

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 4842 RO

Loan Agreement

(Transport Sector Support Project)

between

ROMANIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated November 27 , 2006

Public Disclosure Authorized

LOAN NUMBER 4842 RO

LOAN AGREEMENT

Agreement dated November 27, 2006, between ROMANIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II - LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred and eighty million Dollars (\$180,000,000) (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time.
- 2.06. The Payment Dates are May 15 and November 15 in each year.

- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower, through MTCT, shall: (i) cause RNCMNR to carry out Part I of the Project; and (ii) cause CFR to carry out Part II of the Project, both in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower, through MTCT, shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
- (a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;
 - (b) Law No. 47/2004 of the Borrower has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of RNCMNR to perform any of its obligations under the RNCMNR Project Agreement;
 - (c) Government Decision No. 581 of 1998, as completed and amended at the date hereof, has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CFR to perform any of its obligations under the CFR Project Agreement; and
 - (d) the Environmental Legislation has been amended, suspended, abrogated, repealed or waived so as to, in the opinion of the Bank, affect materially and adversely the implementation of the Project or the achievement of the objective thereof.
- 4.02. The Additional Events of Acceleration consist of the following: any event specified in paragraphs (b), (c) and (d) of Section 4.01 of this Agreement occurs.

ARTICLE V - EFFECTIVENESS

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The RNCMNR Subsidiary Agreement has been executed on behalf of the Borrower and RNCMNR.
 - (b) The CFR Subsidiary Agreement has been executed on behalf of the Borrower and CFR.
 - (c) RNCMNR has submitted to the Bank its audited financial statements for 2004 satisfactory to the Bank.
- 5.02. The Additional Legal Matters consist of the following.
- (a) The RNCMNR Subsidiary Agreement has been duly authorized by the Borrower and RNCMNR and is legally binding upon the Borrower and RNCMNR in accordance with its terms.
 - (b) The CFR Subsidiary Agreement has been duly authorized by the Borrower and CFR and is legally binding upon the Borrower and CFR in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date one hundred and fifty (150) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Public Finance.
- 6.02. The Borrower's Address is:

Ministry of Public Finance
17, Apolodor Street
Bucharest
Romania

Telex:
11239

Facsimile:
4021 312 6792

- 6.03. The Bank's Address is:

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

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

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

ROMANIA

By /s/ Sebastian Vladescu
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Anand Seth
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower to reduce transport costs through improvement of the overall quality of its national roads and railways networks during the first years of EU accession.

The Project consists of the following parts:

Part I: Road Sector Support

Support to RNCMNR to implement the National Roads Infrastructure Maintenance Program, and modernize its maintenance practices through: (i) the implementation of a program for the periodic maintenance and current repairs of national roads; and (ii) the provision of technical assistance to modernize RNCMNR as an organization, improve its road management practices and for the design of road maintenance works, including training of relevant staff.

Part II: Railway Sector Support

Support to CFR to implement the Railway Infrastructure Maintenance Program, and modernize its maintenance practices through: (i) the implementation of a program for the maintenance, current and periodic repair and overhaul of interoperable railway lines in order to eliminate temporary speed restrictions and improve the safety of traffic; and (ii) the provision of technical assistance to CFR to improve its railway management practices and the design and inspection of railway maintenance works, including training of relevant staff.

SCHEDULE 2

Project Execution

Section I. Subsidiary Financing; Institutional and Other Arrangements

A. Subsidiary Agreements

1. To facilitate the carrying out of Part I of the Project by RNCMNR, the Borrower shall make part of the proceeds of the Loan available to RNCMNR under a subsidiary agreement between the Borrower's Ministry of Public Finance, MTCT and RNCMNR ("RNCMNR Subsidiary Agreement"), under terms and conditions approved by the Bank.

2. To facilitate the carrying out of Part II of the Project by CFR, the Borrower shall make part of the proceeds of the Loan available to CFR under a subsidiary agreement between the Borrower's Ministry of Public Finance, MTCT and CFR ("CFR Subsidiary Agreement"), under terms and conditions approved by the Bank.

3. The Borrower shall exercise its rights under the Subsidiary Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreements or any of their respective provisions.

B. Institutional and Other Arrangements

1. During Project implementation, the Borrower, through MTCT, shall ensure that RNCMNR and CFR are maintained with an organizational and management structure, staffing and resources which shall be adequate to enable them to effectively implement Part I and Part II of the Project respectively, and which shall be acceptable to the Bank.

2. The Borrower, through MTCT, RNCMNR and CFR, shall take all necessary measures to implement the Project in accordance with the Annual Infrastructure Maintenance Programs and shall not amend, suspend, abrogate, repeal or waive any provision of the Annual Infrastructure Maintenance Programs without prior approval of the Bank.

3. The Borrower, through MTCT, shall ensure that:

(a) the Project is carried out in conformity with the provisions of the Environmental Legislation;

(b) the Bank is promptly informed of any developments in the legislation, rules or procedures of, or applicable to, the Borrower, RNCMNR or CFR that may affect the implementation of the Project; and

(c) the first three (3) environmental impact assessment reports and the first three (3) environmental permits/licenses that may be required for the carrying out of the Project shall be sent to the Bank.

4. The Borrower, through RNCMNR and CFR, shall:

(a) notify the Bank of any intended acquisition of land for the purposes of the Project, in whole or in part, of the following: residences, agricultural holdings, commercial structures and businesses; and/or land used by people without claim to legal title;

(b) disclose the Land Acquisition Framework and the Information Brochure in a manner satisfactory to the Bank no less than sixty (60) days prior to carrying out any land acquisition activities under the Project; and

(c) ensure that all land acquisition under the Project shall be undertaken in accordance with the Land Acquisition Framework, and the Information Brochure shall be sent to all affected persons at the onset thereof along with the notice of expropriation.

Section II. Project Monitoring; Reporting; Evaluation

A. Annual Infrastructure Maintenance Programs and Project Reports

1. The Borrower, through MTCT and RNCMNR, shall:

(a) not later than November 30 of each year during the implementation of the Project, or such later date as may be agreed by the Bank, starting November 30, 2006, submit to the Bank for its review and approval, an Annual Infrastructure Maintenance Program, to be satisfactory to the Bank, for Part I of the Project for the following calendar year, which shall include agreed activities and corresponding costing to be financed with Loan proceeds for the respective year;

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

(c) not later than December 31 of each year during the implementation of the Project, or such later date as may be agreed by the Bank, starting December 31, 2006, jointly undertake with the Bank, the review of the Project activities, outputs and outcomes based on the Project Reports referred to in sub-paragraph (b) above, and if such

review is satisfactory to the Bank, agree with the Bank on the Annual Infrastructure Maintenance Programs for the following calendar year; and

(d) not later than April 30 of each year during the implementation of the Project, or such later date as may be agreed by the Bank, starting April 30, 2007, jointly undertake with the Bank, the review of the Project activities, outputs and outcomes based on the Project Reports referred to in sub-paragraph (b) above, and jointly agree with the Bank on any adjustments to be made to the Annual Infrastructure Maintenance Programs for the remaining part of the calendar year.

2. The Borrower, through MTCT and CFR, shall:

(a) not later than November 15 of each year during the implementation of the Project, or such later date as may be agreed by the Bank, starting November 15, 2006, submit to the Bank for its review and approval, an Annual Infrastructure Maintenance Program, to be satisfactory to the Bank, for Part II of the Project for the following calendar year, which shall include agreed activities and corresponding costing to be financed with Loan proceeds for the respective year and an updated five-year program of maintenance, current and periodic repair, overhaul and investment activities;

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

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

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

B. Financial Management; Financial Reports and Audits

1. The Borrower shall cause RNCMNR and CFR to maintain financial management systems in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower shall cause RNCMNR and CFR to prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall cause RNCMNR and CFR to have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>	
(a)	National Competitive Bidding: contracts for works estimated to cost less than \$5,000,000 per contract and goods estimated to cost less than \$500,000 per contract may be procured under the Borrower's national laws and regulations to the extent they are previously found to be acceptable to the Bank.
(b)	Shopping

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>	
(a)	Quality-based Selection
(b)	Least Cost Selection
(c)	Selection based on Consultants' Qualifications
(d)	Single-source Selection

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank shall specify by notice to the Borrower to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (Expressed in Dollars)	Percentage of Expenditures to be Financed
(1) Goods, Works and Consultants’ Services for Part I of the Project as identified in the Annual Infrastructure Maintenance Programs for such Part I of the Project	\$90,000,000	80%
(2) Goods, Works and Consultants’ Services, for Part II of the Project as identified in the Annual Infrastructure Maintenance Programs for such Part II of the Project	\$90,000,000	80%
TOTAL AMOUNT	<u>\$180,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or

(b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$36,000,000 equivalent may be made for payments made prior to this date but on or after January 1, 2006, for Eligible Expenditures under Categories (1) and (2).

2. The Closing Date is December 31, 2008.

SCHEDULE 3

Amortization Schedule

<u>Principal Payment Date</u>	<u>Principal Amount of the Loan Payable (Expressed in Dollars)*</u>
On each May 15 and November 15 beginning May 15, 2012 through November 15, 2023	7,500,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 3.10 of the General Conditions.

APPENDIX

Definitions

1. “Annual Infrastructure Maintenance Program” means each of the two (2) documents: (i) prepared by RNCMNR and CFR, with respect to Part I and Part II of the Project, respectively, which include the list of activities to be carried out in each calendar year under the respective Part of the Project, as well as the implementation plan, the procurement and monitoring arrangements and the budget relating to such activities; and (ii) agreed between the Borrower and the Bank pursuant to Part A of Section II of Schedule 2 to this Agreement.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “CFR” means the National Railway Company of Romania established pursuant to Government Decision No. 581 of 1998, as completed and amended at the date hereof.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
5. “Environmental Legislation” means one or more of the following: Emergency Ordinance No. 195/2005 providing the framework for protection of the environment; Government Decision (“GO”) No. 918/2002 (as modified by GD No. 1705/2005), regarding procedures for environmental impact assessment and classification of project types; and all secondary legislation related to it.
6. “EU” means the European Union.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
8. “Information Brochure” means the Project Implementing Entities’ document referred to in Paragraph 4 of Section I. B. of Schedule 2 to this Agreement and satisfactory to the Bank, explaining the different stages and procedural requirements of the expropriation procedure, and the rights of owners and other affected persons at each such stage, including in particular how to document claims and any rights of appeal.
9. “Land Acquisition Framework” means the document, satisfactory to the Bank and adopted by the Borrower, setting forth the laws and administrative procedures as well as a process of disclosure (including the Information Brochure) providing for processes and appropriate compensation for relocation of, or loss of income to be incurred by, individuals or business entities on account

of land to be acquired for public purposes, including for implementation of the Project.

10. “MTCT” means the Ministry of Transport, Construction and Tourism of the Borrower, or any successor thereto.
11. “National Roads Infrastructure Maintenance Program” means the program of periodic maintenance and current repairs activities for 2006-2007, as set forth in the Program, to be applied to the national road network of the Borrower and designed to improve the road infrastructure.
12. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
13. “Procurement Plan” means the Implementing Entities’ procurement plan for the Project, dated May 25, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
14. “Program” means the program of activities for 2006-2013 for the transport sector of the Borrower designed to improve the road and railway infrastructure.
15. “Railway Infrastructure Maintenance Program” means the program of maintenance, current and periodic repair and overhaul activities for 2006-2007, as set forth in the Program, to be applied to the interoperable railway lines, as so defined in the Government Decision No. 27 of 2004.
17. “RNCMNR” means the Romanian National Company of Motorways and National Roads established pursuant to the Borrower’s Law No. 47/ 2004.
18. “Subsidiary Agreements” means the RNCMNR Subsidiary Agreement and the CFR Subsidiary Agreement referred to in Paragraphs A.1 and A.2, respectively, of Section I of Schedule 2 to this Agreement pursuant to which the Borrower shall make part of the proceeds of the Loan available to RNCMNR and CFR, respectively.