

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 4757 RO

Loan Agreement

(Transport Restructuring Project)

between

ROMANIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated January 28, 2005

Public Disclosure Authorized

LOAN NUMBER 4757 RO

LOAN AGREEMENT

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

(A) 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;

(B) Part A of the Project will be carried out by the Romanian National Company of Motorways and National Roads (RNCMNR), Part B of the Project will be carried out by the National Railway Company of Romania (CFR), Part C of the Project will be carried out by SC METROREX SA (Metrorex), all with the assistance of the Borrower, acting through its Ministry of Transport, Construction and Tourism (MTCT), and as part of such assistance, the Borrower will make available to RNCMNR, CFR, and Metrorex the portions of the proceeds of the loan provided for in Article II of this Agreement (the Loan), as set forth in this Agreement; and

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, in the agreement of even date herewith between the Bank and RNCMNR (the RNCMNR Project Agreement), in the agreement of even date herewith between the Bank and CFR (the CFR Project Agreement), and in the agreement of even date herewith between the Bank and Metrorex (the Metrorex Project Agreement).

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through May 1, 2004) (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) “CFR Calatori” means the company responsible for provision of passenger railway services in the territory of the Borrower, or any successor thereto;

(b) “CFR Marfa” means the company responsible for provision of freight railway services in the territory of the Borrower, or any successor thereto;

(c) “CFR Project Agreement” means the agreement between the Bank and CFR of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the CFR Project Agreement;

(d) “CFR Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower, MTCT, and CFR pursuant to Section 3.02 (b) of this Agreement, as the same may be amended from time to time; and such term includes all schedules to the CFR Subsidiary Loan Agreement;

(e) “Environmental Management Plans” means the plans, satisfactory to the Bank, prepared and adopted by the Borrower during May – August 2004, describing the environmental mitigation, monitoring and institutional measures for the Project;

(f) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement; Section 4.02 of the RNCMNR Project Agreement; Section 4.02 of the CFR Project Agreement; and Section 4.02 of the Metrorex Project Agreement;

(g) “Land Acquisition Framework” means the laws and administrative procedures adopted by the Borrower, providing for processes and appropriate compensation for relocation of or loss of income to be incurred by individuals or business entities on account of land to be acquired for public purposes, including for implementation of the Project;

(h) “Metrorex Project Agreement” means the agreement between the Bank and Metrorex of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Metrorex Project Agreement;

(i) “Metrorex Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower, MTCT and Metrorex, pursuant to Section 3.02 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Metrorex Subsidiary Loan Agreement;

(j) “Performance Contract” means any contract concluded between an authorized passenger railway operator and MTCT, and approved by the Government of the Borrower, pursuant to Article 37 of the Government Emergency Ordinance No. 12 of 1998 (as modified); and such Performance Contracts include, inter alia, the list of social

services to be provided by such passenger railway operators, as well as the amount to be transferred to these passenger railway operators by the Borrower as public service compensations;

(k) "Procurement Plan" means the procurement plan for the Project, dated October 7, 2004, covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.04 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation;

(l) "RNCMNR Project Agreement" means the agreement between the Bank and RNCMNR of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the RNCMNR Project Agreement;

(m) "RNCMNR Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower, MTCT, and RNCMNR pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time; and such term includes all schedules to the RNCMNR Subsidiary Loan Agreement; and

(n) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement.

Section 1.03. Each reference in the General Conditions or in this Agreement to the Project implementation entity shall be deemed as a reference to RNCMNR, CFR, or Metrorex, as the case may be.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to two hundred twenty-five million dollars (US\$225,000,000).

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 and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower, through RNCMNR, CFR, and Metrorex, may, for the purposes of each of Parts A, B and C of the Project, respectively, open and maintain in dollars a separate special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be July 31, 2009, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1.00%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. Such fee shall be payable not later than 60 days after the Effective Date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1.00%) per annum on the principal amount of the Loan not withdrawn from time to time.

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

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

- (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in 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 1.00%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

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

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall:

(a) cause RNCMNR, CFR and Metrorex to perform in accordance with the provisions of the RNCMNR Project Agreement, the CFR Project Agreement, and the Metrorex Project Agreement all the obligations of RNCMNR, CFR and Metrorex therein set forth; and

(b) take or cause to be taken all relevant actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NCMNR, CFR and Metrorex, and to perform their obligations under the RNCMNR Project Agreement, the CFR Project Agreement, and the Metrorex Project Agreement, and not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) for the purposes of Part A of the Project, relend to RNCMNR the portion of the proceeds of the Loan allocated from time to time to Categories (1), (2)(a), (3)(a), and (4)(a) of the table set forth in paragraph 1 of Schedule 1 of this Agreement, in the amount of up to \$149,000,000 equivalent (the RNCMNR Subsidiary Loan) under a subsidiary loan agreement to be entered into between the Borrower, MTCT, and RNCMNR (the RNCMNR Subsidiary Loan Agreement), under terms and conditions which shall have been approved by the Bank which shall include the following principal terms: (i) the principal amount of the RNCMNR Subsidiary Loan shall be repaid in Lei in amounts equivalent (determined as of the date or respective dates of repayment, according to Schedule 3 to this Agreement) to the amounts withdrawn from the Loan Account or paid out of the Special Account for Part A of the Project on account of goods and services for Part A of the Project, and financed out of the proceeds of the Loan; (ii) the principal amount of the RNCMNR Subsidiary Loan shall be repaid over a period of no more than seventeen (17) years, including a grace period of no more than five (5) years; and (iii) RNCMNR shall pay interest and other charges on the principal amount of the Subsidiary Loan at a rate equal to the rate applicable to the Loan pursuant to Section 2.06 of this Agreement;

(b) for the purposes of Part B of the Project, relend to CFR the portion of the proceeds of the Loan allocated from time to time to Categories (2)(b), (3)(b) and (4)(b) of the table set forth in paragraph 1 of Schedule 1 of this Agreement in the amount of up to \$75,000,000 equivalent (the CFR Subsidiary Loan) under a subsidiary loan

agreement (the CFR Subsidiary Loan Agreement) to be entered into between the Borrower, MTCT, and CFR, under terms and conditions which shall have been approved by the Bank;

(c) for the purposes of Part C of the Project, relend to Metrorex the portion of the proceeds of the Loan allocated from time to time to Category (3)(c) of the table set forth in paragraph 1 of Schedule 1 of this Agreement in the amount of up to \$1,000,000 equivalent (the Metrorex Subsidiary Loan) under a subsidiary loan agreement (the Metrorex Subsidiary Loan Agreement) to be entered into between the Borrower, MTCT, and Metrorex, under terms and conditions which shall have been approved by the Bank;

(d) exercise its rights under the RNCMNR Subsidiary Loan Agreement in such 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 the RNCMNR Subsidiary Loan Agreement or any provision thereof;

(e) exercise its rights under the CFR Subsidiary Loan Agreement in such 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 the CFR Subsidiary Loan Agreement or any provision thereof; and

(f) exercise its rights under the Metrorex Subsidiary Loan Agreement in such 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 the Metrorex Subsidiary Loan Agreement or any provision thereof.

Section 3.03. Without limitation upon the provisions of Sections 3.01 and 3.02 of this Agreement, and except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause the Project to be carried out in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.04. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

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

Section 3.05. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of: (a) Part A of the Project shall be carried out by RNCMNR pursuant to Section 2.03 of the RNCMNR Project Agreement; (b) Part B of the Project shall be carried out by CFR pursuant to Section 2.03 of the CFR Project Agreement; and (c) Part C of the Project shall be carried out by Metrorex pursuant to Section 2.03 of the Metrorex Project Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations, resources and expenditures related to the Project.

- (b) The Borrower, through the project implementing entities, shall:
 - (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
 - (ii) furnish or cause to be furnished to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
 - (iii) furnish or cause to be furnished to the Bank such other information concerning such records, accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

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

- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

Section 4.02. Without limitation or restriction upon the provisions of Section 3.01 of this Agreement relating to the provision of funds for CFR for the implementation of the Project, the Borrower shall provide financing each year for railway passenger services in accordance with all applicable Performance Contracts.

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) RNCMNR, CFR or Metrorex shall have failed to perform any of its obligations under the RNCMNR Project Agreement, the CFR Project Agreement, or the Metrorex Project Agreement, respectively;

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that RNCMNR, CFR or Metrorex will be able to perform its obligations under the RNCMNR Project Agreement, the CFR Project Agreement, or the Metrorex Project Agreement, respectively;

(c) Law No. 47/2004 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of RNCMNR to perform any of its obligations under the RNCMNR Project Agreement; and;

(d) Government Decision No. 581 of 1998 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CFR to perform any of its obligations under the CFR Project Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional events are specified:

(a) Any event specified in paragraph (a) 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.

(b) Any event specified in paragraphs (c) or (d) of Section 5.01 of this Agreement shall occur.

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) the RNCMNR Subsidiary Loan Agreement has been executed on behalf of the Borrower, MTCT, and RNCMNR;

(b) the CFR Subsidiary Loan Agreement has been executed on behalf of the Borrower, MTCT, and CFR;

(c) the CFR five-year business plan including cash flow, and the RNCMNR five year investment plan, endorsed by the boards of the respective companies, satisfactory to the Bank.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the RNCMNR Project Agreement has been duly authorized or ratified by RNCMNR, and is legally binding upon RNCMNR in accordance with its terms;

(b) that the CFR Project Agreement has been duly authorized or ratified by CFR, and is legally binding upon CFR in accordance with its terms;

(c) that the Metrorex Project Agreement has been duly authorized or ratified by Metrorex, and is legally binding upon Metrorex in accordance with its terms;

(d) that the RNCMNR Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower, MTCT, and RNCMNR and is legally binding in accordance with its terms; and

(e) that the CFR Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower, MTCT, and CFR and is legally binding in accordance with its terms.

Section 6.03. The date one hundred fifty (150) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE 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: | Facsimile: |
| 11239 | 4021 312 6792 |

For the Bank:

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

| | | |
|-------------------------------|--------------------------------|----------------|
| Cable address: | Telex: | Facsimile: |
| INTBAFRAD Washington, D.C. | 248423 (MCI) or 64145 (MCI) | (202) 477-6391 |

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Bucharest, Romania, as of the day and year first above written.

ROMANIA

By /s/ Ionel Popescu
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Anand Seth
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

| <u>Category</u> | <u>Amount of the Loan Allocated (Expressed in Dollars)</u> | <u>% of Expenditures to be financed</u> |
|--------------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Works under Part A of the Project | 128,850,000 | 100% of foreign expenditures, 80% of local expenditures |
| (2) Goods | | |
| (a) under Part A of the Project | 1,100,000 | 100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally |
| (b) under Part B of the Project | 66,500,000 | |
| (3) Consultants' services, including audit | | 75% for local individuals and firms; 85% for foreign individuals and firms |
| (a) under Part A of the Project | 16,990,000 | |
| (b) under Part B of the Project | 7,800,000 | |
| (c) under Part C of the Project | 1,000,000 | |

| <u>Category</u> | <u>Amount of the Loan Allocated (Expressed in Dollars)</u> | <u>% of Expenditures to be financed</u> |
|------------------------------------|------------------------------------------------------------------------|-------------------------------------------------|
| (4) Training | | 100% |
| (a) under Part A of the Project | 60,000 | |
| (b) under Part B of the Project | 200,000 | |
| (5) Unallocated | | |
| (a) for Part A of the Project | 2,000,000 | |
| (b) for Part B of the Project | <u>500,000</u> | |
| TOTAL | <u>225,000,000</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; and

(c) the term “training” means Project related costs and expenses incurred in connection with study tours, seminars, workshops, and other training activities not included under a goods, construction, or other service provider’s contract; and shall include travel, accommodation and subsistence costs for the representatives of the Government and the Project implementing entities.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) any Category in the table in paragraph 1 above, unless the Bank has received payment in full of the front-end fee referred to in Section 2.04 of this Agreement; and (c) payments made for expenditures under Category (3)(c) set forth in paragraph 1 of this Schedule until the Bank has received satisfactory evidence that the

Metrorex Subsidiary Loan Agreement has been executed on behalf of the Borrower, MTCT and Metrorex.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$200,000 equivalent per contract; (b) works costing less than \$2,000,000 equivalent per contract; (c) for services of individual consultants costing less than \$50,000 equivalent per contract; (d) for services of consulting firms under contracts costing less than \$100,000 equivalent per contract; and (e) for training, regardless of the amount thereof, 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 improve the efficiency of the railways and roads sub-sectors, reducing the overall costs of transportation, improving road safety, and reducing the negative impacts of traffic congestion and pollution in selected cities, and to support the institutional development of Metrorex.

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: Roads Sub-Sector

1. Institutional Development of RNCMNR

(a) Provision of technical assistance and related goods to support institutional development for RNCMNR, consisting of: (i) organizational development; (ii) review and update of functional and administrative classification of the public road network; (iii) development of RNCMNR environmental policy and program; and (iv) development of data services and analytical capabilities in road management.

(b) Provision of technical assistance and related goods for development of RNCMNR planning methods and capabilities, consisting of: (i) use of road management systems to develop a rolling five-year program; and (ii) development of multi-year maintenance plans and methods and processes for their procurement.

(c) Review, diagnosis and improvement of standard contract documents.

(d) Harmonization and updating of RNCMNR technical specifications, geometric standards and documents with EU standards.

(e) Carrying out of a road user charge study.

(f) Audit of the Project accounts.

2. Road Safety Improvement

Provision of civil works to support the “Linear Village” type traffic safety improvements and elimination of black spots; education and public awareness activities

such as workshops; technical support for the application of the traffic crash records database and implementation of the Busteni Linear Village pilot road safety plan.

3. Construction and Supervision of Bypasses for Selected Cities

Provision of works and consultants' services to relieve congestion, environmental pollution, and reduce travel costs for traffic traveling through selected cities (Bacau, Brasov, Reghin, Medias, and Targu Mures, with Adjud and Ramnicu-Sarat as additional cities subject to availability of funds).

4. Bridge Rehabilitation

Repairs or replacement of selected high priority bridges in the public investment program of the Borrower.

5. Training

Procurement of training and other staff development activities to improve knowledge and capabilities of the RNCMNR staff.

Part B: Railways Sub-Sector

1. Commercialization of the Railway Industry and Technical Cooperation

Provision of management training to CFR to assist in the adoption of commercial/private sector practices; carrying out of studies to improve market focus for CFR-Marfa and CFR-Calatori redesign of the organization and the business processes for freight customer services, train operations, and infrastructure maintenance and management; provision of technical assistance to prepare CFR-Marfa for privatization.

2. Improved Utilization of Information and Communications Technology

Provision of information and communications technology hardware and software to CFR to improve efficiency of the railway services and improve interoperability with the European network by completing the national data transmission network, and increasing the processing capacity of CFR's existing database servers and providing access to additional railway units.

3. Infrastructure Maintenance, Power Supply and Signaling Equipment

Provision of modern infrastructure maintenance equipment, and modern train control equipment to improve the quality of CFR's service and reduce operating costs.

The equipment will include, inter alia, universal tamping machines, ballast prism profiling machines, universal ballast-scarifier and screening machines, special-purpose wagons for cleaning waste, tamping machines for tracks and switches, various small mechanization machines, and equipment for modernization of signaling and selected power supply stations and sub-stations.

4. Systems for Quality and Environmental Management

Procurement of equipment for CFR to implement integrated systems of quality and environmental management to align Romanian railways with European standards for train operations.

5. Training

Procurement of training and other staff development activities to improve knowledge and capabilities of the CFR staff.

6. Audit

Provision of consultant services for audit of CFR financial statements and the Project accounts covering the financial years during project implementation.

Part C: Urban Transport Sub-Sector (Metrorex)

Institutional Development

Provision of technical assistance to support institutional development for MTCT and Metrorex, consisting of: (i) establishment of the Bucharest Metropolitan Transport Authority; (ii) reorganization of the Metrorex institutional structure to improve efficiency and effectiveness; (iii) feasibility studies for extensions to the Metrorex commuter services within Bucharest metropolitan districts; and (iv) provision of consultant services for audit of the Project accounts covering the financial years during Project implementation.

* * *

The Project is expected to be completed by April 30, 2009.

SCHEDULE 3

Amortization Schedule

| <u>Date Payment Due</u> | Payment of Principal (Expressed in <u>Dollars</u>)* |
|-----------------------------------------------------------------------------------------|------------------------------------------------------------|
| On each April 15 and October 15 beginning April 15, 2010 through October 15, 2021 | USD 9,375,000 |

* 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. General

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

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

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

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

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

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$200,000 equivalent per contract and works estimated to cost less than \$2,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in the Annex to this Schedule.

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

3. Direct Contracting. Goods and works which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

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

B. Other Procedures

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

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

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

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

5. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

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

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Annex to
Schedule 4**

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

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

A. Procedures

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

B. Assessment of Bidders’ Qualifications

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

C. Participation by Government-Owned Enterprises

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

D. Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, which shall contain draft contract and

conditions of contract acceptable to the Bank. Bidding instructions shall clearly stipulate that discount, if any, must be stated by the bidder either in a cover letter or in the bid form. In case of joint ventures, bidding conditions shall stipulate joint and several liability of all the partners of the joint venture.

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

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

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

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

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

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

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

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

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

F. Price Adjustment

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

G. Rejection of All Bids

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

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

H. Securities

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

SCHEDULE 5

Implementation Program

1. The Borrower shall, through RNCMNR, CFR, Metrorex, and MTCT:
 - (a) maintain policies and procedures adequate to enable monitoring and evaluation on an ongoing basis, in accordance with indicators acceptable to the Bank, of 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 June 15, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
 - (c) carry out with the Bank by September 30, 2007, or such later date as the Bank shall request a mid-term review of the Project on the basis of the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.
2. The Borrower shall: (a) ensure that all measures necessary for the carrying out of the Environmental Management Plan shall be taken in a timely manner; and (b) furnish to the Bank in accordance with a schedule satisfactory to the Bank adequate information on the carrying out of such measures.
3. The Borrower, through MTCT, shall ensure that all land acquisition under Part A of the Project shall be undertaken in accordance with the Land Acquisition Framework.

SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2)(a), (3)(a) and (4)(a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of the Special Account for Part A of the Project; Categories (2)(b), (3)(b) and (4)(b) set forth in said table in respect of the Special Account for Part B of the Project; and Category (3)(c) set forth in such table in respect of the Special Account for Part C of the Project;

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

(c) the term “Authorized Allocation” means the amount of \$15,000,000 in respect of the Special Account for Part A of the Project, an amount equivalent to \$7,500,000 in respect of the Special Account for Part B thereof, and an amount of \$200,000 in respect of the Special Account for Part C of the Project, to be withdrawn from the Loan Account and deposited into the respective Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

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

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

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

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

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower through RNCNR, CFR and Metrorex 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 RNCNR, CFR and Metrorex shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

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

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the respective Special Account for any Part of the Project, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for such Part of 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 for such Parts of the Project shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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