect of Project coordination, supervision and implementation, including the provision of equipment and materials in connection therewith.

* * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 15 and September 15	
beginning March 15, 1997 through September 15, 2006	9,000,000

* The figure in this column represents the dollar equivalent determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

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

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied
by:	
Not more than three years before maturity	0.20

More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods shall be procured under contracts awarded 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 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of three hundred thousand dollars (\$300,000) or more each.

Part B: Other Procurement Procedures

1. Contracts for goods estimated to cost the equivalent of three hundred thousand dollars (\$300,000) or less per contract, up to an aggregate amount not to exceed the equivalent of thirty-three million dollars (\$33,000,000), may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three (3) suppliers from at least two (2) different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Contracts for batteries and transmission belts for combines and harvesters awarded not later than July 31, 1991, up to an aggregate amount not to exceed the equivalent of seven million five hundred thousand dollars (\$7,500,000), may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three (3) suppliers from at least two (2) different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Contracts for the procurement of proprietary items, or items required for standardization, may be awarded after direct negotiations with suppliers with the prior approval of the Bank in accordance with procedures acceptable to the Bank.

Part C: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of three hundred thousand dollars (\$300,000) or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Accounts in respect of such contract.

(b) With respect to each contract not governed by the

preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Accounts, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Bank has authorized withdrawals on the basis of statements of expenditure.

2. The figure of fifteen percent (15%) is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ, or cause to be employed, only such consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5 Implementation Program

A. Coordination

The Borrower's government, as represented by the MEF, shall coordinate the overall implementation of the Project through the PIU, which PIU shall, inter alia: (1) liaise with the Implementing Agencies and other entities responsible for carrying out the Project, or any part thereof; (2) maintain records of Project activities; (3) prepare, for furnishing to the Bank, semiannual reports on progress achieved in the carrying out of the Project; and (4) arrange for the carrying out of the audit referred to in Section 4.01 (b) of this Agreement.

B. Project Implementation

- (1) PETROM shall be responsible for the carrying out of Parts A (1) (a) and B (5) (b) (ii) and (iii) of the Project, and ROMGAZ shall be responsible for the carrying out of Part A (1) (b) of the Project. For this purpose, PETROM shall, inter alia: (a) assign to a special unit, to be established and adequately staffed within PETROM by September 1, 1991, the procurement of goods under said Part A (1); and (b) carry out the studies referred to in Part B (5) (b) (ii) and (iii) of the Project, under terms of reference satisfactory to the Bank, and ensure the completion of said studies by July 31, 1993, and thereafter exchange views with the Bank on the findings and recommendations thereof.
- (2) RENEL shall be responsible for the carrying out of the rehabilitation of the two (2) power plants, referred to in Part A (2) of the Project. RENEL shall, inter alia: (a) maintain, with adequate staff and resources, the existence of the implementation unit established by it for purposes of said Part A (2); (b) prepare, through said unit, and furnish to the Bank quarterly reports on progress achieved in the carrying out of said Part A (2).
- (3) RAL shall be responsible for the carrying out of Parts A (3) and B (7) of the Project.
- (4) CONTRANSIMEX shall be responsible for the carrying out of Part A (4) (a) of the Project.
- (5) Bucharest Metro shall be responsible for the carrying out of Part A (4) (b) of the Project.

- (6) CONVEX and SOCEP SA shall be responsible for the carrying out of Part A (4) (c) of the Project.
- (7) ROMPOST-TELECOM shall be responsible for the carrying out of Part A (5) of the Project.
- (8) MOA shall be responsible for the carrying out of Parts A (6) and B (6) of the Project. MOA shall, inter alia: (a) coordinate, through its Department of Irrigation, the procurement and distribution, to the irrigation entities referred to in Part A (6) of the Project, of the equipment to be imported under said Part A (6); (b) carry out the study referred to in said Part B (6) under terms of reference satisfactory to the Bank, and furnish to the Bank, for its review and comments, the report containing the findings and recommendations of such study upon the completion thereof.
- (9) ROMAGRIMEX shall be responsible for the carrying out of Part A (7) of the Project.
- (10) MEF shall be responsible for the carrying out of Parts B (1), C (1) and C (3) of the Project.
- (11) NAP shall be responsible for the carrying out of Part B (2) of the Project.
- (12) MOI shall be responsible for the carrying out of Parts B (3), B (5) (a) and B (5) (b) (i) of the Project. MOI shall, inter alia: (a) ensure, by December 31, 1992, the preparation of strategy and policies for enterprise restructuring, referred to in said Part B (3).
- (13) Each of the Agricultural Bank, Commercial Bank, Cooperative Bank, Development Bank and Savings Bank shall be responsible for carrying out their respective parts under Part B (4) of the Project.
- (14) MOLSP shall be responsible for carrying out Part B (8) of the Project, through a unit to be established within MOLSP by September 1, 1991. Said unit shall be responsible for, inter alia: (a) preparation of a program, under terms of reference satisfactory to the Bank, for contracting the advisory and expert services, and the carrying out of training; and (b) preparation of semiannual reports on the progress achieved in carrying out said Part B (8).
- (15) NCS shall be responsible for the carrying out of Part C (2) of the Project.

SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

(a) The term "Eligible Categories" means Categories 1 and 2 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(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 an aggregate amount equivalent to fifteen million dollars (\$15,000,000) to be withdrawn from the Loan Account and deposited in the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts shall be made exclusively

for Eligible Expenditures in accordance with the provisions of this Schedule.

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits 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 in the Special Accounts such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Bank requests for deposits into the Special Accounts at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower 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 Special Accounts 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 Special Accounts 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 out of the Special Accounts, the Borrower 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 the Special Accounts:

(a) If, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower 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; or

(b) Once the total unwithdrawn amount of the Loan allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 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 Special Accounts 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 the Special Accounts: (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 shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Accounts (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 the Special Accounts shall be made until the Borrower 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 the Special Accounts 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.

SCHEDULE 7

Principal Terms and Conditions of the Subsidiary Loan Agreements and Participation Agreements

Part A: Subsidiary Loan Agreements

The Borrower shall, through MEF, relend to each Implementing Agency the proceeds of the Loan required for carrying out said agency's Respective Project Component, under a Subsidiary Loan Agreement to be entered into between the Borrower and each Implementing Agency on terms and conditions satisfactory to the Bank, including the following principal terms and conditions:

1. The maximum Subloans to be on-lent by the Borrower to each Implementing Agency shall not exceed the amount of the Loan allocated to such agency's Respective Project Component under the corresponding Category set forth in the table in paragraph 1 of Schedule 1 to this Agreement.
2. The proceeds of each Subloan referred to in paragraph 1 above shall be denominated in dollars or deutsche mark, and shall be repaid in semiannual installments in: (i) dollars; or (ii) deutsche mark; or (iii) Lei equivalent, such equivalent to be determined on the basis of the Interbank Market Rate on the respective dates of repayment, or such other free market determined exchange rate published by the Borrower's Central Bank and acceptable to the Bank.
3. The maturity term of each Subloan shall not exceed ten (10) years, including a grace period of three (3) years, and each Implementing Agency shall be entitled to repay its respective Subloan, or any part thereof, prior to the agreed maturity thereof without any premium for prepayment.
4. Each Implementing Agency shall pay to the Borrower interest on the principal amount of its respective Subloan, withdrawn and outstanding from time to time, at a rate per annum equal to at least: (i) the dollar six (6) month London Interbank Offered Rate plus one and one-half percentage points (1-1/2%); or (ii) the deutsche mark six (6) month Frankfurt Interbank Market Rate plus one and one-half percentage points (1-1/2%).
5. Each Subsidiary Loan Agreement shall provide for the corres-

ponding Implementing Agency's obligation, inter alia, to carry out its Respective Project Component with due diligence and efficiency and in accordance with terms and conditions which shall be consistent with the obligations of the Borrower under this Agreement.

6. Each Subsidiary Loan Agreement shall be subject to the Bank's prior approval.

Part B: Participation Agreements

For the purposes of assisting the Borrower in administering the implementation and supervision of the Subsidiary Loan Agreements, the Borrower shall enter into a Participation Agreement with each of the Participating Banks, which agreement shall have been approved by the Bank. The Participation Agreements shall provide for, inter alia: (i) the Borrower's obligation to pay to each Participating Bank an annual administration fee to be established as a percentage of amounts collected by said bank from the Implementing Agencies; and (ii) each Participating Bank's obligation to administer the Subsidiary Loan Agreements in accordance with sound financial, managerial, administrative and banking standards, and to maintain separate records, in respect of each said agreement, in accordance with sound accounting practices.

