

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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July 28, 2003

His Excellency
Mihai Nicolae Tanasescu
Minister of Public Finance
Ministry of Public Finance
Bucharest, Romania

Re: Grant for Preparation of the Hazards Risk Mitigation and
Emergency Preparedness Project
GEF-PPG TF052333

Dear Mr. Minister:

I am writing on behalf of the International Bank for Reconstruction and Development (the Bank) acting as an Implementing Agency of the GEF to indicate the Bank's agreement to grant to Romania (the Recipient) a Grant in an amount not exceeding three hundred and fifty thousand Dollars (US\$350,000) (the Grant). The Grant is made in response to the Recipient's request for financial assistance and for the purposes and on the terms and conditions set forth in the Annex to this Letter Agreement. The Recipient represents, by confirming its agreement below, that it is authorized to contract and withdraw the Grant for the said purposes and on the said terms and conditions.

The award of the Grant does not constitute or imply any commitment on the part of the Bank, either as a GEF Implementing Agency, or in its own capacity, or the International Development Association, to assist in financing any project which will result from the activities financed by the Grant.

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by the Bank of the copy of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of the countersignature.

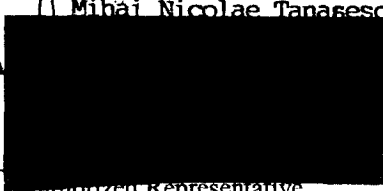
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency
of the Global Environment Facility

By 

Andrew N. Vorkink
Director
South Central Europe Country Unit
Europe and Central Asia Region

AGREED: Mihai Nicolae Tanasescu

ROMANIA

By 
Authorized Representative
Minister of Public Finance

Date: OCTOBER 15, 2003

ANNEX**Purposes, Terms, and Conditions of the Grant**1. Purposes and Activities

1.1. The purposes of the Grant is to assist the preparation of the Hazards Risk Mitigation and Emergency Preparedness Project (the Project), which has as main objective to assist the Government of Romania in reducing the environmental, social, financial and economic vulnerability to natural disasters and water pollution accidents from mining activities. The activities (the Activities) for which the Grant is given are as follows:

- (a) **Feasibility studies, design and tender documents for priority pilot mines:** carrying out of feasibility studies to analyze remediation and mitigation works proposed in the pre-feasibility studies; to prepare cost estimates, to determine the justification and nature of appropriate GEF financing for the Project.
- (b) **Supplementary studies, investigations, and technical support:** carrying out of supplementary studies and investigations, including but not limited to, geotechnical testing, chemical analysis, for the feasibility studies.
- (c) **Social Assessment:** carrying out of a social assessment, including the identification of key stakeholders; identification of potential social impacts, developing mitigation measures and recommendations for Project design, identifying mechanisms for the involvement of key stakeholders in overall preparation and implementation of the GEF-supported component of the Project.
- (d) **Environmental Assessment:** carrying out of: (i) an environmental assessment for priority investments under the GEF-supported Project component to ensure compliance with Romanian environmental regulations and the Bank's environmental safeguard policies; (ii) an environmental management plan consisting of a set of mitigation, monitoring, and institutional measures to be taken during implementation of the Project to eliminate adverse potential impacts, offset them, or reduce them to acceptable levels.
- (e) **Project Preparation and Coordination:** providing support for: (i) the preparation of the incremental cost analysis, the planning matrix (LOGFRAME), the implementation plan, financial management and procurement plans, and first-year bidding packages for the GEF-supported component of the Project; (ii) the establishment of the financial management system for the Project; (iii) the establishment of the Project Coordination Unit (PCU) including financing of consultant fees and operating costs; and (iv) the Project Implementation Unit (PIU) established within the National Agency for Mineral Resources, including financing of their operating costs related to implementation of the Grant; (v) financial audit of the PCU Special Account; and (vi) financial audit of the PIU Special Account.

2. Implementation Generally

2.1. The Recipient shall, through the Ministry of Transport, Constructions and Tourism, and the National Agency for Mineral Resources: (a) carry out the Activities with due diligence and efficiency; (b) promptly provide the counterpart funds, facilities, services and other resources required for that purpose; (c) furnish all information covering the Activities and the use of the proceeds of the Grant as the Bank shall reasonably request; (d) from time to time exchange views with the Bank's representatives on the progress and results of the Activities and (e) take all necessary measures required to enable the Bank to visit the territory of Romania for the purposes related to the Grant. Without limitation on the foregoing, the Recipient shall, if the Bank shall so request, prepare and furnish to the Bank promptly upon completion of the Activities a report, in form and substance satisfactory to the Bank, on the results and impact of the Activities.

2.2. The Recipient shall: (a) establish the PCU within the Ministry of Transport, Constructions and Tourism with staff and other resources satisfactory to the Bank; and (b) maintain the PIU within the National Agency for Mineral Resources with staff and other resources satisfactory to the Bank.

3. Procurement

3.1 Except as the Bank shall otherwise agree, procurement of the consultants' services and goods required for the carrying out of the Activities and to be financed out of the proceeds of the Grant shall be governed by the provisions of Attachment I to this Annex.

3.2. The Recipient shall ensure that all imported goods to be financed out of the proceeds of the Grant shall be insured against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and that any indemnity for such insurance is payable in a freely usable currency to replace or repair such goods. The Recipient shall ensure that any facilities relevant to the Activities are at all times operated and maintained in accordance with appropriate practices and that any repairs or renewals of such facilities are promptly made as needed.

4. Withdrawal of Grant Proceeds

4.1. The amount of the Grant shall be credited to an account opened by the Bank on its books in the name of the Recipient (the Grant Account), and may be withdrawn therefrom by the Recipient in accordance with the provisions of this Section 4, for expenditures in respect of the reasonable cost of goods and services required for the Activities and to be financed out of the proceeds of the Grant.

4.2. The expenditures for the following items may be financed out of the proceeds of the Grant and shall be used exclusively in the carrying out of the Activities:

Item	Amount of the Grant Allocated (in Dollars)	% of Expenditures to be Financed
(1) Consultants' services		75 % of expenditures incurred by local consultants; and 85 % of expenditures incurred by foreign consultants
(a) for Activities under paragraph 1.1 (d)(ii), (e)(ii, iii, v) of this Annex	69,450	
(b) for Activities under paragraph 1.1 (a), (b), (c), (d)(i), (e)(i, iv, vi) of this Annex	252,750	
(2) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of off the shelf cost of local expenditures for other items procured locally
for Activities under paragraph 1.1 (e)(iii) of this Annex ;	9,000	
(3) Operating Costs		90%
(a) for PCU	5,300	
(b) for PIU	13,500	
TOTAL	350,000	

For purposes of this paragraph:

- (a) the term "foreign expenditures" means expenditures in the currency of any country other than that of Romania for goods or services supplied from the territory of any country other than that of Romania, and the term "local expenditures" means any expenditures that are not foreign expenditures;
- (b) the term "local consultants" means individuals who are Romania's nationals and are legal residents on the territory of Romania for taxation purposes, and companies registered as Romanian legal entities under applicable laws of the Borrower; and the term "foreign consultants" means individual consultants and consulting firms who are not "local consultants" as defined in this sub-paragraph.
- (c) the term "operating costs" means the following recurrent expenditures incurred by the PCU and PIU in connection with the carrying out of the Activities, including PCU and PIU staff

per diems and lodging as well as travel costs for field visits, workshops and public consultations related to carrying out the Activities, communication cost (including Internet), office supplies and utilities, translation, and basic equipment.

4.3. Notwithstanding the provisions of paragraph 4.2 above: (a) no withdrawals shall be made: (i) for payments made for expenditures prior to the date of this Letter Agreement; (ii) on account of payments for any taxes levied by or in the territory of the Recipient; (iii) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in or services supplied from such territories; (iv) for the purpose of any payment to persons or entities, or for any import of goods, if such payment, to the Bank's knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; or (v) after June 30, 2004 or such later date as the Bank shall establish by written notice to the Recipient (the Closing Date), except that withdrawals may be made for expenditures incurred prior to the Closing Date and received by the Bank within four months after the Closing Date, after which time any amount of the Grant remaining unwithdrawn from the Grant Account shall be canceled; and (b) if, in the Bank's opinion, an amount of the Grant allocated to any of the items in the table in paragraph 4.2 above will be insufficient to finance the expenditures for such item, it may, by written notice to the Recipient, reallocate to such item an amount of the Grant then allocated to another item which in its opinion will not be necessary to meet other expenditures.

4.4. When the Recipient shall desire to withdraw any amount from the Grant Account, it shall deliver to the Bank a written application for withdrawal of such amount in the form specified by the Bank. Withdrawal applications shall be: (a) signed on behalf of the Recipient by the authorized officials or such other persons as they shall have authorized in writing; and (b) be accompanied by such evidence in support of the application as the Bank shall reasonably request. Authenticated specimen signatures of the persons authorized to sign withdrawal applications shall be provided with the first application bearing their signature. Each withdrawal application for an amount of the Grant and supporting evidence must be sufficient in form and substance to satisfy the Bank that the Recipient is entitled to withdraw such amount from the Grant Account and that such amount is to be used in the carrying out of the Activities. The Bank shall pay the amounts withdrawn by the Recipient from the Grant Account only to or on the order of the Recipient.

4.5. The Bank may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) services of consulting firms costing less than \$50,000 equivalent; and (b) goods all under such terms and conditions as the Bank shall specify by notice to the Recipient.

4.6. Withdrawals of the proceeds of the Grant shall be made in the currency of the Grant. The Bank, at the Recipient's request and acting as an agent of the Recipient, shall purchase with the currency of the Grant withdrawn from the Grant Account such currencies as shall be required to pay for expenditures to be financed out of the proceeds of the Grant. Whenever it shall be necessary, for the purposes of this Letter Agreement, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Bank.

4.7. To facilitate the carrying out of the Activities, the Recipient may open and maintain in US Dollars two special deposit accounts: (a) Special Account A to be administered by the PCU; and (b) Special Account B to be administered by the PIU; both in a commercial bank or 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 the Attachment II to this Annex.

5. Accounts and Audits

5.1. (a) The Recipient shall maintain or cause to be maintained a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures related to the Activities .

(b) The Recipient shall: (i) have the records, accounts and financial statements referred to in subparagraph (a) above and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors with qualifications, experience and terms of reference acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified 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 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, and concerning said auditors, as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall: (i) maintain or cause to be maintained, in accordance with subparagraph (a) above, records and accounts reflecting such expenditures; (ii) retain, until at least after one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Grant 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 subparagraph (b) above 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.

6. Suspension and Cancellation

6.1. The Bank may at any time, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals from the Grant Account if any of the following events has occurred and is continuing: (a) the Recipient has failed to comply with any of its obligations therein specified; or (b) the right of the Recipient to make withdrawals under any loan agreement with the Bank or any development credit agreement with the International Development Association shall have been suspended.

6.2. The Bank may, by written notice to the Recipient, terminate the right of the Recipient to make further withdrawals from the Grant Account: (a) at any time after the right of the Recipient to make withdrawals from the Grant Account shall have been suspended pursuant to the provisions of paragraph 6.1 above; or (b) if the Recipient shall have failed to take action, satisfactory to the Bank, within 90 days after the effective date hereof, to carry out the Activities, or (c) if the Bank has decided, at any time after consultation with the Recipient, to withdraw its support to the Project; or (d) if the Recipient has withdrawn its request for the Bank's assistance in financing the Project.

Attachment I

Procurement

Section I. Consultants' ServicesPart A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section 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 and January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of this Section.

Part B: Procedures for the Selection of Consultants1. Selection Based on Consultants' Qualifications

Services for carrying out feasibility studies, design work and surveys estimated to cost less than US\$100,000 equivalent per contract, and services for carrying out design of the financial management system, including provision of a software license may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-Cost Selection

Services for carrying out a financial audit of the Special Accounts estimated to cost US\$ 14,000 or less, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

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

Part C: Review by the Bank of the Selection of Consultants1. 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. Selection of all consultants' services shall be undertaken in accordance with such selection plan 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 \$50,000 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, 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.

Section II. Procurement of Goods

Goods shall be procured: (a) 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 (b) under contracts awarded on the basis of international and national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines. The review procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply to such contracts, provided that the word "bids", in such paragraph 4, shall be read as "quotations".

Attachment II**Special Accounts**

1. For the purposes of this Attachment:

(a) The term "eligible items" means items (1)(a), (2), and (3)(a) in respect of Special Account A, and items (1)(b), and (3)(b) in respect of Special Account B, as set forth in the table in paragraph 4.2 of the Annex to this Letter Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, services and operating costs required for the Activities and to be financed out of the proceeds of the Grant; and

(c) the term "Authorized Allocation" means an amount equivalent to US\$15,000 to be withdrawn from the Grant Account and deposited into the Special Account A (administered by PCU), and the equivalent of US\$20,000 into the Special Account B (administered by PIU), pursuant to paragraph 3 (a) of this Attachment.

2. Payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Attachment.

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) the Recipient shall furnish to the Bank a request or requests for a deposit into the Special Accounts 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 Recipient, withdraw from the Grant Account and deposit into the Special Accounts such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Accounts, the Recipient 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 Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Attachment for the payment or payments in respect of which replenishment is requested. All such deposits shall be withdrawn by the Bank from the Grant Account under the eligible items, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Accounts, the Recipient 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 Attachment, 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 Recipient directly from the Grant;

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in paragraph 5.1 (b) (ii) of the Annex of this Letter Agreement, any of the audit reports required to be furnished to the Bank pursuant to said paragraph in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of paragraph 6.1 of the Annex to this Letter Agreement; or

(d) Once the total withdrawn amount of the Grant shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawals from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Bank shall specify by notice to the Recipient. 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 an amount not eligible pursuant to paragraph 2 of this Attachment; or (ii) was not justified by the evidence furnished to the Bank, the Recipient 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 Recipient 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 Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.