

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 4842 RO

Project Agreement

(Transport Sector Support Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

NATIONAL RAILWAY COMPANY OF ROMANIA (CFR SA)

Dated November 27, 2006

Public Disclosure Authorized

LOAN NUMBER 4842 RO

PROJECT AGREEMENT

Agreement dated November 27, 2006, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and NATIONAL RAILWAY COMPANY OF ROMANIA (CFR SA) (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement of same date between ROMANIA (“Borrower”) and the Bank (“Loan Agreement”). The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01.1. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.01.2. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall:
 - (a) carry out Part II of the Project in accordance with the provisions of Article V of the General Conditions; and
 - (b) provide promptly as needed, the funds, as transferred to it by the relevant Governmental authorities, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is its General Director.

3.02. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

National Railway Company of Romania (CFR)
38, Dinicu Golescu Blvd., Sector 1, Floor 3
010873 Bucharest
Romania

Facsimile:

+40-21-222-2517

AGREED at Bucharest, Romania, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCITON AND DEVELOPMENT

By /s/ Anand Seth

Authorized Representative

NATIONAL RAILWAY COMPANY OF ROMANIA

By /s/ Costantin Axinia

Authorized Representative

SCHEDULE

Execution of the Implementing Entity's Respective Part of the Project

Section I. Institutional and Other Arrangements

1. During Project implementation, the Project Implementing Entity shall maintain an organizational and management structure, staffing and resources which shall be adequate to enable it to effectively implement its Respective Part of the Project, and which shall be acceptable to the Bank. In particular, the Project Implementing Entity shall: (i) maintain a project management unit (PMU) with a sufficient number of qualified staff and adequate facilities, as satisfactory to the Bank; and (ii) maintain adequate staffing specialists trained in the area of environmental management. Such staff shall continue to receive periodic training in such area.

2. The Project Implementing Entity shall take all necessary measures to implement its Respective Part of the Project in accordance with the Annual Infrastructure Maintenance Programs for its Respective Part of the Project, and shall not amend, suspend, abrogate, repeal or waive any provision of such Annual Infrastructure Maintenance Programs without prior approval of the Bank.

3. The Project Implementing Entity shall:

(a) carry out its Respective Part of the Project in accordance with the provisions of the Environmental Legislation and when its Respective Part of the Project involves land acquisition activities, the Land Acquisition Framework; and

(b) promptly inform the Bank of any developments in the legislation, rules or procedures of, or applicable to, the Borrower or the Project Implementing Entity that may affect the implementation of its Respective Part of the Project.

4. The Project Implementing Entity shall notify the Borrower and the Bank of any intended acquisition of land for the purposes of its Respective Part of the Project, in whole or in part, of the following: residences, agricultural holdings, commercial structures and businesses; and/or land used by people without claim to legal title.

Section II. Project Monitoring; Reporting; Evaluation

A. Annual Infrastructure Maintenance Programs and Project Reports

1. The Project Implementing Entity shall:

(a) not later than November 15 of each year during the implementation of the Project, or such later date as may be agreed by the Bank, starting November 15, 2006, submit to the Borrower and the Bank, for their review and approval, an Annual

Infrastructure Maintenance Program, to be satisfactory to the Borrower and the Bank, for its Respective Part of the Project for the following calendar year, which shall include agreed activities and corresponding costing to be financed with Loan proceeds for the respective year and an updated five-year program of maintenance, current and periodic repair, overhaul and investment activities;

(b) monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08 of the General Conditions, on the basis of indicators agreed with the Bank; each Project Report shall: (i) cover the period of one (1) calendar semester quarter; (ii) be furnished to the Borrower and the Bank not later than forty-five (45) days after the end of the period covered by such report; and (iii) indicate the progress, outputs and outcomes achieved in implementing the Annual Infrastructure Maintenance Program for the period preceding the date of such report;

(c) not later than December 15 of each year during the implementation of the Project, or such later date as may be agreed by the Bank, starting December 15, 2006, jointly undertake with the Borrower and the Bank, the review of the activities, outputs and outcomes for its Respective Part of the Project based on the Project Reports referred to in sub-paragraph (b) above, and if such review is satisfactory to the Bank, agree with the Borrower and the Bank on the Annual Infrastructure Maintenance Program for the following calendar year and the updated five-year program of maintenance, current and periodic repair, overhaul and investment activities; and

(d) not later than February 15 of each year during the implementation of the Project, or such later date as may be agreed by the Bank, starting February 15, 2007, jointly undertake with the Borrower and the Bank, the review of the activities, outputs and outcomes for its Respective Part of the Project based on the Project Reports referred to in sub-paragraph (b) above, and jointly agree with the Borrower and the Bank on any adjustments to be made to the Annual Infrastructure Maintenance Program for the remaining part of the calendar year.

2. The Project Implementing Entity shall provide to the Borrower not later than four (4) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management; Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.