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**LOAN NUMBER 4683 RO**

# **Loan Agreement**

**(Forest Development Project)**

**between**

**ROMANIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated January 31, 2003**

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**LOAN NUMBER 4683 RO**

**LOAN AGREEMENT**

AGREEMENT, dated January 31, 2003, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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) "DOF" means the Department of Forests within MAFF (as defined hereinafter);

(b) "Environmental Management Plan" means the plan, satisfactory to the Bank, prepared and adopted by the Borrower, providing for the environmental requirements for carrying out of the Project and proposed mitigation measures, and referred to in paragraph 5 of Schedule 5 to this Agreement;

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

(d) “ForSBIC” means the Forest Business Sector Information Center, an independent business development and advisory services center, to be established and referred to in paragraph 6 of Schedule 5 to this Agreement;

(e) “IAPSO” means the Inter-Agency Procurement Services Office of the United Nations Development Programme (UNDP);

(f) “MAFF” means the Ministry of Agriculture, Food and Forests of the Borrower;

(g) “NFA” means the National Forest Administration under MAFF established in accordance with the Borrower’s Government Decision No. 173/2001;

(h) “PIP” means the Project Implementation Plan prepared by the Borrower, and referred to in paragraph 2 (a) of Schedule 5 to this Agreement;

(i) “PMU” means the Project Management Unit under MAFF to be formally established pursuant to a Borrower’s Ministerial Order, or any legal successor thereto satisfactory to the Bank;

(j) “POC” means the Project Oversight Committee to be established by the Borrower and referred to in paragraph 2(b) of Schedule 5 to this Agreement; and

(k) “Special Account” means the account referred to in Section 2.02(b) of this Agreement.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to twenty-five million Dollars (\$25,000,000).

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 a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and

attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 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 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 U.S. 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 February 15 and August 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 MAFF, with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) without limitation upon the provisions in paragraph (a) of this Section, the Borrower shall open a Project account under terms and conditions satisfactory to the Bank promptly after effectiveness and shall ensure that adequate budgetary allocations shall be made to the Project account each calendar quarter during Project implementation for financing Project expenditures.

(c) without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and 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 3.03. 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 for the future operation of the Project; 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 MAFF, shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall, through MAFF:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;

(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, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit 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.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 1(a) of Schedule 5 to this Agreement, the Borrower shall, through MAFF, prepare and furnish to the Bank a Financial Monitoring Report, 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 and Termination**

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely that the procurement specialist for the PMU has been appointed with qualifications, experiences and terms of reference acceptable to the Bank.

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: | Facsimile:   |
| 11239  | 401 312 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<br>Washington, D.C. | 248423 (MCI) or<br>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/ Andrew N. Vorkink

Director  
South Central Europe Country Unit  
Europe and Central Asia

**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<br/>Loan Allocated<br/>(Expressed in Dollars)</u> | <u>% of<br/>Expenditures<br/>to be Financed</u>   |
|---|--|---|
| (1) Works   | 12,700,000   | 80%   |
| (2) Goods   | 3,000,000  | 100% of foreign expenditures,<br>100% of local expenditures<br>(ex-factory cost), and 80% of<br>local expenditures for other items<br>procured locally  |
| (3) Consultants' Services<br>including audit<br>services and training | 3,000,000  | 100% of foreign expenditures and<br>80% of local expenditures   |
| (4) Technical Services  | 2,350,000  | 80%   |
| (5) Incremental Operating<br>Costs:                                   |  |   |
| (a) other than for<br>Part C of the Project                           | 2,400,000  | 80%   |
| (b) for ForSBIC under<br>Part C of the Project                        | 250,000  | 95% of expenditures incurred<br>prior to July 31, 2004;<br>75% of expenditures incurred<br>prior to July 31, 2005;<br>50% of expenditures incurred<br>prior to July 31, 2006;<br>25% of expenditures incurred<br>prior to July 31, 2007 |
| (6) Unallocated   | <u>1,300,000</u>   |   |
| TOTAL   | <u>25,000,000</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 or for goods or services supplied from the territory of the Borrower;

(c) the term “technical services” means the design and installation of new software packages, including maintenance and software upgrades; and

(d) the term “incremental operating costs” means the following recurrent expenditures incurred with the respect of management and coordination of Project activities: (i) for the PMU: staff salaries (excluding government employees) and staff per diems as well as travel costs for field trips related to the implementation of the Project; office supplies and utilities; communications costs; operations, insurance and maintenance for vehicles and equipment procured for the Project; and (ii) for ForSBIC: staff salaries (excluding government employees), office maintenance, vehicle operation and maintenance, publications, promotions and auditing services.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made under Categories (1), (2), (3), (4) and (5) set forth in the table in Part A.1 of this Schedule until the fee referred to in Section 2.04 of this Agreement has been paid; and (b) payments made for expenditures prior to the date of this Agreement except for withdrawals: (i) in an aggregate amount not exceeding the equivalent of \$200,000, may be made in respect of Category (3); and (ii) in an aggregate amount not exceeding the equivalent of \$50,000, may be made in respect of Category (5), on account of payments made for expenditures before that date but after November 1, 2002.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods and technical services under contracts costing less than \$100,000 equivalent each; (b) works under contracts costing less than \$1,000,000 equivalent each; (c) consultants’ services under contracts with consultant firms costing less than \$200,000 equivalent each; (d) consultants’ services under contracts with individual consultants costing less than \$25,000 equivalent each; (e) training; and (f) incremental operating costs, 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 maintain and improve environmentally sustainable management of private and state owned forests so as to increase the contribution from forest resources to the national and rural economies.

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: Establish a system to ensure sustainable management of private forest lands

1. Strengthen the capacity of the DOF to provide extension and advisory services to meet the needs of private forest owners, as well as supervise, regulate and monitor sustainable forest management activities in private and state owned forest lands, through: (a) provision of services and training; and (b) provision of goods and equipment, including office furniture and equipment, equipment for operating in the field, vehicles needed for field inspections and training equipment.
2. Support, through MAFF, the establishment and operation of national and local associations of private forest owners, including providing assistance for the development of membership profiles, recruitment plans, service-delivery profiles, business development plans, and capacity building for financial and procurement management through the provision of training and services.
3. Support the establishment of a national forest management information and monitoring system, through the provision of services, including technical services, and training.

#### Part B: Mitigate the consequences of forest land restitution on management of state forest land

1. Support the NFA in developing and implementing a strategic plan, acceptable to MAFF, to strengthen and finance NFA's role in managing state owned forests, through provision of services, training, and goods.
2. Rehabilitate and expand forest road network to reduce the environmental impact and improve the economic viability of wood harvesting in state owned production forests, through the provision of works, services and goods.

Part C: Support increased productivity and competitiveness of forest industry

Support the establishment and operation of ForSBIC in order to increase the productivity and competitiveness of the forest industry, through provision of services and goods.

Part D: Build public support for sustainable forest management

Prepare and implement a public awareness strategy and campaign targeting key stakeholders, including the general public, non-governmental organizations, NFA and Government decision makers, to build public support for sustainable forest management, through provision of services, training, and goods.

Part E: Project management

Provision of services, training, goods and financing of operating costs to assist the PMU in Project management and implementation.

\* \* \*

The Project is expected to be completed by December 31, 2008.

**SCHEDULE 3**

**Amortization Schedule**

| <u>Date Payment Due</u> | <u>Payment of Principal<br/>(Expressed in<br/>Dollars)</u> |
|-------------------------|--|
| August 15, 2008         | 1,040,000  |
| February 15, 2009       | 1,040,000  |
| August 15, 2009         | 1,040,000  |
| February 15, 2010       | 1,040,000  |
| August 15, 2010         | 1,040,000  |
| February 15, 2011       | 1,040,000  |
| August 15, 2011         | 1,040,000  |
| February 15, 2012       | 1,040,000  |
| August 15, 2012         | 1,040,000  |
| February 15, 2013       | 1,040,000  |
| August 15, 2013         | 1,040,000  |
| February 15, 2014       | 1,040,000  |
| August 15, 2014         | 1,040,000  |
| February 15, 2015       | 1,040,000  |
| August 15, 2015         | 1,040,000  |
| February 15, 2016       | 1,040,000  |
| August 15, 2016         | 1,040,000  |
| February 15, 2017       | 1,040,000  |
| August 15, 2017         | 1,040,000  |
| February 15, 2018       | 1,040,000  |
| August 15, 2018         | 1,040,000  |
| February 15, 2019       | 1,040,000  |
| August 15, 2019         | 1,040,000  |
| February 15, 2020       | <u>1,080,000</u>   |
| <b>TOTAL</b>            | <b><u>25,000,000</u></b>                                   |

## **SCHEDULE 4**

### **Procurement**

#### Section I. Procurement of Goods, Works and Technical Services

##### Part A: General

Goods, works and technical services shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods, works and technical services shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods, works and technical services to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

Works estimated to cost less than \$1,000,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.



2. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement from UN Agencies

Goods and technical services under Part C.2. of this Schedule, may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Additional Provisions Regarding the National Competitive Bidding Procedures

When procuring works in accordance to the procedure referred to in Section I, C.1. of this Schedule, the following procedures shall be followed: (a) a point system of evaluation will not be used; (b) domestic preference will not be applied; (c) international bidders will not be excluded from bidding; (d) the draft bidding documents will be prepared and submitted to the Bank for review and no-objection before any tender is issued; (e) no bids will be rejected at the bid opening; (f) all bids submitted on or before the deadline for submission of bids will be opened and read out at public bid opening; (g) bidders shall demonstrate availability of obtaining securities and reasonable access to credit; (h) bid evaluation criteria shall be pre-disclosed to bidders; and (i) technical specifications shall be clearly written.

Part E: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for: (i) each contract procured in accordance with the provisions of Part B of this Section; and (ii) the first contract procured in accordance with the provisions of Part C.1 of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract to be procured in accordance with the procedures referred to in C.2 of this Section above, the following procedures shall apply:

- (i) prior to the selection of any supplier/execution of any contract under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Under a Fixed Budget

Services under Part D of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection

Services for auditing 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 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated from time to time during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants to be selected on a sole source basis, or estimated to cost the equivalent of \$25,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## **SCHEDULE 5**

### **Implementation Program**

1. The Borrower, through MAFF, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the 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 April 30, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by June 30, 2005 or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

2. The Borrower, through MAFF, shall:

(a) maintain the PMU within MAFF with such staff and resources as shall be required for the PMU to perform its duties in respect of the overall management and implementation of the Project, in accordance with the PIP and satisfactory to the Bank; and

(b) establish, not later than thirty (30) days after the Effective Date, and thereafter maintain a Project Oversight Committee comprising the representatives of DOF, MAFF, Ministry of Public Finance, and civil society representatives, which shall provide oversight and policy guidance for Project implementation. The Borrower shall carry out the Project in accordance with the PIP including an implementation plan for the Project and key instruments for the execution and coordination of the Project (including procurement and financial management procedures); and shall not amend the PIP without the Bank's prior consent.

3. For the purposes of Part B of the Project, NFA shall assist the Borrower to carry out the Project by providing supervision and oversight in the implementation of this Part of the Project, and the Borrower shall ensure that NFA receives adequate support and resources for this purpose.

4. For the purposes of Part B.2 of the Project, the Borrower, through MAAF, shall:
  - (a) ensure that the guidelines for environmental review and screening of forest road network expansion and rehabilitation sub-projects included in the Environmental Management Plan are followed by NFA; and
  - (b) take all necessary actions to mitigate, if necessary, any aggregate effects of Part B.2 of the Project on the environment in accordance with applicable laws and the Environmental Management Plan.
5. The Borrower, through MAAF, shall carry out the Project in accordance with the Environmental Management Plan, including environmental mitigation, monitoring, and institutional measures for the execution of the Project; and shall ensure that all measures necessary for the carrying out such Plan shall be taken in a timely manner.
6. Not later than March 30, 2004, the Borrower, through MAAF, shall provide for the establishment of ForSBIC, under applicable Romanian law, with objectives satisfactory to the Bank.
7. The Borrower, through MAAF, shall develop and agree with the Bank by June 30, 2004 on an action plan, supported by studies as necessary, which shall include an implementation schedule, addressing the human resource and institutional needs of the DOF and immediately thereafter implement the plan in accordance with the schedule.
8. The Borrower, through MAAF, shall :
  - (a) undertake and complete by September 30, 2004 a study on a timber pricing policy, as a part of the activities to be carried out under Part B of the Project, in accordance with terms and reference acceptable to the Bank; and
  - (b) develop and agree with the Bank by November 30, 2004 on an action plan, including an implementing schedule, addressing the recommendations of the study referenced in paragraph (a) above, and immediately thereafter implement the plan in accordance with the schedule.

## **SCHEDULE 6**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1) through (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, works, services and incremental operating costs 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 \$1,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$3,000,000.
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 deposit into the Special Account of an amount or amounts 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 into 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) 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 Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. 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;

- (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 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 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.