between
REPUBLIC OF POLAND
and
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
Dated August 14, 1991
LOAN NUMBER 3341 POL
LOAN AGREEMENT

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AGREEMENT, dated August 14, 1991, between REPUBLIC OF POLAND (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated June 6, 1991, from the Borrower describing a program of actions, objectives and policies designed to achieve restructuring of the financial sector of the Borrower's economy (the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of urgently needed imports required during such execution;
(B) it is contemplated that the Borrower may require
assistance from the Bank in the implementation of the Borrower's Debt Reduction Plan (as defined in Section 1.02 ( g ) of this Agreement) ;
(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and
(D) the Borrower intends to contract from other sources of finance (the Cofinanciers) grants (the Cofinance) in an aggregate amount equivalent to \(\$ 5,000,000\) to assist in financing the Project on the terms and conditions set forth in agreements (the Cofinancing Agreements) to be entered into between the Borrrower and the Cofinanciers; and

WHEREAS, on the basis, inter alia, of the foregoing, the Bank has decided, in support of the Program and in order to assist in the carrying out of the Project, 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" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:
(a) the last sentence of Section 3.02 is deleted.
(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:
"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."
(c) Section 9.07 (c) shall be modified to read:
"(c) Promptly after completion of the Project, but in any event not later than six months after the closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the execution of the Program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

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) "Subsidiary Loan Agreement" means any agreement to be entered into between the Borrower and a Participating Bank pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to such Subsidiary Loan Agreement; and "Subsidiary Loan" means any loan provided under a Subsidiary Loan Agreement;
(b) "Participating Bank" means any banking institution which satisfies the conditions set forth in Part B. 1 of Schedule 5 to this Agreement, with which the Borrower shall have entered into a Subsidiary Loan Agreement;
(c) "National Bank of Poland" means the central bank of the Borrower, established and operating pursuant to the Borrower's Law on the National Bank of Poland, dated January 31, 1989, and published in the Borrower's Journal of Laws No. 4, as the same may be amended from time to time;
(d) "SITC" means the Standard International Trade
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Classification, Revision 3 (SITC, Rev. 3), published by the United
Nations in Statistical Papers, Series M, No. 343/Rev. 3 (1986);
(e) "Special Account" means the account referred to in
Section 2.02 (b) of this Agreement;
(f) "Category" means a category of items to be financed out of the proceeds of the Loan set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
(g) "Debt Reduction Plan" means a plan of the Borrower to be furnished to the Bank in accordance with Section 3.05 of this Agreement for partial funding under this Agreement to reduce the Borrower's payments of principal and interest on its external loans from non-official creditors;
(h) "Implementation Agreement" means the agreement to be entered into, in accordance with Section 3.05 of this Agreement, between the Bank and the Borrower relating to the use of the proceeds of a portion of the Loan for the Debt Reduction Plan; and
(i) "Deutsche Mark" means Deutsche Mark in the currency of the Federal Republic of Germany.

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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, various currencies that shall have an aggregate value equivalent to the amount of two hundred million dollars ( \(\$ 200,000,000\) ), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 Debt Reduction Plan under Part \(B\) of the Project and of the reasonable cost of goods and services required for Parts \(A, C\) and \(D\) of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.
(b) The Borrower shall, for the purposes of Parts C and D of the Project, open and maintain in Dollars a special deposit account in a bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1995 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 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 2.05. (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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of \(1 \%\) ). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.
(b) As soon as practicable after the end of each Semester,
the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.
(c) For the purposes of this Section:
(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
"Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989, bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
(iii) "Semester" means the first six months or the second six months of a calendar year.
(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:
"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent \((1 / 2\) of \(1 \%)\). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."
"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."
"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.07 . 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

\section*{Execution of the Project}

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end (i) shall (A) carry out Parts B and D of the Project and (B) carry out Parts \(A\) and \(C\) of the Project through the National Bank of Poland, acting as fiscal agent for the Borrower, under arrangements satisfactory to the Bank, all with due diligence and efficiency and in conformity with appropriate technical, financial, economic and administrative practices, (ii) shall cause the Participating Banks to perform in accordance with the provisions of their respective Subsidiary Loan Agreements, all the obligations of said parties therein set forth, (iii) shall take
or cause to be taken, all action necessary or appropriate to enable the Participating Banks to perform such respective obligations, (iv) shall not take any action which would prevent or interfere with such performance, and (v) shall provide, promptly as needed, the funds, facilities, services and other resources required for said purposes.
(b) In order to enable the Participating Banks properly to carry out their respective activities under Part C of the Project, the Borrower shall make available to each Participating Bank the proceeds of the Loan referred to in Part A. 1 of Schedule 5 to this Agreement under a subsidiary loan agreement to be entered into between the Borrower and such Participating Bank, under terms and conditions which shall have been approved by the Bank, and which shall include, without limitation, those set forth in said Sched-ule 5.
(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any such Subsidiary Loan Agreement or any provision thereof.

Section 3.02. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 6 to this Agreement.
(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

Section 3.03. In order to facilitate the efficient carrying out of the Program and the Project, the Borrower shall establish and thereafter maintain with membership, staff and other resources and under terms of reference satisfactory to the Bank:
(a) a steering committee to be responsible for the provision of policy guidance in the execution of the Program and the Project; and
(b) an implementation unit within the Borrower's Ministry of Finance, to function as the secretariat for the steering committee referred to in paragraph (a) of this Section and to be responsible for the overall coordination of the execution of the Program and the Project.

Section 3.04. Except as the Bank shall otherwise agree, the Borrower shall ensure that the procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.05. The Borrower shall, as soon as possible, submit a debt reduction plan to the Bank for its review. If, in the judgment of the Bank, such plan meets the Bank's requirements for Bank support of debt reduction operations, the Borrower and the Bank shall seek to conclude an implementation agreement for such plan as soon as possible after the Bank has approved support therefor.

ARTICLE IV
Financial Covenants
Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.
(i) have the records and accounts 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 appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
(iii)
furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.
(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:
(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
(iii)
enable the Bank's representatives to examine such records; and
(iv)
ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V
Remedies of the Bank
Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:
(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
(b) The Cofinancing Agreements shall have failed to become effective by August 31, 1992, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.
(c)
(i)

Subject to sub-paragraph (ii) of this paragraph:
(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or
(B) any such loan shall have become due and payable prior to the agreed maturity thereof.
(ii)

Sub-paragraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

ARTICLE VI
Effective Date; Termination
Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:
(a) the arrangements with the National Bank of Poland referred to in Section 3.01 (a) (i) (B) of this Agreement have been concluded in accordance with the provisions of said Section; and
(b) the steering committee and implementation unit referred to in Section 3.03 of this Agreement have been established in accordance with the provisions of said Section.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII
Representative of the Borrower; Addresses
Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:
\begin{tabular}{lr} 
Ministry of Finance & \\
\(00-916\) Warszawa & \\
ul. Swietokrzyska 12 & \\
Republic of Poland & \\
Cable address: & Telex: \\
MINF & 814386 PL \\
Poland &
\end{tabular}

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:
\begin{tabular}{rl}
248423 & (RCA), \\
82987 & (FTCC), \\
64145 & (WUI) or \\
197688 & \((T R T)\)
\end{tabular}
                                    64145
                    197688 (TRT)

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

REPUBLIC OF POLAND

By /s/ Stefan Kawalec
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ian Hume
Acting Regional Vice President Europe, Middle East and North Africa 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:

Amount of the
(2) Goods for Part A of the Project
(3) Debt Reduction Plan under Part \(B\) of the Project
(4) Goods, consultants' services, technical licenses and training for Part \(C\) of the Project

Loan Allocated
(Expressed in
Dollar Equivalent) to be Financed
\(25,000,000\) ) \(100 \%\) of foreign expenditures
\% of
Expenditures

25,000,000 )
\(100,000,000\) To be agreed between the Borrower and the Bank, subject to the provisions of paragraph 3 (e) of this Schedule
\(100 \%\) of foreign
expenditures and 100\% of local expenditures (ex-factory cost) for goods, 100\%
\begin{tabular}{|c|c|c|c|c|}
\hline & & & ) & of foreign \\
\hline \multirow[t]{7}{*}{(5)} & Goods, consul- & 2,000,000 & ) & expenditures for \\
\hline & tants' services, & & ) & technical licenses \\
\hline & technical licenses & & ) & and training and \\
\hline & and training for & & ) & 100\% for consul- \\
\hline & Part \(D\) of the & & ) & tants' services \\
\hline & Project & & ) & \\
\hline & TOTAL & 200,000,000 & & \\
\hline
\end{tabular}
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; and
(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.
3. Notwithstanding the provisions of paragraph 1 above:
(a) No withdrawals shall be made in respect of expenditures under Categories (1) and (2):
(i) for goods included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:
\begin{tabular}{|c|c|c|c|}
\hline Group & & Subgroup & Description of Items \\
\hline 112 & & -- & Alcoholic beverages \\
\hline 121 & & -- & Tobacco, unmanufactured, tobacco refuse \\
\hline 122 & & -- & Tobacco, manufactured (whether or not containing tobacco substitutes) \\
\hline 525 & & -- & Radioactive and associated materials \\
\hline 667 & & -- & Pearls, precious and semiprecious stones, unworked or worked \\
\hline Group & & Subgroup & Description of Items \\
\hline 718 & & 718.1 & ```
Nuclear reactors, and parts
thereof, fuel elements
    (cartridges), non-irradiated for
nuclear reactors
``` \\
\hline 897 & & 897.3 & \begin{tabular}{l}
Jewelry of gold, silver or platinum group metals \\
(except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
\end{tabular} \\
\hline 971 & & -- & Gold, non-monetary (excluding gold ores and concentrates) \\
\hline & (ii) & \multicolumn{2}{|l|}{for goods procured under contracts costing less than \(\$ 25,000\) equivalent;} \\
\hline & (iii) & \multicolumn{2}{|l|}{for goods supplied under a contract which any national or international financing institution} \\
\hline
\end{tabular}
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or agency other than the Bank shall have
financed or agreed to finance; and
for goods intended for a military or
paramilitary purpose or for luxury consumption.

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(b) No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan allocated to Category (2), unless the Bank shall be satisfied, after an exchange of views as described in Section 3.02 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Program; and (b) that the actions described in Schedule 6 to this Agreement have been taken. If, after the exchange of views described in this sub-paragraph, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, then the Bank may, by notice to the Borrower, cancel the amount of the Loan allocated to Category (2) or any part thereof.
(c) No withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \(\$ 500,000\), may be made in respect of Categories (4) and (5) on account of payments made for expenditures before that date but after May 15, 1991.
(d) No withdrawals shall be made in respect of expenditures under Category (4) by a Participating Bank until the Bank shall have communicated its acceptance to the Borrower of evidence that a Subsidiary Loan Agreement has been duly executed on behalf of, and is legally binding upon, the Borrower and such Participating Bank.
(e) If the Implementation Agreement shall not have been entered into by June 30 , 1992, or such other date as agreed between the Borrower and the Bank, then the proceeds of the Loan allocated to Category (3) shall, at the request of the Borrower, be reallocated to Categories (1) and (2) on a proportional basis for the purposes of Part \(A\) of the Project. Further, if any amount of the Loan allocated to Category (3) is not used for the Debt Reduction Plan, in accordance with the provisions of the Implementation Agreement, the Bank shall, at the request of the Borrower, reallocate such amount to Categories (1) and (2) on a proportional basis for the purposes of Part \(A\) of the Project.
(f) Applications for withdrawal of amounts of the Loan allocated to Categories (1) and (2) shall, to the extent practicable, be consolidated so as to apply for withdrawal of aggregate amounts of not less than \(\$ 1,000,000\) equivalent.

SCHEDULE 2

\section*{Description of the Project}

The objectives of the Project are to assist in modernizing the regulatory framework, and strengthening the institutional capabilities, of the Borrower's financial system so as to facilitate the execution of the Program, and subject to the execution and effectiveness of the Implementation Agreement, in implementing the Debt Reduction Plan.

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:
The financing of urgently needed imports in support of the Program.

Part B:

The implementation of the Debt Reduction Plan.
Part C:
The financing, through the provision of loans, including Subsidiary Loans, of specific development projects to strengthen the organization, management and operations of the Participating Banks and to restructure and privatize Participating Banks, including the provision of staff training and computer hardware and software required therefor.

Part D:
The carrying out by the Borrower of programs to develop further the financial system, including:
(1) a program to: (a) develop further the regulatory framework for banking operations and the prudential regulations applicable thereto; and (b) design a suitable collateral security system and deposit insurance system so as to facilitate banking operations;
(2) a program to develop a suitable regulatory framework governing bankruptcy and liquidation of banking institutions;
(3) a program to develop further the securities market including: (a) the formulation and application of an appropriate regulatory framework governing the operations of the securities market; (b) the establishment, under appropriate operational policies and procedures, staffing, equipping and operation of a stock exchange, including development and introduction of an automated system for the trading of securities; (c) the carrying out of a review of the operations of the securities market to identify and implement suitable strategies to diversify the range of securities and increase the participation by institutional and individual investors in the securities market; and (d) the provision of training to securities market participants and potential issuers of and investors in securities, in the operations of the securities market;
(4) a program to design and implement an appropriate strategy to facilitate the privatization of state-owned banks, including the development of institutions and procedures required therefor; and
(5) a program of training to strengthen the professional skills of bank supervisors, bankers and accountants.
* * *

The Project is expected to be completed by December 31, 1994.
SCHEDULE 3
Amortization Schedule
Date Payment Due \(\quad\)\begin{tabular}{c} 
Payment of Principal \\
(expressed in Dollars)
\end{tabular}

On each June 1 and December 1
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beginning December 1, 1996

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through December 1, 2007 8,335,000

On June 1, 2008
\(8,295,000\)

\footnotetext{
* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment
Pursuant to Section 3.04 (b) of the General Conditions, the
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premium payable on the principal amount of any maturity of the Loan
to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment
Premium
The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years
before maturity \(\quad 0.18\)

SCHEDULE 4
Procurement and Consultants' Services
Section I. Procurement of Goods under Part A of the Project
Part A: International Competitive Bidding
Contracts for the procurement of goods estimated to cost the equivalent of \(\$ 5,000,000\) or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:
1. Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

\section*{"2.8 Notification and Advertising}

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:
(i) a notice in the United Nations publication,

Development Forum, Business Edition; or
(ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."
2. The following is added at the end of paragraph 2.21 of the Guidelines:
"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely
used in international trade and specified in the bidding documents."
3. Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

Part B: Other Procurement Procedures

Contracts for the procurement of goods estimated to cost the equivalent of less than \(\$ 5,000,000\) shall be awarded:
1. by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Bank;
2. by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers from at least two countries, except that direct contracting procedures acceptable to the Bank may be used where considered appropriate under paragraph 3.5 of the Guidelines; and
3. by any purchasers, for the supply of commodities, on the basis of evaluation and comparison of quotations obtained from more than one supplier.

Part C: Review by the Bank of Procurement Decisions
1. With respect to each contract referred to in Part \(A\) of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.
2. With respect to each contract referred to in Part \(B\) of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.
3. The provisions of the preceding paragraph 2 of this Part shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure.

Section II. Procurement of Goods and Technical Licenses under Parts \(C\) and \(D\) of the Project

Part A: International Competitive Bidding
Except as provided in Part \(C\) hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the Guidelines.

Part B: Preference for Domestic Manufacturers
In the procurement of goods in accordance with the procedures described in Part \(A\) hereof, goods manufactured in the territory of the Borrower may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures
1. International Shopping. Goods estimated to cost the equivalent of \(\$ 300,000\) or less per contract may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least two suppliers from at least two different countries
eligible under the Guidelines, in accordance with procedures acceptable to the Bank.
2. Direct Contracting. Goods and technical licenses which the Bank agrees (a) are of a proprietary nature, or (b) the timely supply thereof is critical for efficient Project execution, may be procured through direct negotiations with the suppliers thereof, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions
1. Review of invitations to bid and of proposed awards and final contracts:
(a) With respect to each contract for goods estimated to cost the equivalent of \(\$ 1,000,000\) or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.
(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 7 to this Agreement.
(c) The provisions of the preceding sub-paragraph (b) shall not apply to contracts on account of which the Bank has authorized withdrawals on the basis of statements of expenditure.
2. The figure of \(15 \%\) is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section III. Employment of Consultants
Consultants' services shall be procured under contracts awarded to consultants: (A) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (B) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5
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Principal Terms and Conditions of the Subsidiary Loan Agreements

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Except as the Borrower and the Bank may otherwise agree, the principal terms and conditions set forth in this Schedule shall apply for the purposes of Section 3.01 (b) of this Agreement.
A. Terms.
1. The principal amount of each Subsidiary Loan shall: (a) be denominated in Dollars or Deutsche Mark, at the option of the Participating Bank; and (b) be the equivalent in the currency of denomination (determined as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account, as the case may be) of the value of the currency or currencies so withdrawn or paid out on account of the cost of the goods, technical licenses and services financed out of the proceeds of the Loan pursuant to the Subsidiary Loan Agreement providing for
such Subsidiary Loan.
2. Each Subsidiary Loan shall be charged on the principal amount thereof, withdrawn and outstanding from time to time, interest, during each six-month period commencing on January 1 and July 1 ofeach calendar year, at a rate equal to (a) LIBOR plus a margin, in the case of Subsidiary Loans denominated in Dollars and (b) FIBOR plus a margin, in the case of Subsidiary Loans denominated in Deutsche Marks, all as shall be calculated by the Borrower on the basis of guidelines acceptable to the Bank.
3. Each Subsidiary Loan shall have a maturity of not more than 10 years, inclusive of a grace period of 3 years.
4. The right of the each Participating Bank to the use of its respective Subsidiary Loan, shall be: (a) suspended upon failure by such party to perform any of its obligations under its respective Subsidiary Loan Agreement; and (b) terminated if such right shall have been suspended pursuant to sub-paragraph (a) hereof for a continuous period of 60 days.

\section*{B. Conditions.}
1. A Subsidiary Loan Agreement shall be entered into only with a banking institution duly established and operating under the laws of the Borrower, which shall have (a) established its creditworthiness and (b) developed a specific development project proposed to be carried out under Part \(C\) of the Project, all to the satisfaction of the Borrower and the Bank, on the basis of guidelines acceptable to the Bank.
2. Each Subsidiary Loan Agreement shall contain provisions pursuant to which the Participating Bank shall undertake to:
(a) carry out its activities under Part \(C\) of the Project and conduct its operations and affairs in accordance with sound financial standards and appropriate practices, with qualified management and staff, and provide, promptly as needed the funds, facilities, services and other resources required for the purpose;
(b) (i) employ consultants with qualifications, experience and terms of reference satisfactory to the Bank, to assist it in the carrying out of its activities under Part \(C\) of the Project; and
(ii)
\[
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& \text { procure the goods and consultants' services to } \\
& \text { be financed out of the proceeds of the Loan in } \\
& \text { accordance with the provisions of Sections II } \\
& \text { and III of Schedule } 4 \text { to this Agreement, and use } \\
& \text { such goods and services exclusively in the } \\
& \text { carrying out of its activities under said Part } \\
& \text { C; }
\end{aligned}
\]
(c) exchange views with, and furnish all such information to, the Borrower or the Bank, as may be reasonably requested by the Borrower or the Bank, with regard to the progress of its activities under Part \(C\) of the Project, the performance of its obligations under its respective Subsidiary Loan Agreement, and other matters relating to the purposes of said Part of the Project;
(d) promptly inform the Borrower and the Bank of any condition which interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Loan Agreement; and
(e) (i) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition; (ii) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (iii) furnish to the Borrower and the Bank,
as soon as available, but in any case not later than six months after the end of each such year certified copies of said financial statements and accounts for such year as so audited, and the report of such audit by said auditors in such scope and detail as the Borrower or the Bank shall have reasonably requested; and (iv) furnish to the Borrower or the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Borrower or the Bank shall from time to time reasonably request.

SCHEDULE 6
Actions Referred to in Paragraph 3 (b) of Schedule 1 to this Agreement
1. Continued maintenance of a macro-economic framework, consistent with the objectives of the Program, as determined on the basis of indicators acceptable to the Borrower and the Bank.
2. Carrying out of a program, on the basis of guidelines satisfactory to the Bank, to reduce the growth of credit extended under government credit programs.
3. Carrying out of a program, on the basis of guidelines satisfactory to the Bank, to compensate state-owned banks for foreign exchange losses incurred by said banks.
4. (a) Enactment of a law governing the National Bank of Poland and a banking law, both of which, in the opinion of the Borrower and the Bank, provide a suitable regulatory framework for the operations of the National Bank of Poland and of commercial banks; and
(b) adoption of prudential regulations, satisfactory to the Bank, providing standards and requirements applicable to commercial banks in respect of licensing, capital adequacy, credit and investment concentrations, loan classification, provisioning, interest accrual, accounting and audits.
5. Establishment, under terms of reference satisfactory to the Bank, of a bank deposit insurance fund.
6. Transformation of nine state-owned banks into joint-stock companies pursuant to the Borrower's Banking Law dated January 31, 1989 and published in the Borrower's Journal of Laws No. 4, 1989, as amended to the date of this Agreement, and selection, on the basis of guidelines acceptable to the Bank, of at least two commercial banks suitable for privatization.

SCHEDULE 7

\section*{Special Account}
1. For the purposes of this Schedule:
(a) the term "eligible Categories" means Categories (4), and (5) 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 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 equivalent to \(\$ 5,000,000\) to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, 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 a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.
(b)
(i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
(ii)
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\begin{aligned}
& \text { Prior to or at the time of each such request, } \\
& \text { the Borrower shall furnish to the Bank the } \\
& \text { documents and other evidence required pursuant } \\
& \text { to para- graph } 4 \text { of this Schedule for the } \\
& \text { payment or payments in respect of which } \\
& \text { replenishment is requested. On the basis of each } \\
& \text { such request, the Bank shall, on behalf of the } \\
& \text { Borrower, withdraw from the Loan Account and } \\
& \text { deposit into the Special Account such amount as } \\
& \text { the Borrower shall have requested and as shall } \\
& \text { have been shown by said documents and other } \\
& \text { evidence to have been paid out of the Special } \\
& \text { Account for eligible expenditures. }
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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 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.
5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the 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; or
(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 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 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 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 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 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 Account 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
Account.
(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.```

