

CONFORMED COPY  
LOAN NUMBER 4509 RO

Loan Agreement

(Mine Closure and Social Mitigation Project)

between

ROMANIA

and

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

Dated October 13, 1999

LOAN NUMBER 4509 RO

LOAN AGREEMENT

AGREEMENT, dated October 13, 1999, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS 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; 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;

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) "Beneficiary" means a person eligible, according to the Credit Guidelines, for the receipt of credit under Part B (1) of the Project;

(b) "CGMC" means the Central Group for Mine Closure, established within the Borrower's Ministry of Industry and Commerce;

(c) "Credit Provider" means a non-governmental institution selected for the provision of credit under Part B (1) of the Project;

(d) "Eligible Categories" means categories (1), (2), (3), (4), (5) and (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(e) "Eligible Expenditures" means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement;

(f) "Guidelines" means the guidelines referred to in Part B (2) of Schedule 5 to this Agreement, governing the provision and administration of credit and of employment and training incentives under Part B (1) and (3) of the Project;

(g) "MOIC" means the Ministry of Industry and Commerce of the Borrower;

(h) "NAD" means the Borrower's National Agency for Development and Implementation of Reconstruction Programs for Mining Regions established as an autonomous agency of the Borrower to facilitate the implementation of development programs in mining regions;

(i) "NAMR" means the Borrower's National Agency for Mineral Resources;

(j) "PMU" means the Project Management Unit, established within MOIC and reporting to its minister;

(k) "PIU" means any of the Project Implementation Units established within CGMC, NAMR and NAD;

(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 June 28, 1999; and July 14, 1999; and

(n) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement.

## 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 forty-four million five hundred thousand Dollars (\$44,500,000).

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) 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 canceled.

Section 2.03. The Closing Date shall be June 30, 2005, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. On or promptly after the Effective Date, the Borrower shall pay to

the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan.

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 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, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate financial, technical, engineering, environmental and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower shall carry out the Project in accordance with the implementation arrangements set forth in Schedule 5 to this Agreement, as the same may be amended from time to time with the agreement of the Borrower and the Bank.

Section 3.02. Except as the Bank shall otherwise agree, procurement of goods, works and consultants' services required for the Project (except Part B (1) thereof) 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 9.08 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 for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, 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 July 31, 2001, 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 September 30, 2001, 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.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall 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 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 have been appointed not later than December 31, 1999;

(ii) furnish to the Bank as soon as available, but in any case not later than five 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 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 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 Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 report of such audit referred to in paragraph (b) of this Section and that the report contains a separate opinion by said auditors as to whether the Project Management Reports or 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 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 December 31, 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 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

##### Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions; namely, that a financial management system, satisfactory to the Bank, shall have been established, together with a time-bound action plan to develop it into a Project Management Reporting System.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. 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/ Radu Berceanu

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

By /s/ Andrew Vorkink

Country Director  
Bulgaria and Romania 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:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Works (except for Part B (1) of the Project)	26,200,000	78%
(2) Goods (except for Part B (1) of the Project) of local	2,500,000	100% of foreign expenditures, 100% expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Consultants' services and training	5,300,000	100%
(4) Credit under Part B (1) of the Project	3,600,000	100%
(5) Incentive payments under Part B (3) of the Project	1,500,000	100%
(6) Incremental Operating Costs	800,000	100% (except for locally produced Goods - 85%)
(7) Project Preparation Advance	500,000	Amount due under Section 2.02 (b) of this Agreement
(8) Unallocated	4,100,000	
TOTAL	44,500,000 =====	

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; and

(c) the term "incremental operating costs" means fuel and vehicle insurance costs, office equipment, materials and supplies, salaries for the staff of the PMU and the PIUs' short term consulting services required to establish the financial management system, and auditing costs.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made under Categories (1), (2), (3), (4), (5) and (6) 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 expenditures for: (a) goods and works under contracts costing less than \$200,000 equivalent each; (b) incremental operating costs; (c) credit under Part B (1) and incentive payments under Part B (3) of the Project, under

such terms and conditions as the Bank shall specify by notice to the Borrower; (d) services under contracts costing less than \$50,000 equivalent each for the employment of consulting firms and less than \$25,000 each for the employment of individual consultants, under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Account

1. The Borrower 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 as follows:

(a) until the Bank shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B 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 any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

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

(c) 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 Project Management Reports.

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 A to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) 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.

#### Annex B to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Borrower, all

withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. 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.

2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$8,000,000.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in: (i) reducing the burden on the national budget by permanently closing uneconomic mines in a socially and environmentally sustainable way; (ii) revitalizing and diversifying the economy in mining regions; and (iii) providing support for modernization of the administrative framework of the mining sector.

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: Mining Closure

(1) Closure, in accordance with arrangements agreed upon with the Bank, of 29 underground mines; and

(2) Provision of consultant's services, training, study tours, equipment (including vehicles) and office supplies to CGMC.

#### Part B: Social Mitigation

Implementation of measures to mitigate adverse social impact and to revitalize economic activities in mining regions, including:

(1) Provision by the Credit Providers, through a revolving fund mechanism, and in accordance with the Guidelines, of micro-credit to Beneficiaries in the mining regions;

(2) Establishment and furnishing of about 14 business centers in mining regions;

(3) Provision through NAD, in accordance with the Guidelines, of training and employment incentives to local entrepreneurs;

(4) Provision of technical assistance, through non-governmental organizations or other entities, including: (a) consultants' services to assist entrepreneurs in business planning and start-up; (b) consultants' services to assist in the establishment of public information centers at NAD's regional offices; (c) services of non-governmental organizations to assist NAD in the dissemination of public information and the implementation of its community outreach activities; (d) technical services to assist in the establishment of a management information system to track the social impact of labor redundancy and to undertake routine social impact monitoring; (e) consultants services to assist in the carrying out of annual social impact monitoring and to assist NAD in establishing a management information system; and (f) consultants' services and training to strengthen the capacity of NAD; and

(5) Provision to NAD of equipment (including vehicles) and office supplies.

Part C: Institutional Strengthening

Implementation of measures to strengthen NAMR's capacity for the administration of the Mining Law and related regulation, including:

- (1) Establishment of a computerized cadastral system;
- (2) Consultants' services and training in the operation of registration and official cadastral files;
- (3) Legal consultants' services and training in aspects concerning the linkage between mining regulations and regulations in other related areas, such as licensing, concession contracts and environmental arrangements;
- (4) Consultants' services and training in monitoring and inspection of mining activities, and the provision of on-site monitoring equipment;
- (5) Consultants' services and training in mining sector environmental management;
- (6) Consultants' services and training in related financial aspects, such as the assessment and collection of royalty;
- (7) Preparation, with the assistance of an economic geologist, of a concession package suitable for attracting private investments in the mining sector;
- (8) Consultants' services for a study of the regulatory and institutional framework of mining operations; and
- (9) Consultants' services for a sector environmental assessment. \* \* \* The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
April 15, 2005	980,000
October 15, 2005	1,005,000
April 15, 2006	1,035,000
October 15, 2006	1,060,000
April 15, 2007	1,090,000
October 15, 2007	1,120,000
April 15, 2008	1,150,000
October 15, 2008	1,180,000
April 15, 2009	1,215,000
October 15, 2009	1,245,000
April 15, 2010	1,280,000
October 15, 2010	1,315,000
April 15, 2011	1,350,000
October 15, 2011	1,390,000
April 15, 2012	1,425,000
October 15, 2012	1,465,000
April 15, 2013	1,505,000
October 15, 2013	1,545,000
April 15, 2014	1,585,000
October 15, 2014	1,630,000
April 15, 2015	1,675,000
October 15, 2015	1,720,000
April 15, 2016	1,765,000
October 15, 2016	1,815,000
April 15, 2017	1,860,000
October 15, 2017	1,915,000
April 15, 2018	1,965,000
October 15, 2018	2,020,000

April 15, 2019  
October 15, 2019

2,070,000  
2,125,000

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\* 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 Under Other than Part B (1) of the Project

##### 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 Section I of this Schedule.

###### Part B: International Competitive Bidding

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.

###### Part C: Other Procurement Procedures

###### 1. International Shopping

Goods estimated to cost \$200,000 equivalent per contract or less, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 2. National Shopping

Goods estimated to cost \$75,000 equivalent per contract or less may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### Part D: Review by the Bank of Procurement Decisions

###### 1. Procurement Planning

Prior to the issuance of any invitations 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 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: (i) each contract awarded in accordance with the provisions of Section I, Part B of this Schedule; and (ii) the first two contracts to be awarded in accordance with the provisions of Part C of this Schedule, 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 Section II of this Schedule.

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. Quality-based Selection

Services for tasks that meet requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured, with the prior agreement of the Bank, under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. 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.

3. Least-cost selection

Audit services shall be contracted on the basis of least-cost selection procedures in accordance with the provisions of paragraph 3.6 of the Consultant Guidelines.

4. Consultants Qualifications

Services required to assist in establishing a financial management system for the Project shall be procured on the basis of the procedures for selection based on consultants qualifications in accordance with the provisions of paragraph 3.7 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 for the employment of consulting firms, estimated to cost the equivalent of \$50,000 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 \$25,000 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 the 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 Arrangements

#### A. General Arrangements

1. The Borrower shall assign to the PMU the general responsibility for coordinating the implementation of the Project including maintenance of the Project financial accounts and arranging for the audit thereof, and shall, for this purpose, until the completion of the Project, maintain the PMU with resources, staffing and terms of reference satisfactory to the Bank.

2. The Borrower shall carry out Part A of the Project through CGMC, Part B of the Project through NAD, and Part C of the Project through NAMR, and shall, for this purpose, cause each of CGMC, NAD and NAMR:

(a) to maintain its Project Implementation Unit (PIU), under terms of reference and operating procedures and with staff and resources agreed upon with the Bank; and

(b) assign to such PIU under the general supervision of the PMU, the technical responsibility for managing and supervising its activities under the Project, including: (i) preparation, with the assistance of the PMU of its work program under the Project; (ii) preparation of the bidding and contractual documents under the Project; and (iii) preparation, under the general supervision of the PMU, and submission to the Bank and MOIC, of semi-annual reports on the progress of Project implementation.

3. The Borrower shall: (a) by June 30 in each year, starting in the Year 2000, prepare through the PMU and furnish to the Bank a work plan for the Project during the following fiscal year, describing the Project activities (including procurement and disbursement) to be performed during such year and the funding requirements thereof; (b) discuss and agree with the Bank on such plan by September 30 in each year; and (c) ensure in the preparation of its budget for each fiscal year during the period of Project implementation, the allocation to CGMC, NAMR and NAD of funds adequate to cover expenditures to be met from their budgetary resources according to such plans.

4. The Borrower shall: (a) formulate in agreement with the Bank the criteria for the selection of Credit Providers under Part B (1) of the project; (b) issue all necessary licenses to at least 3 such Credit Providers by December 31, 1999; and (c) ensure the selection by NAD, by June 30, 2000, in accordance with such criteria, of not less than 3 such Credit Providers.

#### B. Specific Requirements

1. The Borrower shall cause CGMC to undertake mine closure under Part A of the Project in accordance with mine closure and environmental remediation plans agreed upon with the Bank.

2. The Borrower shall: (a) ensure that NAD shall prepare and furnish to the Bank, by December 31, 1999, an operating manual, satisfactory to the Bank, for performance of its activities under the Project, including the Guidelines, selection criteria for Credit Providers, and formats for contracts to be concluded between Credit Providers and Beneficiaries; (b) ensure the adoption of the Guidelines, prepared on the basis of principles agreed upon with the Bank, by December 31, 1999; (c) cause NAD to authorize selected Credit Providers to provide credit under Part B (1) of the Project under contracts to be concluded between them and NAD in accordance with standard format agreed upon with the Bank; (d) cause NAD, acting through its PIU, to ensure adherence

by Credit Providers to the terms and conditions set forth in the Guidelines, in the selection of Beneficiaries of credit under Part B (1) of the Project and in determining the terms of such credit; and (e) cause NAD, acting through its PIU, to ensure adherence by Beneficiaries to the procurement methods and procedures specified in the Guidelines in the procurement of goods, works or services to be financed from the amount of the Loan allocated for the provision of credit under Part B (1) of the Project.

3. The Borrower shall ensure that all payments on account of employment and training incentives under Part B (3) of the Project shall be made in accordance with the principle and within the limits set forth in the Guidelines, as the same may be amended from time to time with the agreement of the Bank.

4. The Borrower shall cause NAMR, in cooperation with relevant entities: (a) to ensure the completion of a review of mining and associated legislation and regulation and mining institutional arrangements by December 31, 1999, and shall thereafter review with the Bank the findings and recommendations emanating from said review and the action to be taken on the basis thereof; and (b) to complete under terms of reference satisfactory to the Bank and to and review with the Bank, by March 31, 2000, an environmental assessment of the mining sector, together with an action plan for implementing the recommendations thereof, and to carry out thereafter said action plan.

5. The Borrower shall cause MOIC: (a) to prepare and furnish to the Bank, by March 31, 2000, an action program (including an implementation schedule) for reform of the state mining and exploration companies of the Borrower, and shall thereafter carry out such program, taking into account the Bank's comments thereon; and (b) to prepare and review with the Bank, by December 31, 1999, a plan to gradually reduce transfers provided to cover the operating losses, exploration and investments in the mining sector, and to increase allocations for closure and environmental remediation of non-economic mining operations and for investments to address the adverse social impact in the mining regions, and a timetable for phasing out such allocations, and shall thereafter implement such plan, taking into account the Bank's comments thereon.

6. The Borrower shall ensure by March 31, 2000, that CGMC shall prepare and furnish to the Bank for its review and concurrence a procedure manual for mine closing.

