

CONFORMED COPY

LOAN NUMBER 4560 RO

Loan Agreement

(Trade and Transport Facilitation in Southeast Europe Project)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 7, 2000

LOAN NUMBER 4560 RO

LOAN AGREEMENT

AGREEMENT, dated July 7, 2000, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower has entered into a Memorandum of Understanding (MOU) on February 10, 2000 with other Participating Countries (as hereinafter defined) confirming the Participating Countries' commitment to a regional trade and transport facilitation program (the Regional Program);

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project which forms part of the Borrower's activities under the Regional Program; and

(C) to assist in financing the Project and other measures included in the Regional Program, the Borrower intends to obtain assistance from another external source of finance in an amount of about \$1,400,000 equivalent.

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 December 2, 1997) (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) "Customs Reform Strategy" means the strategy satisfactory to the Bank adopted by the Borrower, describing the measures to be taken during the period of project implementation to strengthen GCD;

(b) "Environmental Management Plan" means the plan, satisfactory to the Bank, prepared and adopted by the Borrower, describing the environmental mitigation, monitoring and institutional measures for the Project;

(c) "GCD" means the General Customs Directorate of the MOF;

(d) "ICIS" means the integrated customs information system of the GCD to be supported under Part C of the Project;

(e) "MOF" means the Ministry of Finance of the Borrower;

(f) "Participating Country" means each country participating in the Regional Program;

(g) "Pilot Sites" means the Bacau inland customs terminal and the Giurgiu and Constanta Customs Stations;

(h) "PIP" means the project implementation plan, including the Customs Reform Strategy and an Environmental Management Plan, adopted by the Borrower, setting out measures required for implementation of the Project;

(i) "PMU" means the Project Management Unit, established within GCD and operating under the Project Manager;

(j) "Project Coordinator" means the Project Coordinator designated by the Borrower to be responsible for coordination of the activities of all agencies of the Borrower, under the Project and to represent the Borrower in the RSC;

(k) "Project Manager" means the head of the PMU;

(l) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(m) "Project Preparation Advance" means the Project Preparation Advance granted by the Bank to the Borrower pursuant to an exchange of letters dated February 25, 2000 and March 10, 2000;

(n) "RSC" means the Regional Steering Committee established by the Participating Countries under the MOU to oversee implementation of the Regional Program;

(o) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement; and

(p) "Website Coordinator" means the coordinator to be designated

for purposes of Part B of the Project by the Borrower's Ministry of Industry and Commerce.

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 seventeen million one hundred thousand dollars (\$17,100,000).

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

(b) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 2003, 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 fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Borrower shall pay the amount of the said fee.

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 United States 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 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. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through GCD and the Project Coordinator, acting under the general supervision of MOF, with due diligence and efficiency and in conformity with appropriate financial, administrative, environmental and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower, acting through GCD, shall carry out the Project in accordance with the PIP and 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 designed to ensure the continued achievement of the objectives 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, acting through GCD, shall establish and at all times maintain 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, acting through GCD, shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the 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 who shall be appointed within six months of the Effective Date of this Agreement;

(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 such 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 Loan Account were made on the basis of statements of expenditure, the Borrower, acting through GCD, shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one 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 provisions of Section 4.01 of this Agreement, the Borrower, acting through GCD, shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than November 30, 2000, or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower, acting through GCD, shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that the MOU shall have been amended, suspended, abrogated, terminated, waived or otherwise modified so as to affect materially and adversely the ability of the Borrower to perform 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 Section 5.01 of this Agreement shall occur and shall continue for a period of sixty 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) the PMU has been established with staff (including a procurement officer, accountant, administrative and other personnel), functions and terms of reference satisfactory to the Bank, and with resources and a financial management system satisfactory to the Bank; and

(b) the Borrower has selected, for purposes of Section 4.01 of this Agreement, auditors satisfactory to the Bank.

Section 6.02. The date one hundred 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 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 Finance
17, Apolodor Street
Bucharest
Romania

Telex:

11239

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)

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/ Decebal Traian Remes

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By /s/ Andrew N. Vorkink

Country Director
South Central Europe Country Unit
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

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:

Expenditures Category Financed	Amount of the Loan Allocated (Expressed in Dollars)	% of to be
(1) Works	1,300,000	30%
(2) Goods foreign expenditures, local expenditures (ex-factory and 84% of local expenditures for other procured locally	13,700,000	100% of 100% of cost) items
(3) Consultants' services and training	400,000	100%
(4) Incremental Operating Costs	100,000	100%
(5) Refinancing of due under Project Preparation 2.02 (b) of this Advance Agreement	100,000	Amount Section
(6) Unallocated	1,500,000	
TOTAL	17,100,000	

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;

(c) the term "incremental operating costs" means the incremental operating costs of the PMU incurred on account of Project implementation, management and monitoring, including staff salaries, and the cost of establishing a financial management system for the Project; and

(d) the term "training" means training activities (other than consultants' services) to be carried out under the Project, including the cost of workshops and the travel cost and per diem of the trainees.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made under Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 to this Schedule until the fee referred to in Section 2.04 of this Agreement has been paid.

4. The Bank may require withdrawals from the Loan Account to be made

on the basis of statements of expenditure for: (i) works under contracts costing less than \$500,000 equivalent each; (ii) goods under contracts costing less than \$100,000 equivalent each; (iii) contracts for consulting firms costing less than \$100,000 equivalent each; (iv) contracts for individual consultants costing less than \$50,000 equivalent each; and (v) training and operating costs, under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Account

1. The Borrower, acting through GCD, shall 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.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made in accordance with the provisions of the Annex to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(b) if the Borrower 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 (A) the records and accounts for the Special Account, or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of statements of expenditures.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

Annex to SCHEDULE 1

Operation of the Special Account

1. For the purposes of this Annex:

The term "Authorized Allocation" means an amount equal to \$1,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to \$500,000 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 equal or exceed the equivalent of \$2,000,000.

2. 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 shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan, 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 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.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) the reduction of the non-tariff costs of trade and transport at the Borrower's borders; and (b) the reduction of smuggling and corruption at the border crossings of the Borrower.

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: Institutional Reform of Customs Administration

Implementation of measures for reform of customs administration, including: (a) enhancement of the enforcement systems; (b) improvement of the customs information system; (c) establishment of a customs training organization; (d) formation of a set of productivity and workload indicators for each customs function and the design of a corresponding monitoring system; (e) formulation and application at the Pilot Sites of new operating methods; and (f) training of customs personnel and of personnel of other relevant agencies on various aspects of customs functions.

Part B: Trade Facilitation Development

Implementation, through the provision of technical assistance, training and equipment, of trade facilitation measures, including: (a) implementation of a regional web-site, including a mechanism to update it, in support of the Regional Program; and (b) provision of technical assistance and training to trade personnel and other trade facilitation and transportation personnel.

Part C: ICIS

Implementation of measures in support of ICIS, including: (a) improvement and upgrading of software and hardware, including the control system of traffic movement; and (b) training of ICIS personnel.

Part D: Border Crossing Facilities

Carrying out improvements of border crossing facilities, including: (a) expansion of the Siret border station; (b) modernization of Constanta customs station; (c) improvement of processing capacity at customs stations, including provision of necessary equipment, technical assistance and training; and (d) improvement and upgrading of security and supervision systems at customs stations.

Part E: Project and Regional Program Support

Provision of technical and material assistance, including auditing services to support the activities of PMU and RSC, and training of PMU staff.

The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Amortization Schedule

Date Payment Due Dollars)**	Payment of Principal (Expressed in
October 15, 2005	345,000
April 15, 2006	355,000
October 15, 2006	365,000

April 15, 2007	380,000
October 15, 2007	390,000
April 15, 2008	405,000
October 15, 2008	415,000
April 15, 2009	430,000
October 15, 2009	445,000
April 15, 2010	460,000
October 15, 2010	475,000
April 15, 2011	490,000
October 15, 2011	505,000
April 15, 2012	520,000
October 15, 2012	540,000
April 15, 2013	555,000
October 15, 2013	575,000
April 15, 2014	595,000
October 15, 2014	615,000
April 15, 2015	635,000
October 15, 2015	655,000
April 15, 2016	675,000
October 15, 2016	700,000
April 15, 2017	720,000
October 15, 2017	745,000
April 15, 2018	770,000
October 15, 2018	795,000
April 15, 2019	820,000
October 15, 2019	850,000
April 15, 2020	875,000

** 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 and Consultants' Services

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 this Section I.

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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

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.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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

With respect to each contract to be procured in accordance with the procedures referred to in Part B of this section the procedures set forth in paragraphs 2 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 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 (the Consultant Guidelines) and the following provisions of this Section II.

Part B: Quality- and Cost-based Selection

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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

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

2. Selection Based on Consultants' Qualifications

Services for ICIS personnel training 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.

3. Selection of 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 D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract with firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) 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 \$50,000 or more, the qualifications, experience, 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 said approval shall have been given.

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

A. Implementation Responsibilities

(1) The PMU, acting under the Project Manager, shall perform all technical responsibilities for Project Implementation, including (a) preparation of an annual plan for project implementation, (b) preparation, with the assistance of consultants, of bidding and contract documents under the Project, (c) the maintenance of the Project financial records and accounts and arranging for the audit thereof, (d) preparation of the quarterly reports on Project progress, referred to in Part B of this Schedule, and (e) supervision of progress of project implementation.

(2) The Borrower, acting through GCD, shall insure that the PMU shall be maintained until the completion of the Project under terms of references and with staff and other measures satisfactory to the Bank.

(3) The Borrower, acting through GCD, shall ensure: (a) that each annual plan for Project implementation referred to paragraph (1) above shall be prepared after a review between the Borrower and the Bank of progress in meeting the targets indicated in the PIP, including the targets set forth in the Annex to this Schedule; and (b) that the inclusion of investments and other Project activities in said plan, as well as the procurement arrangements thereof, shall be made in agreement between the Borrower and the Bank, taking into account the requirements set forth in the Environmental Management Plan.

(4) The Borrower shall: (a) maintain its participation in the RSC; and (b) inform the Bank of actions taken at the RSC level which may affect the implementation of the Regional Program or of measures included in the PIP.

(5) The Borrower shall ensure the establishment by the Project Coordinator, by March 31, 2001, of mechanisms at all border agencies to provide the Website Coordinator with current information to be made

available to customs users, on waiting times and opening hours at border crossing and customs regulations and procedures of border agencies.

B. Reporting

The Borrower, acting through GCD, shall: (a) ensure the preparation by PMU for submission to the Bank, of quarterly report on the progress of project implementation, and (b) the consolidation of said reports into semi-annual progress reports to be submitted to the Bank and RSC.

C. Monitoring

The Borrower, acting through GCD, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators included in the PIP, including those set forth in the Annex to this schedule;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, by October 15 of each year, 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) review with the Bank, by November 15 of each year, or such later date as the Bank shall request, 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.

Annex to SCHEDULE 5

Except as the Bank may otherwise agree, the Borrower, acting through GCD, shall take all necessary measures to achieve the following targets:

(a) The total number of customs declarations which result in a physical inspection by the GCD at its pilot inland terminal does not exceed monthly: (i) 85% by September 30, 2000; (ii) 50% by September 30, 2001; and (iii) 45% by September 30, 2002;

(b) The monthly number of trucks completing import clearance in less than 15 minutes at its pilot inland terminal will exceed: (i) 10% by September 30, 2000; (ii) 20% by September 30, 2001; and (iii) 35% by September 30, 2002;

(c) The number of trucks opened monthly at its pilot border crossing of Giurgiu will not exceed: (i) 40% by September 30, 2000; (ii) 35% by September 30, 2001; and (iii) 30% by September 30, 2002; and

(d) The number of containers opened monthly at its pilot border crossing of Constanta will not exceed: (i) 65% by September 30, 2000; (ii) 50% by September 30, 2001; and (iii) 40% by September 30, 2002.

