

CONFORMED COPY

LOAN NUMBER 3485 RO

(Private Farmer and Enterprise Support Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ROMANIAN BANK FOR DEVELOPMENT

Dated June 15, 1992

LOAN NUMBER 3486 RO

DB PROJECT AGREEMENT

AGREEMENT, dated June 15, 1992, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and ROMANIAN BANK FOR DEVELOPMENT (DB).

WHEREAS (A) by the Loan Agreement of even date herewith between Romania (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred million dollars (\$100,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that DB agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and DB, a portion of the proceeds of the loan provided for under the Loan Agreement will be relented to DB on the terms and conditions set forth in said subsidiary loan agreement; and

WHEREAS DB, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project;
Management and Operations of DB

Section 2.01. (a) DB declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out its activities under the Project and conduct its operations and affairs in accordance with sound financial standards and practices, with qualified management and personnel, and in accordance with the DB Charter and the DB Operational Guidelines.

(b) DB shall adopt and thereafter maintain a statement of lending and investment policy and procedures, acceptable to the Bank, designed to facilitate the efficient conduct of DB's operations and affairs, including the carrying out of its activities under the Project.

(c) DB shall:

- (i) adopt, by December 31, 1992, a plan of actions, acceptable to the Bank, for the strengthening of DB's organization and operations and thereafter carry out said plan with due diligence and efficiency and at all times take all necessary action to achieve the objectives thereof;
- (ii) prepare and furnish to the Bank, by September 30 of each year, reports, in form and substance satisfactory to the Bank, on the progress achieved in the carrying out of said plan and the measures recommended to further such progress; and
- (iii) by November 30 of each year, update said plan and thereafter implement the measures required to ensure the achievement of the objectives thereof, taking into consideration the recommendations of the reports referred to in subparagraph (ii) of this paragraph and the Bank's comments thereon.

Section 2.02. (a) DB undertakes that, unless the Bank shall otherwise agree, Sub-loans shall be made in accordance with the procedures and on the terms and conditions set forth or referred to in the Schedule to this Agreement.

(b) DB shall exercise its rights in relation to each Sub-project in such manner as to: (i) protect the interests of the Bank and of DB; (ii) comply with its obligations under this Agreement and the DB Subsidiary Loan Agreement; and (iii) achieve the purposes of the Project.

Section 2.03. DB shall carry out 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 the DB Project Agreement.

Section 2.04. DB shall duly perform all its obligations under

the DB Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, DB shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the DB Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) DB shall, at the request of the Bank, exchange views with the Bank with regard to progress of its activities under the Project, the performance of its obligations under this Agreement and under the DB Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) DB shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of its activities under the Project, the accomplishment of the purposes of Loan, or the performance by DB of its obligations under this Agreement and under the DB Subsidiary Loan Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) DB shall maintain procedures and records adequate to monitor and record the progress of its activities under the Project and of each Sub-project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of DB.

(b) DB shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

Section 3.02. DB shall take such steps satisfactory to the Bank as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the various currencies used in its operations.

Section 3.03. DB shall, in respect of repayments in dollars and, separately, in respect of repayments in Lei, made to it under its respective Sub-loans: (a) open, by the date on which it shall receive the first repayment of principal under any such Sub-loan, and, thereafter, maintain a separate account on its books; (b) upon receipt of each such repayment, credit the same to the said separate account; and (c) utilize all amounts so credited, to the extent they are not yet required to meet its repayment obligations to the Borrower under the DB Subsidiary Loan Agreement, exclusively to finance specific development projects similar to the Sub-projects on terms and conditions similar to those applicable to the Sub-loans.

ARTICLE IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of DB thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify DB thereof.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For DB:

Romanian Bank for Development
4, Doamnei Street
70016, Bucharest
Romania

Telex:

10138

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of DB, or by DB on behalf of the Borrower under the Loan Agreement, may be taken or executed by the President of DB or such other person or persons as said President shall designate in writing, and DB shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Michael Wiehen
Acting Regional Vice President
Europe and Central Asia

ROMANIAN BANK FOR DEVELOPMENT

By /s/ Mircea Moisescu
Authorized Representative

SCHEDULE

Procedures for and Terms and Conditions
of Sub-loans

The procedures, terms and conditions set forth or referred to in this Schedule shall apply for the purposes of Section 2.02 (a) of this Agreement.

1. The principal amount of each Sub-loan made out of the proceeds of the Loan shall be: (a) denominated in dollars or Lei, as may be requested by the Beneficiary; and (b) the equivalent in the currency of denomination (determined as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods and services financed out of the proceeds of the Loan for the Sub-project.

2. Each Sub-loan shall be: (a) charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at a rate equal to the rate of interest paid by DB under the DB Subsidiary Loan Agreement plus a margin, calculated by DB in accordance with the DB Operational Guidelines; and (b) made for a period determined pursuant to said Statement and not exceeding 12 years, inclusive of a grace period not exceeding three years.

3. No expenditures for goods or services required for a Sub-project shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-loan for such Sub-project shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 4 (a) of this Schedule in respect of such Sub-loan; or

(b) the Sub-loan for such Sub-project shall have been a free-limit Sub-loan (as defined in Section 3.01 (a) of the Loan Agreement) and shall have been approved by the Borrower and such expenditures shall have been made not earlier than ninety days prior to the date on which the Borrower shall have received the request and information required under paragraph 4 (b) of this Schedule in respect of such free-limit Sub-loan.

4. (a) When presenting a Sub-loan to the Bank for approval, DB shall furnish to the Bank an application, in form satisfactory to the Bank, together with (i) a description of the Beneficiary and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Bank shall reasonably request.

(b) When presenting a free-limit Sub-loan to the Borrower

for approval, DB shall furnish to the Borrower a request, containing: (i) a summary description of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of subparagraphs (a) and (b) of this paragraph shall be presented to the Bank or the Borrower, as the case may be, on or before June 30, 1995.

5. Sub-loans shall be made on terms whereby DB shall obtain, by written contract with the Beneficiary or by other appropriate legal means, rights adequate to protect the interests of the Bank and DB, including the right to:

(a) require the Beneficiary to carry out and operate the Sub-project with due diligence and efficiency and in conformity with appropriate technical, financial and managerial practices and in accordance with environmental standards satisfactory to the Bank, to maintain adequate records, and to provide, promptly as needed, the funds, facilities and other resources required for the purpose;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan to be procured in accordance with the provisions of the Annex to this Schedule; and (ii) such goods and services to be used exclusively in the carrying out of the Sub-project;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the sites, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Beneficiary shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(e) obtain all such information as the Bank or DB shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Investment Project;

(f) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Loan upon failure by such Beneficiary to perform its obligations under its contract with DB; and

(g) require each Beneficiary which is an enterprise established and operating under the laws of the Borrower to: (i) maintain the debt service coverage ratio and the ratio of current assets to current liabilities specified in paragraph 6 (b) of this Schedule; (ii) have its financial statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to DB; (iii) furnish to DB, as soon as available, but in any case not later than six months after the end of each such year certified copies of its financial statements for such year as so audited, and the report of such audit by said auditors, of such scope and in such detail as DB shall have reasonably requested; and (iv) furnish to DB such other information concerning the said financial statements, as well as the audit thereof, as the Bank or DB shall from time to time reasonably request.

6. Sub-loans shall be made to Beneficiaries who each shall have established, to the satisfaction of DB, on the basis of guidelines acceptable to the Bank, that: (a) it is creditworthy, has the

resources required for the efficient carrying out and operation of the Sub-project, and is able to and has undertaken to contribute from its own resources at least 15% of the estimated cost of the Sub-project; and (b) in respect of each Beneficiary which is an enterprise established and operating under the laws of the Borrower, it is in a position to maintain a debt service coverage ratio of not less than 1.3:1 and a ratio of current assets to current liabilities of not less than 2:1.

7. Sub-loans shall be made for Sub-projects: (a) to develop the Beneficiaries productive facilities and fixed assets, other than land and housing, and to cover their requirements for permanent working capital; and (b) which are each determined and calculated by DB, on the basis of guidelines satisfactory to the Bank, to (i) be technically feasible and designed with appropriate environmental standards developed on the basis of a suitable environmental impact statement, and (ii) have a financial rate of return of at least 15% and an economic rate of return of at least 15%.

ANNEX TO SCHEDULE

Procurement

The procurement procedures set forth or referred to in this Annex shall apply for the purposes of paragraph 4 (b) (i) of the Schedule to this Agreement.

1. Goods estimated to cost the equivalent of more than \$1,000,000 per contract, shall be procured through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines) and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Goods estimated to cost the equivalent of \$200,000 to \$1,000,000 per contract, shall be procured under contracts awarded on the basis of comparison of price quotations obtained from a list of at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Goods estimated to cost the equivalent of \$25,000 to less than \$200,000 or more per contract, shall be procured under contracts awarded on the basis of comparison of price quotations obtained from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

4. Goods estimated to cost the equivalent of less than \$25,000 per contract, shall be procured through direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

5. Services shall be procured, in accordance with the normal commercial practices of the Beneficiaries, at a reasonable price, account being taken also of other relevant factors such as the quality of the services and the competence of the parties rendering them.

