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**LOAN NUMBER 4736 RO**  
**GEF TRUST FUND GRANT NUMBER TF053472 RO**

## **Loan Agreement**

**(Hazard Risk Mitigation and Emergency Preparedness Project)**

**between**

**ROMANIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated May 26, 2004**

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**LOAN NUMBER 4736 RO  
GEF TRUST FUND GRANT NUMBER TF053472 RO**

**LOAN AGREEMENT**

AGREEMENT, dated May 26, 2004, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

(B) by an agreement of even date herewith (the GEF Trust Fund Grant Agreement), the Bank, acting as the implementing agency of the Global Environment Facility (GEF) has agreed to make a grant (the GEF Trust Fund Grant) to the Borrower in the amount of seven million Dollars (\$7,000,000) to assist in financing Parts D and E.4 of the Project on the terms and conditions set forth in the GEF Trust Fund Grant Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

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 October 6, 1999) (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) “Apele Romane” means the Borrower’s National Administration “Romanian Waters”, established pursuant to Government Emergency Ordinance # 107/2002, ratified by Law 404/2003 and functioning under the authority of MEWM;

(b) “CONSIB” means the Borrower’s National Council of Dams Safety;

(c) “EMP” means the environmental management plan dated December 15, 2003, prepared and adopted by the Borrower, describing the environmental mitigation and monitoring measures under the Project;

(d) “Financial Monitoring Report”, or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(e) “MAI” means the Borrower’s Ministry of Administration and Interior, or any legal successor thereto;

(f) “MAI PMU” means the Project Management Unit established within MAI;

(g) “MEWM” means the Borrower’s Ministry of Environment and Water Management, or any legal successor thereto;

(h) “MPF” means the Borrower’s Ministry of Public Finance, or any legal successor thereto;

(i) “MTCT” means the Borrower’s Ministry of Transport, Construction and Tourism, or any legal successor thereto;

(j) “MTCT PMU” means the Project Management Unit established within MTCT;

(k) “NAMR” means the Borrower’s National Agency for Mineral Resources, or any legal successor thereto;

(l) “NAMR PMU” means the Project Management Unit established within NAMR;

(m) “PIP” means Project Implementation Plan setting forth procedures for implementation of the Project, as such plan may be amended from time to time upon agreement with the Borrower and the Bank;

(n) "PMUs" refers collectively to MAI PMU, MTCT PMU and NAMR PMU; and

(o) "Special Accounts" means accounts referred to in Section 2.02 (b) of this Agreement; and "Special Account" means each and any such account.

## **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 one hundred fifty million Dollars (\$150,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project open and maintain in Dollars special deposit accounts: (a) Special Account A to be administered by MAI; (b) Special Account B to be administered by MTCT; (c) Special Account C to be administered by MEWM; and (d) Special Account D to be administered by NAMR, in a commercial bank acceptable to the Bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

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

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan on or promptly after the Effective Date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) 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, through MAI (Part A), MTCT (Part B), MEWM (Part C) and NAMR (Part D), with due diligence and efficiency and in conformity with appropriate administrative, technical, engineering, environmental and financial 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, through MAI, MTCT, MEWM and NAMR, shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

(b) The Borrower shall update the procurement plan in accordance with terms of reference acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding procurement plan, for the Bank's approval.

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 Project's objectives; 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, through MAI, MTCT, MEWM and NAMR, shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards, acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Borrower, through MAI, MTCT, MEWM and NAMR, shall:
- (i) commencing with the fiscal year in which the Effective Date falls, to and including the fiscal year in which the last withdrawal from the Loan is made, have financial statements referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (6) months after the end of each such year or such other period agreed to by the Bank, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year or such other period agreed to by the Bank, as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
  - (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

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

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

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Part B of Schedule 5 to this Agreement, the Borrower, through the MAI, MTCT, MEWM and NAMR, shall prepare FMR for each respective Part of the Project, which shall be aggregated by MTCT, and shall furnish to the Bank an aggregated Financial Monitoring Report (FMR), in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.



## **ARTICLE V**

### **Effectiveness; Termination**

Section 5.01. The following event is specified as an additional condition to the effectiveness of this Agreement, within the meaning of Section 12.01 of the General Conditions, namely that the GEF Trust Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness, except only the effectiveness of this Loan Agreement, have been fulfilled.

Section 5.02. The date one hundred and 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 Public 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 Public Finance  
17, Apolodor Street  
Bucharest  
Romania

Telex:

11239

Facsimile:

4021 312 6792

For the Bank:

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

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

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

ROMANIA

By /s/ Mihai Nicolae Tanasescu

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Owaise Saadat

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Works for:		100% of foreign expenditures, and 78% of local expenditures
(a) Part B of the Project	45,388,000	
(b) Part C of the Project		
(i) Parts C.1, C.3 and C.4 of the Project	60,859,000	
(ii) Parts C.2 and C.5 of the Project	4,476,000	
(c) Part D of the Project	4,983,000	
(d) Part E of the Project		
(i) Part E.1	12,000	
(ii) Part E.2	19,000	
(iii) Part E.3	26,000	
(2) Goods for:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(a) Part A of the Project	4,739,000	
(b) Part C of the Project		
(i) Parts C.1, C.3 and C.4	76,000	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(ii) Parts C.2 and C.5	163,000	
(c) Part E of the Project		
(i) Part E.1	148,000	
(ii) Part E.2	235,000	
(iii) Part E.3	134,000	
(iv) Part E.4	23,000	
(3) Technical Services for Part C.5 of the Project	206,000	100% of foreign expenditures, and 75% of local expenditures
(4) Consultants' services, including audit and training for:		75% of expenditures incurred by local consultants; and 85% of expenditures incurred by foreign consultants
(a) Part A of the Project	2,965,000	
(b) Part B of the Project	5,086,000	
(c) Part C of the Project		
(i) Parts C.1, C.3 and C4	5,371,000	
(ii) Parts C.2 and C.5	476,000	
(d) Part E of the Project		
(i) Part E.1	474,000	
(ii) Part E.2	1,308,000	
(iii) Part E.3	86,000	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(5) Operating costs for:		
(a) MAI PMU	159,000	75%
(b) MTCT PMU	328,000	75%
(c) NAMR PMU	131,000	75%
(6) Unallocated for:		
(a) Part A of the Project	490,000	
(b) Part B of the Project	4,564,000	
(c) Part C of the Project		
(i) Parts C.1, C.3 and C.4	6,110,000	
(ii) Parts C.2 and C.5	464,000	
(d) Part D of the Project	<u>501,000</u>	
TOTAL	<u>150,000,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower for goods or services supplied from the territory of the Borrower;

(c) the term “local consultants” means individuals who are the Borrower’s nationals and are legal residents on the territory of the Borrower for taxation purposes, and companies registered as Romanian legal entities under applicable laws of the Borrower;

(d) the term “foreign consultants” means individual consultants and consulting firms who are not “local consultants” as defined in sub-paragraph (c) of this paragraph;

(e) the term “operating costs” means incremental operating costs incurred on account of Project implementation, including PMUs’ and MEWM’s staff salaries (excluding government employees), their per-diems and lodging and travel costs for field trips related to the implementation of the Project, office supplies and utilities, translation costs, communication costs (including internet fees), operations and maintenance for vehicles (including fuel, service and car insurance) and office equipment procured for the implementation of the Project; and

(f) the term “technical services” means services for conducting topographical and geological surveys, studies for landslide areas and other services to be contracted under the Project on the basis of performance of measurable physical outputs.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) expenditures under any Category in the table in paragraph 1 above unless the Bank has received payment in full of the front-end fee referred to in Section 2.04 of this Agreement; and (c) expenditures under Categories (1) (b) (ii), (2) (b) (ii), (3) and (4) (c) (ii) in the table in paragraph 1 above unless the Bank has received evidence that the Borrower has assigned MEWM the responsibility for carrying out of Parts C.2 and C.5 of the Project.

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 under contracts costing less than \$100,000 equivalent each; (b) works under contracts costing less than \$3,000,000 equivalent; (c) services of consulting firms under contracts costing less than \$200,000 equivalent each; (d) services of individual consultants under contracts costing less than \$50,000 equivalent each; and (e) training and operating costs; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower in reducing the environmental, social, and economic vulnerability to natural disasters and catastrophic mining accidental spills of pollutants through: (i) strengthening the institutional and technical capacity for disaster management and emergency response; (ii) implementing specific risk reduction measures for floods, landslides and earthquake; (iii) improving the safety of selected water-retention dams; and (iv) improving the management and safety of tailings dams and waste dump facilities.

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: Strengthening of Emergency Management and Risk Financing Capacity

1. Upgrading emergency communications at the national, regional and local levels.
2. Development of an emergency management information system.
3. Development of a Vrancea earthquake scenario.
4. Carrying out a public awareness program.
5. Preparation of a Catastrophe Insurance Program.

#### Part B: Earthquake Risk Reduction

1. Strengthening of high priority public facilities.
2. Preparation of structural and non-structural design of the strengthening schemes for buildings to be strengthened and the supervision of the construction works.
3. Carrying out of an energy sector risk assessment.
4. Carrying out of the review of the Borrower's Building Code.

5. Provision of professional training in cost-effective retrofitting methods.

Part C: Flood and Landslide Risk Reduction

1. Carrying out flood mitigation works for internal rivers.
2. Carrying out flood mitigation works for the Danube River.
3. Strengthening of large dams' safety.
4. Strengthening of small dams' safety.
5. Development of a model and manual for landslides management based on pilot studies and monitoring.

Part D: Risk Reduction of Mining Accidents in Tisza Basin

1. Establishment of a baseline and environmental monitoring system for mining related impacts on streams and aquatic ecosystems, air and soil.
2. Identification of a risk-based priority investment program for the Tisza River catchment area and the implementation of efficient and cost-effective hazard prevention and remediation measures in selected areas.
3. Development of engineering and environmental guidelines for tailings and waste facilities in the mining sector that minimize environmental risks during operation and after closure.
4. Development of a regional mine spill disaster response system to deal with the risks posed by accidental mining spills of selected mining companies in the Tisza basin.
5. Development of a regional policy of cooperation in the management of tailings and waste facilities in the Tisza and Danube basins.

Part E: Project Management



1. Provision of support for Project implementation, including technical assistance, training, equipment and incremental operational costs of the MAI PMU.
2. Provision of support for Project implementation, including technical assistance, training, equipment and incremental operational costs of the MTCT PMU.
3. Provision of support for Project implementation, including training and equipment for the “Apele Romane”.
4. Provision of support for Project implementation, including technical assistance, training, equipment and incremental operational costs of the NAMR PMU.

\* \* \*

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

**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
On each April 15 and October 15 beginning October 15, 2009 through April 15, 2021	6,250,000

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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**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule. If the Borrower employs any procurement or inspection agents, it shall ensure that the requirements of Section 3.10 and 3.11 of the Procurement Guidelines are met.

B. All consultants' services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

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

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of international competitive bidding in accordance with the provisions of this Section II and paragraphs 3.14 and 3.15 of the Procurement Guidelines, and the following additional procedure:

1. Domestic Preference. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

#### B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than \$3,000,000 equivalent per contract and technical services estimated to cost less than \$1,000,000 equivalent per contract, may be procured under contracts awarded on the basis of national competitive bidding in accordance with the provisions of paragraphs 3.1, 3.3, 3.4, 3.14 and 3.15 of the Procurement Guidelines and the following additional provisions:

(a) Procedures: the Bank's Europe and Central Asia Region national competitive bidding documents template for works shall be used;

(b) Eligibility: no preference of any kind shall be given to national bidders, foreign bidders shall not be precluded from bidding;

(c) Bidding documents: procuring entities shall prepare draft bidding documents and submit to the Bank for its review and no-objection before the first two national competitive bidding documents issued for each Part of the Project, and all technical specifications shall be written clearly;

(d) Bid opening: bids shall be opened in public and all bids submitted on or before the deadline for submission of bids shall be opened and read out at public opening;

(e) Rejection of bids: no bids shall be rejected at the bid opening;

(f) Bid selection: bidders shall be selected by post qualification procedure whereas local and foreign bidders shall demonstrate availability of obtaining securities and reasonable access to credit, experience in similar works, availability of technical staff acceptable to the Bank; and

(g) Bid evaluation: bid evaluation criteria shall be pre-disclosed to bidders, and a point system shall not be used for bid evaluation.

2. Shopping. Goods and small works estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines and the following provision: for purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services under Parts A, B, C and D of the Project estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. Least-cost Selection. Services for audit and for engineering design may be procured under contracts awarded on the basis of lowest cost in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

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

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

#### Section IV. Review by the Bank of Procurement Decisions

A. Prior Review. Except as the Bank shall otherwise determine by notice to the Borrower, the following prior review procedures shall apply:

1. Goods, Works and Services (other than Consultants' Services)

(a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Procurement Guidelines shall apply to each contract for goods, works and services (other than consultants' services) estimated to cost for: (i) works the equivalent of \$3,000,000 or more per contract; (ii) goods the equivalent of \$100,000 or more per contract; and (iii) technical services the equivalent of \$1,000,000 or more per contract.

(b) The following prior review procedures shall apply to each contract to be procured on the basis of direct contracting: (i) prior to the execution of the contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract for its approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the procedures set forth in paragraphs 2(h) and 3 of Appendix 1 to the Guidelines shall apply.

2. Consultants' Services Provided by Firms

(a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more.

(b) The following prior review procedures shall apply to each contract for consultants' services provided by a firm to be procured on the basis of single source selection: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Bank for its prior review and approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

B. Post Review

1. With respect to each contract for goods, works or services (other than consultants' services) not governed by Part A of this Section, the post review procedures set forth in paragraph 4 of Appendix 1 to the Procurement Guidelines shall apply.

2. With respect to each contract for consultants' services not governed by Part A of this Section, the post review procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## **SCHEDULE 5**

### **Implementation Program**

#### Part A: Project Management

1. The Borrower shall assign the responsibility for carrying out Part A of the Project to MAI, Part B of the Project – to MTCT, Part C of the Project – to MEWM, and Part D of the Project – to NAMR.
2. MAI, MTCT and NAMR shall maintain their respective PMUs during execution of the Project, with staffing and resources adequate to enable each PMU to effectively implement their respective Part of the Project, and which shall be responsible for financial management, procurement, disbursement, and preparation of progress reports and annual reports in respect of or related to the Project.
3. MEWM shall assign implementation of Part C of the Project to “Apele Romane”, under implementation agreement to be entered into between MEWM and “Apele Romane” not later than thirty (30) days after the Effective Date of this Agreement under terms and conditions acceptable to the Bank. MEWM shall ensure that “Apele Romane” shall have adequate staffing and resources required for implementation of Part C of the Project, and shall have overall responsibility for overseeing and coordinating activities under Part C of the Project.
4. The Borrower, through MAI, MTCT, MEWM and NAMR, shall take all necessary measures to implement the Project in accordance with the PIP and shall not amend, suspend, abrogate, repeal or waive any provision of the PIP without prior approval of the Bank.
5. The Borrower shall ensure that all necessary measures for the carrying out of the EMP shall be taken in a timely manner and shall not amend, suspend, abrogate, repeal or waive any provision of the EMP without prior approval of the Bank.
6. Not later than thirty (30) days after the Effective Date of this Agreement, the Borrower shall establish and thereafter maintain a Project Steering Committee comprising representatives of MAI, MTCT, MEWM and NAMR which shall be responsible for overseeing Project implementation and coordination between Project executing agencies.

Part B: Reporting and Monitoring

1. The Borrower, through the MAI, MTCT, MEWM and NAMR, 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 February 1, 2007, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, 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 March 31, 2007, or such later date as the Bank shall request, the report referred to in sub-paragraph (b) of this paragraph, 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.

Part C: Dam Safety

1. The Borrower, through MEWM, shall: (a) not later than September 15, 2004, establish and thereafter maintain an independent Dam Safety Panel within CONSIB which shall be responsible for undertaking periodic reviews of the designs and technical specifications and advising on dam safety issues; and (b) provide dam safety reports prepared by the Dam Safety Panel to the Bank for review and comments.
2. The Borrower, through MEWM, shall prepare a program for operation and maintenance for each dam, to be rehabilitated under the Project, and shall submit such plan, along with a surveillance plan prepared by a group of independent experts, to the Bank for its review and comments not later than 12 months prior to completion of the rehabilitation works for a particular dam.
3. The Borrower, through MEWM, shall prepare an updated Emergency Preparedness Plan, satisfactory to the Bank, for each dam to be rehabilitated under the Project, and shall submit it for the Bank's review and comments not later than twelve (12) months prior to completion of rehabilitation works for a particular dam.



## **SCHEDULE 6**

### **Special Accounts**

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) (d) (i), (2) (a), 2 (c) (i), (4) (a), (4) (d) (i) and (5) (a) in respect of Special Account A; Categories (1) (a), (1) (d) (ii), 2 (c) (ii), (4) (b), (4) (d) (ii) and (5) (b) in respect of Special Account B; Categories (1) (b) (i) through (ii), (1) (d) (iii), (2) (b) (i) through (ii), (2) (c) (iii), (3), (4) (c) (i) through (ii) and (4) (d) (iii) in respect of Special Account C; and Categories (1) (c), (2) (c) (iv) and (5) (c) in respect of Special Account D as such Categories set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures 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 allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount to be withdrawn from the Loan Account and deposited into Special Accounts pursuant to paragraph 3 of this Schedule equivalent, in the case of Special Account A to \$1,250,000; in the case of Special Account B to \$3,600,000; in the case of Special Account C to \$6,000,000; in the case of Special Account D to \$450,000; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation for: (i) Special Account A shall be limited to an amount equivalent to \$625,000 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 \$1,000,000; (ii) for Special Account B shall be limited to an amount equivalent to \$1,800,000 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 \$12,800,000; (iii) for Special Account C shall be limited to an amount equivalent to \$3,000,000 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 \$12,000,000; and (iv) for Special Account D shall be limited to an amount equivalent to \$225,000 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 \$800,000.

2. Payments out of each Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule, including local currency payments made directly to suppliers and contractors through corresponding transfer accounts opened in commercial banks, in accordance with rules and procedures acceptable to the Bank.

3. After the Bank has received evidence satisfactory to it that the Special Accounts have been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish such Special Accounts 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 each Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation for the respective Special Account. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into such Special Accounts such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Bank requests for deposits into the Special Accounts at such intervals as the Bank shall specify.

(ii) 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 paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Accounts 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 Accounts for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Accounts, 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.

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the respective Special Account;

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

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the respective Special Account, 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 each Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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