

EXECUTION COPY

(Operation Number 44085)

LOAN AGREEMENT

(Moldovan Railways Restructuring Project)

between

REPUBLIC OF MOLDOVA

and

**EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

This draft Loan Agreement has been prepared for preliminary discussion purposes only. Additional covenants may be added and the existing text is subject to change and final approval by European Bank for Reconstruction and Development.

Dated *14 November* 2014

LOAN AGREEMENT

AGREEMENT dated *14 Novan 2012* 2014 between **REPUBLIC OF MOLDOVA**, represented by the Ministry of Finance (the "Borrower") and **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT** (the "Bank").

PREAMBLE

WHEREAS, the Bank has been established to provide financing for specific projects to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics;

WHEREAS, the Borrower intends to implement the Project as described in Schedule 1, which is designed to assist in the renewal of rolling stock and rehabilitation of rail infrastructure to offer a higher service quality and energy efficiency benefits;

WHEREAS, the Project will be carried out by Calea Ferata din Moldova (the "**Project Entity**"), a state company supervised by the Ministry of Transport and Road Infrastructure ("**MTRI**"), with financial assistance from the Borrower;

WHEREAS, the Borrower has requested assistance from the Bank in financing part of the Project;

WHEREAS, the Borrower intends to obtain a loan from the European Investment Bank ("**EIB**") in an amount of similar size to the Loan (the "**EIB Loan**") to co-finance the Project, subject to the terms and conditions to be set forth in one or more agreements between the Borrower and EIB (the "**EIB Agreement**");

WHEREAS, the Borrower and the Project Entity intends to obtain an incentive fee from the Bank in an amount not exceeding the lowest of (i) EUR 250,000 or (ii) 50% of the total contract amount to be provided to co-finance the implementation of the EMIS (as defined below) constituting integral part of the Project, subject to the terms and the conditions to be set forth in an agreement to be entered into between the Bank and the Borrower and the Project Entity (the "**Incentive Fee Grant Agreement**");

WHEREAS, the Borrower and the Project Entity intends to obtain grant financing from the European Union through its EU Neighbourhood Investment Facility ("**EU NIF**") in an amount not exceeding EUR 5,000,000 (the "**EU NIF Investment Grant**") to co-finance the acquisition of locomotives financed under the Project, subject the terms and conditions to be set forth in one or more agreements to be entered into between the Bank, European Commission, the Borrower and the Project Entity depending on whether, and if so, how the European Union wishes to provide and structure this financing (the "**NIF Financing Instruments**"); and

WHEREAS, the Bank has agreed on the basis of, *inter alia*, the foregoing to make a loan to the Borrower in an amount of EUR 52,500,000 (consisting of Tranche 1 in the amount of up to EUR 25,000,000 and Tranche 2 in the amount of up to EUR

27,500,000), subject to the terms and conditions set forth or referred to in this Agreement and in the project agreement dated the date hereof between the Project Entity and the Bank (the "**Project Agreement**" as defined in the Standard Terms and Conditions);

NOW, THEREFORE, the parties hereby agree as follows:

ARTICLE I - STANDARD TERMS AND CONDITIONS; DEFINITIONS

Section 1.01. Incorporation of Standard Terms and Conditions

All of the provisions of the Bank's Standard Terms and Conditions dated 1 December 2012 are hereby incorporated into and made applicable to this Agreement with the same force and effect as if they were fully set forth herein (such provisions are hereinafter called the "**Standard Terms and Conditions**").

Section 1.02. Definitions

Wherever used in this Agreement (including the Preamble and Schedules), unless stated otherwise or the context otherwise requires, the terms defined in the Preamble have the respective meanings given to them therein, the terms defined in the Standard Terms and Conditions have the respective meanings given to them therein and the following terms have the following meanings:

"Borrower's Authorised Representative"	means the Minister of Finance of the Borrower.
"Consultants"	means the consultants appointed under terms of reference acceptable to the Bank in accordance with the EBRD PPR
"Corporate Governance Action Plan"	means the plan of corporate governance measures to be prepared in form and substance acceptable to the Bank, with the assistance of a consultant selected and appointed in accordance with the terms of reference agreed with the Bank and financed with the technical co-operation funds to be provided by the Bank. An action plan shall be prepared based on an assessment of the adequacy of the Project Entity's existing corporate governance measures and related policies and procedures in, but not necessarily restricted to, the areas of procurement, internal audit and overall management control.
"EBRD PPR"	the Procurement Policies and Rules in effect and force as of the date of this Agreement and as amended from time to time.

"EHS" or "EHSMS" shall have the meaning set forth under Section 5.01/(b)/(7).

"Energy Efficiency Action

Plan"

means the plan of energy efficiency improvement measures to be prepared in form and substance acceptable to the Bank, with the assistance of Consultants selected and appointed in accordance with the terms agreed with the Bank and financed with the technical co-operation funds to be provided by the Bank.

"Energy Efficiency Audit" means the review of the management practices at the Project Entity completed by an independent consultant in September 2012.

"EBRD Environmental and Social Policy" means the Bank's Environmental and Social Policy dated May 2008.

"Estimated Project Costs" means the project costs foreseen under Attachment to Schedule 2 / Column 2.

"EMIS" means the energy management information system for the creation and application of energy efficiency measure in the railway system. A scalable approach is to be applied: at a first phase, the system will include meters in 92 buildings (81 stations, 7 workshops and other administrative buildings) and 15 fuel storage depots meters together with the central workstation, server and dashboard, representing the basis on which a later expansion with on board meters can be implemented, as prepared based on the energy survey review completed by an independent Consultant in September 2012.

"Environmental and Social Action Plan" shall have the meaning set forth under the Project Agreement.

"Fiscal Year" means the Borrower's fiscal year commencing on 1st January and ending on 31st December of each year.

"Incentive Fee Grant Agreement" means the incentive fee grant agreement to be entered into between the Bank and the Borrower and/or the Project Entity.

"Indicative Financing Plan" means the financing foreseen under Attachment to Schedule 2 / Column 3.

"Railway Reform Legal Package"

means a set of legal documents to amend primary and secondary legislation as well as any other relevant regulations as may be required in order to enable the restructuring of the Project Entity in line with the Restructuring Action Plan.

"Restructuring Action Plan" means plan of restructuring measures for the restructuring

of the railway sector and the Project Entity, with the identification of clear steps and deadlines. Key components of the plan include, *inter alia*, (i) corporatisation of the Project Entity along with the preparation of all relevant legal and governance documents and identification of contractual structure, (ii) preparation of public service obligation methodology to achieve financial sustainability within each business unit (freight, passenger and infrastructure), (iii) preparation of a plan and procedures to effect the operational and accounting separation within the Project Entity between its business units, (iv) plan for divestment of non-core businesses and assets, (v) preparation of three year rolling business plans and (vi) preparation of the commercialisation plan of the Project Entity. Restructuring Action Plan shall be prepared by the Project Entity, with the assistance of relevant Consultants, selected and funded under the Project.

"Retrenchment Action Plan "

means the plan of labour restructuring measures, which shall include, *inter alia*, an initial scoping stage to determine the number of redundancies required by the labour restructuring and associated cost implications, including a training and placement programme for retrenched employees, and monitoring of implementation. Retrenchment Action Plan shall be prepared by the Project Entity, with the assistance of relevant Consultants, selected and funded under the Project.

"Subsidiary Loan Agreement"

means the loan agreement to be entered into between the Project Entity and the Borrower pursuant to Section 3.01(a), as such loan agreement may be amended from time to time.

"Tranche 1 Effective Date"

shall have the meaning set forth under Section 5.01/(a).

"Tranche 2 Effective Date"

shall have the meaning set forth under Section 5.01/(b).

"Transport and Logistics Strategy"

means a strategy for the transport sector of the Republic of Moldova for the period of 2013-2022 aimed at the improvement of the border crossing, the identification of the transport sector priorities and strategies and the development of the transit potential of the Republic of Moldova, which was approved by the Government's decision number 827 on 28 October 2013.

"Transport Sector Steering Committee"

means the committee established by the Borrower pursuant to the Order of the Prime Minister number 20 dated 14 March 2008 and amended on 29 December 2009, which shall act as the body responsible for the strategic coordination and oversight of the transport sector.

Section 1.03. Interpretation

In this Agreement, a reference to a specified Article, Section or Schedule shall, except where stated otherwise in this Agreement, be construed as a reference to that specified Article or Section of, or Schedule to, this Agreement.

ARTICLE II - PRINCIPAL TERMS OF THE LOAN

Section 2.01. Amount and Currency

The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of EUR 52,500,000 consisting of the following 2 tranches:

- (a) Tranche 1 in an amount of up to EUR 25,000,000 (the "Tranche 1"); and
- (b) Tranche 2 in an amount of up to EUR 27,500,000 (the "Tranche 2").

Section 2.02. Other Financial Terms of the Loan

- (a) The Minimum Drawdown Amount shall be EUR 500,000.
- (b) The Minimum Prepayment Amount shall be EUR 1 million.
- (c) The Minimum Cancellation Amount shall be EUR 1 million.
- (d) The Interest Payment Dates shall be 20 February and 20 August of each year.
- (e) (1) The Borrower shall repay the Loan in 24 equal (or as nearly equal as possible) semi-annual instalments on Interest Payment Dates of each year, with the first Loan Repayment Date being the first Interest Payment Date

following (i) the third anniversary of the execution of this Agreement for Tranche 1 and (ii) the third anniversary of the Tranche 2 Effective Date for Tranche 2.

- (2) Notwithstanding the foregoing, in the event that (i) the Borrower does not draw down the entire Loan amount prior to its first Loan Repayment Date

specified in this Section 2.02.(e), and (ii) the Bank extends the Last Availability Date specified in Section 2.02.(f) below to a date which falls after such first Loan Repayment Date, then the amount of each drawdown made on or after the first Loan Repayment Date shall be allocated for repayment in equal amounts to the several Loan Repayment Dates which fall after the date of such drawdown (with the Bank adjusting the amounts so allocated as necessary so as to achieve whole numbers in each case). The Bank shall, from time to time, notify the Borrower of such allocations.

- (f) The Last Availability Date shall be:
- (1) with respect to Tranche 1, (i) the date falling 36 months after the signing of this Agreement, or (ii) such later date that the Bank may in its discretion establish and notify to the Borrower; and
 - (2) with respect to Tranche 2, (i) the date falling 36 months after the Tranche 2 Effective Date or (ii) such later date the Bank may in its discretion establish and notify to the Borrower
- (g) The rate of the Commitment Charge shall be 0.5% per annum of the undisbursed committed amount for each of Tranche 1 and Tranche 2 and shall accrue:
- (1) for Tranche 1, as of the date 120 days after the signing of the Agreement; and
 - (2) for Tranche 2, as of the date 7 (seven) days after the Tranche 2 Effective Date.
- (h) The Loan is subject to a Variable Interest Rate.

Section 2.03. Drawdowns

- (a) The Available Amount may be drawn down from time to time in accordance with the provisions of Schedule 2 to finance expenditures made (or, if the Bank so agrees, to be made) in respect of the reasonable cost of goods, works and services required for the Project.
- (b) Notwithstanding Section 3.05(c) of the Standard Terms and Conditions, the Borrower shall pay the Front-end Commission out of its own resources. The Front-end Commission shall be 1% of each of Tranche 1 and Tranche 2 and for the purposes of Section 3.05(d) of the Standard Terms and Conditions shall become payable:
 - (1) for Tranche 1, 7 (seven) days after the Tranche 1 Effective Date; and

- (2) for Tranche 2, 7 (seven) days after the Tranche 2 Effective Date.

Section 2.04. Prepayment

Notwithstanding Section 3.07 of the Standard Terms and Conditions, the Borrower shall, unless the Bank otherwise agrees, upon receipt of a prepayment from the Project Entity pursuant to Section 3.02(a)(16) of the Project Agreement, make a prepayment of the Loan in the amount of such prepayment, or if such prepayment is less than (i) the Minimum Prepayment Amount or (ii) the principal amount of the Loan drawn down and not repaid, in the lesser of the amounts in (i) and (ii) above.

Section 2.05. Authorised Representative for Drawdowns

The Minister of Finance of Moldova and the head of the Project Entity, or their respective representative having been duly authorised to act on their behalf, they shall act jointly for the purpose of taking any action required or permitted to be taken under the provisions of Section 2.03 of this Agreement and under the provisions of Sections 3.01 and 3.03 of the Standard Terms and Conditions.

ARTICLE III - EXECUTION OF THE PROJECT

Section 3.01. Other Project Covenants

In addition to the general undertakings set forth in Articles IV and V of the Standard Terms and Conditions, the Borrower shall, and shall cause any of its competent authorities, unless the Bank otherwise agrees:

- (a) Make available to the Project Entity the proceeds of the Loan pursuant to a subsidiary loan agreement on terms and conditions which are consistent with this Agreement (the "**Subsidiary Loan Agreement**");
- (b) Exercise, through MTRI, its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank, to comply with the provisions of this Agreement and to accomplish the purposes for which the Loan is made;
- (c) Not assign, amend, abrogate or waive any provision of the Subsidiary Loan Agreement;
- (d) Cause the Project Entity to perform all of its obligations under the Project Agreement, including without limitation its obligations relating to:
 - (1) establishment and operation of the PIU as provided for in Section 2.03 of the Project Agreement;
 - (2) procurement of goods, works and services from the Project as provided for in Section 2.04 of the Project Agreement;

(3) environmental and social matters as provided for in Section 2.05 of the

Project Agreement;

- (4) employment and use of Consultants to assist in the implementation of the Project as provided for in Section 2.06 of the Project Agreement;
 - (5) preparation and submission of reports on matters relating to the Project and to the Project Entity's operations as provided for in Section 2.07 of the Project Agreement;
 - (6) maintenance of procedures, records and accounts, preparation, auditing and submission to the Bank of financial statements and furnishing to the Bank any other relevant information relating to the Project or the Project Entity's operations as provided for in Section 3.01 of the Project Agreement;
 - (7) compliance with all covenants regarding financial and operational aspects of the Project and the Project Entity as provided for in Sections 3.02, 3.03, 3.04 and 3.05 of the Project Agreement; and
 - (8) adoption and implementation of the Corporate Governance Action Plan as provided for in Sections 3.05(l) of the Project Agreement.
- (e) Take all action necessary to achieve that the EIB Agreement, the Incentive Fee Grant Agreement and the NIF Financing Instruments become effective to co-finance the Project;
- (f) Through the MTRI, take, or cause the Project Entity to take, all action necessary to provide adequate funds and other resources, including human resources, for the implementation and completion of the Project;
- (g) Not amend, suspend, abrogate, repeal or waive legislation so as to affect materially and adversely the ability of the Project Entity to perform any of its obligations under the Project Agreement, except as approved by the Bank under the Restructuring Action Plan;
- (h) Through the MTRI, take all action necessary to ensure compliance by the Project Entity with the provisions of the Project Agreement;
- (i) Through the MTRI, take all action necessary to provide assistance and support, as may be required, to the Consultants appointed under the Project to implement their respective assignments under the terms of reference acceptable to the Bank and appointed in line with the EBRD PPR;
- (j) Not, without the prior written consent of the Bank, claim, make, recover, receive or retain (or seek to claim, make, recover, receive or retain) any dividend or other form of distribution through the MTRI (including by means of any charge, fee, the repayment of any loan or otherwise and whether in cash or in kind) from the Project Entity;
- (k) Not instruct or otherwise direct the Project Entity, directly or through the MTRI to use its profits, or any significant portion thereof, for the making of investments that could jeopardise in any way the successful implementation of the Project and the

successful and punctual repayment of the indebtedness under the Subsidiary Loan Agreement;

- (l) At the national level, maintain throughout the implementation of the Project, the high-level Transport Sector Steering Committee under the terms of reference and a composition satisfactory to the Bank;
- (m) Through the MTRI, ensure that the appropriate departments in the MTRI oversee the overall Project implementation and management with due diligence and efficiency;
- (n) By 30 April 2017, submit or cause the submission of primary legislation of the Railway Reform Legal Package for adoption by the Parliament; and
- (o) By 30 June 2016, adopt the public service obligation methodology as set forth in Part 1(e)(1) of Schedule 1 of this Agreement.

ARTICLE IV – SUSPENSION; ACCELERATION; CANCELLATION

- (a) The following are specified for purposes of Section 7.01(a)(xvii) of the Standard Terms and Conditions:
 - (1) The legislative and regulatory framework applicable to the railway sector in the territory of the Borrower shall have been amended, suspended, abrogated, repealed or waived in a manner other than as approved by the Bank in writing;
 - (2) Control of the Project Entity shall have been transferred to a party other than the Borrower, unless approved by the Bank in writing;
 - (3) The Project Entity shall have failed to perform any of its obligations under any of the Subsidiary Loan Agreement, the Project Agreement, the Incentive Fee Grant Agreement or the NIF Financing Instruments.
- (b) Section 7.01(a)(xiii) of the Standard Terms and Conditions shall not apply in respect of the amendments of the Statutes of the Project Entity carried out in the context of the implementation of the Restructuring Action Plan (which has been approved by the Bank in writing).

ARTICLE V - EFFECTIVENESS

Section 5.01. . . Conditions Precedent to Effectiveness

The following are specified for purposes of Section 9.02(c) of the Standard Terms and Conditions as additional conditions to the effectiveness of this Agreement and the Project Agreement:

(a) Conditions Precedent to Effectiveness of Tranche 1

Except for the terms of this Agreement in relation to Tranche 2, the effectiveness of which shall be subject to Section 5.02/ (b) below, the terms of (i) this Agreement including those in relation to the disbursement of Tranche 1, and (ii) the Project Agreement shall become effective on the date of the fulfilment of all of the conditions listed below (the "**Tranche 1 Effective Date** "):

- (1) This Agreement has been ratified by Parliament in the Republic of Moldova;
- (2) The Subsidiary Loan Agreement, in form and substance satisfactory to the Bank, has been executed and delivered and all conditions precedent to its effectiveness or to the rights of the Project Entity to make drawings thereunder, except only the effectiveness of this Agreement, have been fulfilled;
- (3) The Project Agreement has been executed and delivered and all conditions precedent to its effectiveness have been fulfilled;
- (4) The Incentive Fee Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness have been fulfilled;
- (5) The NIF Financing Instruments have been executed and delivered and all conditions precedent to its effectiveness have been fulfilled;
- (6) The responsibilities of the Transport Sector Steering Committee shall have been updated to include responsibilities to support the implementation of the Project and to provide necessary assistance and approvals to the restructuring of the Project Entity and the railway sector in general as required and necessary for the implementation of the Project;
- (7) The PIU shall have been established at the Project Entity, with staff and terms of reference acceptable to the Bank;
- (8) The Environmental and Social Action Plan shall have been approved by the Project Entity;
- (9) The audit report of the Project Entity for the 2013 financial year, prepared in accordance with IFRS, shall have been completed and submitted to the Bank;
- (10) A procurement Consultant has been appointed by the Project Entity to perform the assignment described in Part 1(e)(2) of Schedule 1;
- (11) A Consultant has been appointed by the Project Entity under each technical cooperation assignment as described in Part 1(e) of the Project (as set forth under Schedule 1) in the key areas of (i) energy efficiency management (Part 1(e)(3)), (ii) EHS (Part 1(e)(4)) and (iii) retrenchment planning (Part 1(e)(5));
- (12) A Restructuring Support Consultant has been appointed by the Project Entity to perform the assignment described in Part 1(e)(1) of Schedule 1; and
- (13) A Corporate Governance Consultant has been appointed by the Project Entity to perform the assignment described in Part 1(e)(6) of Schedule 1.

- (11) A Consultant has been appointed by the Project Entity under each technical cooperation assignment as described in Part 1(e) of the Project (as set forth under Schedule 1) in the key areas of (i) energy efficiency management (Part 1(e)(3)), (ii) EHS (Part 1(e)(4)) and (iii) retrenchment planning (Part 1(e)(5));
- (12) A Restructuring Support Consultant has been appointed by the Project Entity to perform the assignment described in Part 1(e)(1) of Schedule 1; and
- (13) A Corporate Governance Consultant has been appointed by the Project Entity to perform the assignment described in Part 1(e)(6) of Schedule 1.

(b) Conditions Precedent to Effectiveness of Tranche 2

The obligation to disburse Tranche 2 and the terms of this Agreement in relation to Tranche 2 shall only become effective if the disbursement of Tranche 2 is approved by the Bank (the "**Tranche 2 Effective Date**"). Such approval shall be taken at the sole discretion of the Bank and shall be subject to, but not limited to, the fulfilment of the following conditions:

- (1) Completion of a feasibility study as described in Part 1(d) of Schedule 1, in a form and substance and under terms of reference acceptable to the Bank;
- (2) Completion and approval by the Project Entity of an environmental and social due diligence in order to ensure implementation of Part 2 of the Project (as set forth under Schedule 1) in compliance with the EBRD Environmental and Social Policy;
- (3) Approval by the Project Entity of an updated Environmental and Social Action Plan in a form and substance acceptable to the Bank;
- (4) Appointment of a procurement Consultant to perform the assignment described in Part 2 (b) of the Project (as set forth under Schedule 1);
- (5) Approval by the Project Entity of the Retrenchment Action Plan in a form and substance acceptable to the Bank which shall be prepared with assistance of the Consultant to be appointed to perform the assignment described in Part 1(e)(5) of Schedule 1 and satisfactory implementation of such Plan to date; and
- (6) Approval by the Project Entity of an action plan for the adoption of an environmental, health and safety management system based on ISO 14001 and OHSAS 18001 which shall be prepared with assistance of the Consultant to be appointed to perform the assignment described in Part 1(e)(4) of Schedule 1 (the "EHS" or "EHSMS", as applicable).

Section 5.02. Legal Opinions

For purposes of Section 9.03(a) of the Standard Terms and Conditions, the opinion or opinions of counsel shall be given on behalf of the Borrower by the Minister of Justice and the following are specified as additional matters to be included in the opinion or opinions to be furnished to the Bank:

- (a) the Subsidiary Loan Agreement has been duly authorised and delivered on behalf of, each of the Borrower and the Project Entity and constitutes a valid and legally binding obligation of each of the Borrower and the Project Entity, enforceable in accordance with its terms; and
- (b) the Project Agreement has been duly authorised and delivered on behalf of the Project Entity and constitute valid and legally binding obligations of the Project Entity enforceable in accordance with their terms;

Section 5.03. Termination for Failure to Become Effective

The date 180 days after the date of this Agreement is specified for purposes of Section 9.04 of the Standard Terms and Conditions.

ARTICLE VI - MISCELLANEOUS

Section 6.01. Notices

The following addresses are specified for purposes of Section 10.01 of the Standard Terms and Conditions:

For the Borrower:

Republic of Moldova
Ministry of Finance
7 Cosmonautilor Street
Chisinau, MD 2005
Moldova

Attention: Minister of Finance

Fax: +373 22 22 53 93

For the Bank:

European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

Attention: Operation Administration Department

Fax: +44-20-7338-6100

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed in four copies and delivered at Chisinau, Moldova as of the day and year first above written.

REPUBLIC OF MOLDOVA

By: 
Name: Iurie Leanca
Title: Prime Minister

**EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

By: 
Name: Sue Barrett
Title: Director, Banking Vice Presidency

SCHEDULE 1 - DESCRIPTION OF THE PROJECT

- (1) The purpose of the Project is to assist the Borrower in renewal of its locomotives fleet and rehabilitation of railway infrastructure.
- (2) The Project shall consist of the following 2 parts which shall be financed with Tranche 1 and Tranche 2, respectively.

Part 1 (to be financed with Tranche 1)

- (a) acquisition of new multi-purpose **locomotives** to offer a higher level of service quality, safety and energy efficiency benefits (estimated at EUR 45,000,000);
- (b) provision of financial support to the initial planning and implementation stages of a phased **retrenchment programme**, to be initially based on voluntary redundancy and natural attrition, and may include the redundancy payments, staff re-training costs, retrenchment programme implementation support, as may be required (estimated at up to EUR 4,500,000);
- (c) implementation of the **EMIS** (in the amount up to EUR 500,000, to be partially Loan funded and partially reimbursed as per the Incentive Fee Grant Agreement);
- (d) financing of a **feasibility study**, including relevant due diligence to identify priority infrastructure investment in the railway sector to be financed with Tranche 2 (estimated at up to EUR 250,000); and
- (e) provision of **technical cooperation** consultancy support to approve and implement the Restructuring Action Plan and providing necessary institutional strengthening assistance to the Project Entity including in the areas of energy efficiency, environment, retrenchment, procurement (through a comprehensive technical cooperation package in the amount of up to EUR 1,508,000), namely:

1) Restructuring Support – up to EUR 650,000

The objective of this assignment is to assist in the institutional restructuring of the Project Entity through the preparation and implementation of the Restructuring Action Plan. The Restructuring Action Plan shall cover restructuring measures, with the identification of clear steps and deadlines, for the restructuring of railway sector and of the Project Entity. Key components shall include, inter alia: (i) corporatisation of the Project Entity along with the preparation of all relevant legal and governance documents and identification of contractual structure; (ii) preparation of public service obligation methodology to achieve financial sustainability within each business unit (freight, passenger and infrastructure); (iii) preparation of a plan and procedures to effect the operational and accounting separation within the Project Entity between its business units; (iv) plan for divestment of non-core businesses and assets; (v) preparation of three year rolling business plans; (vi) preparation of commercialisation plan of the Project Entity.

2) Assistance in preparation and implementation of a tender – up to EUR 250,000;

The objectives of this assignment are (i) to ensure that all procurement activity is in full compliance with EBRD PPR; (ii) to support the PIU during contract implementation (to assist the PIU in contracts administration, meeting the project and contract schedules, including assessing change orders and providing technical input during inspection and acceptance of the rolling stock); (iii) transfer of knowledge and skills to the Project Entity.

3) Capacity Building on Energy Efficiency Management – up to EUR 220,000;

The main purpose of this assignment is to provide the Project Entity with the technical information and tools to gradually improve the process of metering and monitoring of the use of natural resources (mainly energy ones) across its operations, and utilize the related information to improve efficiency, reduce operational costs and improve overall control of environmental impact.

4) Environmental, Health and Safety Management Support and Capacity Building – up to EUR 73,000;

The main objectives of this assignment are (i) to improve the Project Entity's corporate environmental, health and safety management, practices and performance; (ii) to enhance the Project Entity's competence and capacity to operate in compliance with good industry practice for railway safety and environmental performance; (iii) to provide training for the Project Entity staff to enable them to establish and operate an effective and efficient EHSMS.

5) Support Retrenchment Planning – up to EUR 65,000.

The objective of this assignment is to mitigate the adverse impacts of the redundancies by working with the Project Entity's HR function, trade unions, relevant government departments and agencies, and other stakeholders to build the company's and the Government's capacity to manage collective redundancies in accordance with best international practice. The assignment shall include, *inter alia*, an initial scoping stage to determine the number of redundancies required, development of the Retrenchment Plan, including a training and placement programme for retrenched employees, and monitoring of implementation.

6) Corporate Governance Support – up to EUR 250,000

The objective of this assignment is to prepare a package of measures aimed at increasing transparency and accountability of Project Entity's corporate controls by developing improved corporate governance policies and procedures, expected to cover, but not necessarily restricted to, procurement, internal audit and management control.

Part 2 (to be financed with Tranche 2)

- (a) financing of rail infrastructure rehabilitation works (estimated at up to EUR 52,500,000), and
- (b) financing of related procurement support/design and supervision (estimated at up to EUR 2,500,000)
- (3) The Project is expected to be completed by 31 December 2020.

SCHEDULE 2 - CATEGORIES AND DRAWDOWNS

- (1) The table attached to this Schedule sets forth the Categories to be financed out of the proceeds of the Loan, the amount of the Loan allocated to each Category and the percentage of expenditures to be financed in each Category.
- (2) Notwithstanding the provisions of paragraph 1 above, no Drawdown shall be made in respect of expenditures incurred prior to the date of the Loan Agreement.

Attachment to Schedule 2

Category	Amount of the Loan Allocated in the Loan Currency	Percentage of Expenditures to be Financed (excluding taxes and duties)
Tranche 1		
(1) Purchase of locomotives (Part 1(a))	20,000,000	100%
(2) Retrenchment (Part 1(b))	4,500,000	100%
(3) EMIS (Part 1(c))	250,000	100%
(4) Feasibility Study (Part 1(d))	250,000	100%
Tranche 2		
(6) Rail Infrastructure Rehabilitation (Part 2(a))	26,250,000	100%
(7) Procurement support, design and supervision (Part 2(b))	1,250,000	100%
Total	52,500,000	