Municipality of Bucharest
Project Agreement

(Municipal Services Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

MUNICIPALITY OF BUCHAREST

Dated July 24, 2006
MUNICIPALITY OF BUCHAREST PROJECT AGREEMENT

Agreement dated July 24, 2006, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and MUNICIPALITY OF BUCHAREST (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of even date herewith between ROMANIA (“Borrower”) and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II - PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall:

(a) carry out Part 1 of the Project in accordance with the provisions of Article V of the General Conditions; and

(b) provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is the General Mayor of the Municipality of Bucharest.
3.02. The Bank’s address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: (1-202) 477-6391

3.03. The Project Implementing Entity’s address is:

Municipality of Bucharest
Foreign Credits Management Department
Bdul. Regina Elisabeta, nr. 47
Sector 5, București
Romania

Facsimile: (4-021) 305-5567

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: /s/ Anand K. Seth
Authorized Representative

MUNICIPALITY OF BUCHAREST

By: /s/ Adriean Videanu
Authorized Representative
SCHEDULE

Execution of Project Implementing Entity’s Respective Part of the Project

Section I. Subsidiary Agreement; Institutional and Other Arrangements

1. Subsidiary Agreement

The Project Implementing Entity shall duly perform all its obligations under the Subsidiary Agreement. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

2. Municipality of Bucharest

Day-to-day implementation and coordination of Part 1 of Project shall be undertaken by staff assigned within the Municipality of Bucharest. To that end, the Project Implementing Entity shall take all action required to maintain the said staff throughout Project implementation provided with sufficient financial resources therefor and headed by the Executive Director and assisted by competent staff, including a procurement specialist, a financial management specialist, and a technical specialist. More specifically, the said staff shall be responsible, in respect of Part 1 of the Project, for: (i) the submission to the Borrower of the Project Reports for submission to the Bank; (ii) the preparation of bidding documents and following-up on the ensuing bidding process; (iii) disbursements of Loan funds and the counterpart funds for Part 1 of the Project; (iv) financial management; and (v) Project monitoring.

3. Environmental Issues and Cultural Property

Without limitation upon the provisions of Article V of the General Conditions, the Project Implementing Entity shall ensure that:

(a) Part 1 of the Project is carried out in conformity with the provisions of the Environmental Legislation and the Cultural Property Legislation;

(b) the Borrower and the Bank are promptly informed of any developments in the legislation, rules or procedures of, or applicable to, the Project Implementing Entity that may affect the implementation of Part 1 of the Project;

(c) the environmental impact assessment study and the environmental permits that may be required for the carrying out of Part 1 of the Project shall be sent to the Bank; and
(d) the implementation of Part 1 of the Project does not cause, or result in, Resettlement.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the Monitoring and Evaluation Indicators for Part 1 of the Project. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the MoEWM not later than one (1) month after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank for the consolidated overall Project Report.

2. The Project Implementing Entity shall provide to the Borrower not later than one (1) month after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements for Part 1 of the Project in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to Part 1 of the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each such period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of such period.

C. Mid-Term Review

The Project Implementing Entity shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators for Part 1 of the Project, the carrying out of Part 1 of the Project and the achievement of the objectives thereof;
(b) prepare, on the basis of a working plan agreed-upon between the Bank and the Project Implementing Entity, and furnish to the MoEWM and the Bank, on or about March 31, 2008, a mid-term 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 Part 1 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 Part 1 of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Borrower and the Bank, by June 30, 2008, 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 Part 1 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.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity’s Respective Part of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.

Section IV. Other Undertakings

A. Actions to Ensure Efficient Service Provision

The Project Implementing Entity shall:

(a) keep Apa Nova informed about the progress in the implementation of Part 1 of the Project during the design and construction phase and provide to it the relevant information needed for Apa Nova to take on the services in the Project area and provide them in an efficient manner;

(b) upon an exchange of views with Apa Nova, promptly extend the area of the concession contract upon completion of the works financed by the Bank under Part 1 of the Project;

(c) provide to the Bank the annual reports of Apa Nova, including the information on how Apa Nova is meeting the performance standards established by ANRSC;

(d) in the Baneasa district, agree with the developer upon a phased implementation plan for the implementation of Part 1 of the Project so as to ensure that services are only provided to those areas that have been developed;

(e) ensure that the sector municipalities maintain the roads as per the ongoing road maintenance program; and
(f) take all measures required, including through its contractual arrangement, to ensure that Apa Nova maintain and use the assets created under Part 1 of the Project in a sustainable manner in line with national legislation.

B. Financial Covenants

1. The Project Implementing Entity shall, through its General Council: (i) approve tariffs proposed by Apa Nova and endorsed by ANRSC for drinking water supply and sewerage services in accordance with the provisions of the national legislation and the concession contract with Apa Nova; and (ii) ensure the adequate operation of ARBAC in respect of its monitoring of Apa Nova’s compliance with the level of services stipulated in the aforementioned concession contract and that ARBAC’s annual reports are submitted to the Bank on an annual basis.

2. The Project Implementing Entity shall:

   (a) submit to the Borrower and the Bank, on an annual basis and not later than: (i) June 30 of each year, the actual revenues and expenditures of the preceding fiscal year and the draft budget for the current fiscal year; and (ii) December 31 of each year, the draft budget for the following fiscal year, including in all cases the incremental revenues and expenditures under Part 1 of the Project; and

   (b) thereafter and if necessary, take corrective actions agreed upon with the Borrower and the Bank to meet the financial obligations under the Project which shall enable the Project Implementing Entity to make available the counterpart funds under the Project in a timely manner.