

Public Disclosure Authorized

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**LOAN NUMBER 4717 RO**

**Loan Agreement**

**(Irrigation Rehabilitation and Reform Project)**

**between**

**ROMANIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated August 26, 2003**

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Public Disclosure Authorized

**LOAN NUMBER 4717 RO**

**LOAN AGREEMENT**

AGREEMENT, dated August 26, 2003, 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 October 6, 1999) (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) “Environmental Management Plan” means the plan, satisfactory to the Bank, prepared and adopted by the Borrower, providing for the environmental requirements for carrying out of the Project and proposed mitigation measures, and referred to in paragraph 3 (b) of Schedule 5 to this Agreement;

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

(c) “HLPCC” means the Borrower’s High Level Policy Coordination Committee established under Ministerial Order No. 508, dated November 1, 2002, and referred to in paragraph 2 (c) of Schedule 5 to this Agreement;

(d) “IAPSO” means the Inter-Agency Procurement Services Office of the United Nations Development Program (UNDP);

(e) “LRA” means the Borrower’s Land Reclamation Agency to be established by the Borrower under MAFWE in accordance with the Law on Land Reclamation (as defined hereinafter);

(f) “Law on Land Reclamation” means the law referred to in Section 6.01 (b) of this Agreement;

(g) “MAFWE” means the Ministry of Agriculture, Forestry and Environment of the Borrower;

(h) “PMU” means the Project Management Unit under MAFWE to be formally established pursuant to MAFWE’s Ministerial Order, or any legal successor thereto satisfactory to the Bank;

(i) “PIP” means the Project Implementation Plan prepared by the Borrower, and referred to in paragraph 3 (a) of Schedule 5 to this Agreement;

(j) “Project Technical Steering Committee” means the committee established by the Borrower under a Ministerial Order No. 509, dated November 1, 2002, and referred to in paragraph 2 (b) of Schedule 5 to this Agreement;

(k) “Special Account” means the account referred to in Section 2.02 (a) to this Agreement;

(l) “SNIF” means the Borrower’s National Company “Land Reclamation” established under the Borrower’s Law No. 440 published in the Official Gazette on July 24, 2001;

(m) “SPP” means a pressure pumping station that supplies irrigation water to irrigation farmers;

(n) “SNIF Privatization Plan” means the Borrower’s plan to restructure and privatize SNIF referred to in paragraph 11 of Schedule 5 to this Agreement;

(o) “WUAs” means water users’ associations or their legal successor thereof, established pursuant to the Law on Land Reclamation;

(p) “WUA Sub-project” means an activity under Part A. 6 (a) of the Project to be carried out by the PMU, referred to in paragraph 4 of Schedule 5 to this Agreement; and

(q) “WUA Sub-project Agreement” means an agreement between MAFWE, through the PMU, and a WUA, to implement a WUA Sub-project under Part A.6 (a) of the Project, referred to in paragraph 4 (c) of Schedule 5 to this Agreement.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to eighty million Dollars (\$80,000,000).

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 expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, services, works, and incremental operating costs required for carrying out the Project, and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project open and maintain in Dollars a 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, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 2011, 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%) of the amount of the Loan promptly 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%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

- (b) For the purposes of this Section:
- (i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
  - (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
  - (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
  - (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent ( $3/4$  of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 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 February 15 and August 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, shall carry out the Project, through MAFWE, with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions in paragraph (a) of this Section, the Borrower, through MAFWE, shall open a Project account under terms and conditions satisfactory to the Bank promptly after effectiveness of this Agreement and shall ensure that adequate budgetary allocations shall be made to the Project account each calendar quarter during Project implementation for financing Project expenditures; and

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

Section 3.02. 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.

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 for the future operation 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 shall maintain, through MAFWE, a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower, through MAFWE, shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Project and Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, 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 MAFWE, 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 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.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 1 (b) of Schedule 5 to this Agreement, the Borrower shall prepare, through MAFWE, 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 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.



## **ARTICLE V**

### **Remedies of the Bank**

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) that the Law on Land Reclamation of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement; and

(b) that the PIP and Environmental Management Plan shall have been amended so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. 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) all the essential PMU staff has been appointed with qualifications, experiences and terms of reference acceptable to the Bank; and

(b) a Law on Land Reclamation, satisfactory to the Bank, has been enacted.

Section 6.02. The date of one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. 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 7.02. 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:

11239

Facsimile:

401 312-6792

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

(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/ Mihai Nicolae Tanasescu

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Owaise Saadat

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 Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Works	57,414,000	80%
(2) Goods	10,938,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 80% of local expenditures for other items procured locally
(3) Consultants' services, including training and audit services	5,644,000	85% of foreign expenditures and 75% of local expenditures
(4) Incremental operating costs	1,504,000	75% of expenditures
(5) Unallocated	<u>4,500,000</u>	
TOTAL	<u>80,000,000</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; provided, however, that if the currency of the Borrower is also that of another country from the

territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”; and

(c) the term “incremental operating costs” means the following recurrent expenditures incurred with the respect of management and coordination of Project activities, including PMU staff salaries (excluding government employees) and staff per diems and lodging as well as travel costs for field trips related to the implementation of the Project, office supplies and utilities, communications costs (including internet), operation and maintenance for vehicles (including fuel, service and car insurance) and office equipment procured for the implementation of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures under Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of this Schedule until the fee referred to in Section 2.04 of this Agreement has been paid; and (b) without limitations to the provisions of sub-paragraph (a) above, payments made for expenditures prior to the date of this Agreement, except for withdrawals in an aggregate amount not exceeding the equivalent of \$50,000, may be made in respect of Category (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after July 25, 2003.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) consulting services under contracts with individual consultants costing less than \$25,000 equivalent each; (b) consulting services under contracts with consulting firms costing less than \$200,000 equivalent each; (c) goods under contracts costing less than \$100,000 equivalent each; (d) works under contracts costing less than \$1,000,000 equivalent each; (e) incremental operating costs; and (f) training, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to increase agriculture productivity in the Project area, promote community coherence and initiative in irrigation management and enhance institutional sustainability in the irrigation sector.

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: Rehabilitation of irrigation distribution schemes

1. (a) designing rehabilitation of main irrigation infrastructure, rehabilitation of main irrigation infrastructure and supervision of works during the rehabilitation of main irrigation infrastructure in the Sadova-Corabia and Nicoresti-Tecuci irrigation schemes;
- (b) carrying out feasibility studies for the irrigation rehabilitation works to be carried out outside the scope of the areas identified in paragraph (a) above; and
- (c) designing rehabilitation of main irrigation infrastructure, rehabilitation of main irrigation infrastructure and supervision of works during rehabilitation of main distribution system outside the scope of the areas identified in paragraph (a) above.
2. Rehabilitating main pumping stations in irrigation schemes, other than those referred to in paragraphs (a), (b) and (c) above.
3. Designing, supplying and installing water meters in SPPs.
4. Supplying, installing and operating monitoring and control equipment for irrigation schemes referred to in Part A.1 above.
5. Planning and designing of a tertiary irrigation system rehabilitation and rehabilitation of tertiary infrastructure.
6. (a) Supplying, on demand driven basis, field irrigation equipment, communication systems, irrigation scheduling equipment, and motorcycles for field supervision; and

(b) refurbishing offices and providing office equipment for the initial functioning of WUAs.

Part B: Institutional Strengthening

1. Supporting the preparation and implementation of institutional reforms of SNIF and initial institutional operation and functioning of LRA and WUAs.
2. Strengthening MAFWE's capacity to assume its role as supervisor of LRA and WUAs and training MAFWE's staff in best practice irrigation management models.
3. Developing a rehabilitation and renovation strategy for the irrigation sector focusing on irrigation schemes with adequate economic viability.
4. Assisting MAFWE to carry out public awareness and information dissemination campaigns on appropriate use of agro-chemicals and train farmers in best farming practices that respect the environment and lessen environmental pollution in Sadove-Corabia and other irrigation schemes along Danube River.

Part C: Technologies for the reduction of energy consumption and on-farm water management

Supporting studies and small pilot projects to address the need for a decline in energy consumption by reducing, when possible, pumping head through, among other, technical improvements and use of lower head sprinklers.

Part D: Project management

Provision of services, training and goods to assist the PMU in Project management and implementation.

\* \* \*

The Project is expected to be completed by September 30, 2010.

**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
On each February 15 and August 15	
beginning February 15, 2009	3,335,000
through February 15, 2020	3,335,000
On August 15, 2020	3,295,000

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



## **SCHEDULE 4**

### **Procurement**

#### Section I. Procurement of Goods and Works

##### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(b) Notification and Advertising

The invitation to bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than \$1,000,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) When procuring works in accordance to the procedure referred to in paragraph (a) above, the following procedures shall be followed: (i) a point system of evaluation will not be used; (ii) domestic preference will not be applied; (iii) international bidders will not be excluded from bidding; (iv) the draft bidding documents will be prepared and submitted to the Bank for review and no-objection before any tender is issued; (v) no bids will be rejected at the bid opening; (vi) all bids submitted on or before the deadline for submission of bids will be opened and read out at public bid opening; (vii) bidders shall demonstrate availability of obtaining securities and reasonable access to credit; (viii) bid evaluation criteria shall be pre-disclosed to bidders; and (ix) technical specifications shall be clearly written.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement from UN Agencies

Goods under Part C.3 of the Project may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation.

The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to contracts to be procured in accordance with the procedures referred to in Part B above, and the first contract to be procured in accordance with the procedures referred to in Part C.1 above, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract to be procured in accordance with the procedures referred to in Part C.2 and Part C.3 above, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Under a Fixed Budget

Services for preparation of feasibility studies under Part A.1 (b) of the Project and support for establishment of LRA and restructuring of SNIF may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection

Services for auditing may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

4. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated from time to time, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review

and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## SCHEDULE 5

### Implementation Program

1. The Borrower, through MAFWE, shall:
  - (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 November 30, 2006, a mid-term 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 January 31, 2007, or such later date as the Bank shall request, the mid-term 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.
2. The Borrower, through MAFWE, shall throughout the implementation of the Project:
  - (a) maintain the PMU within MAFWE with such staff and resources as shall be required for the PMU to perform its duties in respect of the overall management and implementation of the Project, in accordance with the PIP and satisfactory to the Bank;
  - (b) maintain a Project Technical Steering Committee comprising of representatives of MAFWE, Ministry of Public Finance and Ministry of Administration and Interior representatives, which shall provide oversight for Project implementation and policy recommendations to HLPCC in Project related matters; and
  - (c) maintain the HLPCC comprising of the Minister of Agriculture, Food and Forestry and State Secretaries representing the Ministry of Public Finance and Ministry of Administration and Interior, or whomever they shall designate to represent them, which shall provide policy recommendations to the Borrower's Council of Ministers on Project related matters.

3. The Borrower, through MAFWE, shall carry out the Project in accordance with:
  - (a) the PIP, including annual working plan for each year throughout Project implementation and key parameters for the execution and coordination of the Project (including procurement and financial management procedures) and guidelines, procedures and criteria for the WUA Sub-projects, and shall not amend the PIP without the Bank's prior consent; and
  - (b) the Environmental Management Plan, including environmental mitigation, monitoring, and institutional measures for the execution of the Project and shall ensure that all measures necessary for the carrying out of such Plan shall be taken in a timely manner.
4. (a) For the purposes of carrying out Part A.6 (a) of the Project, WUAs shall be eligible to present Sub-projects in accordance with the criteria and procedures set forth in the PIP;
  - (b) Sub-projects shall be evaluated and approved by the Project Technical Steering Committee, and implemented by PMU in accordance with the criteria and procedures set forth in the PIP, in a manner satisfactory to the Bank and in consultation with WUAs representatives; and
  - (c) For purposes of each Sub-project, MAFWE shall, through the PMU, conclude an agreement with a WUA, in a manner satisfactory to the Bank, and in accordance with the PIP (WUA Sub-project Agreement).
5. The Borrower, through MAFWE, shall ensure that the irrigation rehabilitation works under Part A.1 shall be carried out in two subsequent phases. The Borrower, through MAFWE, shall carry out Part A.1 (c) of the Project only after: (a) satisfactory completion of the feasibility studies has been carried out under Part A.1 (b) of the Project; and (b) the Bank is satisfied that the rehabilitation works to be carried out under Part A.1 (c) comply with an environmental impact assessment under terms satisfactory to the Bank, the Environmental Management Plan and the Borrower's applicable law.
6. For the purposes of Part A.6 (a) of the Project the Borrower, through MAFWE, shall, through the Project Technical Steering Committee: (a) ensure that the guidelines for environmental assessment, screening and review of Sub-projects included in the Environmental Management Plan are followed by the PMU; and (b) regularly assess, identify and mitigate, if necessary, any aggregate effects resulting from the implementation of this Part of the Project in accordance with the Environmental Management Plan and the Borrower's applicable law.



7. Not later than October 31, 2003, the Borrower shall prepare draft regulations to implement the new procedures for the subsidization of irrigation in accordance with the Law on Land Reclamation.

8. The Borrower, through MAFWE, shall ensure that LRA shall be audited annually by the Romanian Supreme Audit Institution and inform the Bank of the results of these audits by not later than June 30 each year throughout the implementation of the Project.

9. Not later than February 28, 2004, the Borrower, through MAFWE, shall provide evidence satisfactory to the Bank that the auditors referred to in Section 4.01 of this Agreement have been employed in a manner satisfactory to the Bank.

10. Not later than January 1, 2004, the Borrower, through MAFWE, shall provide for the establishment of LRA, under applicable Romanian law, with objectives and responsibilities satisfactory to the Bank.

11. The Borrower, through MAFWE, shall develop by September 30, 2004 the SNIF Privatization Plan, in a manner satisfactory to the Bank, which shall include an implementation schedule for the privatization of SNIF addressing, among others, human resource (including staff retrenchment policy), institutional and organizational needs of SNIF, and immediately thereafter implement the plan in accordance with the schedule.

## **SCHEDULE 6**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2), (3), and (4) 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 amount equivalent to \$4,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$10,000,000.
2. Payments out of the Special Account 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 Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Borrower, through MAFWE, shall furnish to the Bank a request or requests for deposit into the 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 Special Account such amount or amounts as the Borrower shall have requested.
  - (b) (i) For replenishment of the Special Account, the Borrower through MAFWE, shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower, through MAFWE, 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 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 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 MAFWE, out of the Special Account, the Borrower shall, through MAFWE, 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 Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower, through MAFWE, 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 MAFWE, 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 Account;

(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, 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 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 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 the 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 shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the 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 the Special Account 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 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 Account.

(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.