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CONFORMED COPY

LOAN NUMBER 4822-TU

Loan Agreement

(Avian Influenza and Human Pandemic Preparedness and Response Project)

between

REPUBLIC OF TURKEY

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated May 17, 2006

LOAN AGREEMENT

Agreement dated May 17, 2006, between REPUBLIC OF TURKEY (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II - LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty seven million three hundred thousand Euro (€27,300,000) (“Loan”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time.
- 2.06. The Payment Dates are March 15 and September 15 in each year.

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

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through the MARA and MOH in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - EFFECTIVENESS

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the MARA and MOH have appointed their respective Project coordinators.
- 4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE V - REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is Undersecretariat of Treasury.
- 5.02. The Borrower's Address is:

Basbakanlik
Hazine Mustesarligi
Inonu Bulvari
Emek-Ankara
Republic of Turkey

Facsimile:

(312) 212-8550

- 5.03. The Bank's Address is:

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

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

AGREED at Ankara, Turkey, as of the day and year first above written.

REPUBLIC OF TURKEY

By /s/ Ibrahim Canakci
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Andrew N. Vorkink
Director
Turkey Country Unit
Europe and Central Asia

SCHEDULE 1

Project Description

The objective of the Project is to minimize the threat posed to humans by highly pandemic avian influenza infection and other zoonoses in domestic poultry and prepare for, control, and respond to an influenza pandemic and other infectious disease emergencies in humans.

The Project is part of the Bank's Global Program for Avian Influenza Control and Human Pandemic Preparedness and Response and consists of the following parts:

I. Animal Health

1. Support for: (a) the development of a national policy framework and a national strategy, including the improvement of the regulatory framework to address key policy issues and ensure that disease control, prevention and eradication measures are implemented in a uniform and effective way; and (b) epidemiological studies and surveillance programs to inform the improvement of disease control measures.

2. Strengthening animal disease surveillance and diagnostic capacity of the MARA General Directorate for Protection and Control and its affiliated reference and regional diagnostic laboratories in detection, reporting and follow-up of reported avian influenza cases and provision of training on screening, sampling and test procedures to be applied in case of an outbreak, as well as on analyzing epidemiological data and performing risk assessments.

3. Provision of support for activities related to the implementation of the MARA Contingency Plan for Avian Influenza which details the containment plan for avian influenza outbreaks, including: (a) culling of infected and at-risk poultry and establishment and operation of a Compensation Fund for the provision of cash compensation to poultry owners for poultry culled by Governmental order; (b) disposal of carcasses and potentially infective materials in a bio-secure and environmentally acceptable manner; (c) training of people in contact with live virus; and (d) piloting restructuring modalities for the poultry sector through financing of Poultry Restructuring Sub-projects.

II. Human Health

1. Enhancing public health program planning and coordination through strengthening the institutional capacity of the MOH to command and control in a coordinated fashion with the MARA the implementation of the National Pandemic Influenza Action Plan and support the National Committee for the Control of Zoonotic Diseases to provide coordination among relevant ministries and agencies.

2. Strengthening of national public health surveillance systems through: (a) improvement of health information and telecommunication systems; (b) simulation exercises of influenza-like illness case notification and ascertainment; (c) improvements of laboratory networks; and (d) training.

3. Strengthening health system response capacity through supporting the implementation of the National Pandemic Influenza Action Plan, including simulation exercises, quarantine, bans on mass gatherings, and travel restrictions, together with a well-designed communication strategy, additional preventive actions such as personal hygiene promotion and distribution and use of masks, and promotion of community participation.

III. Public Awareness and Coordination Support

1. Support for information and communication activities to increase the attention and commitment of government, private sector, and civil society organizations, and to raise awareness, knowledge and understanding among the general population about the risk and potential impact of the pandemic.

2. Improve the effective coordination and collaboration among stakeholders and strengthen the Project implementation and monitoring capacity of the MARA and the National Zoonotic Disease Committee and support Project monitoring and impact evaluation assessments.

3. Strengthening the Project implementation and monitoring capacity of the MOH.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. The MOH PIU and the MARA CEU shall have overall responsibility for day to day Project implementation and management. To that end, the Borrower, through the MOH and MARA, shall maintain the MOH PIU and the MARA CEU throughout the implementation of the Project under terms of reference acceptable to the Bank and with sufficient and suitable human, financial and technical resources.
2. The Borrower shall, through the MARA and MOH, maintain the National Zoonotic Disease Committee throughout the implementation of the Project, which will include representatives from the MARA and MOH to provide inter-agency coordination, oversight and policy guidance for overall implementation of the Project.
3. The Borrower shall, through the MARA and MOH, adopt the POM not later than June 30, 2006.
4. The Borrower shall, through the MARA and MOH, ensure that the Project shall be implemented in accordance with the POM. The Borrower shall maintain the POM in form and content acceptable to the Bank, shall duly perform all its obligations under the POM and shall not assign, amend, abrogate or waive the POM without obtaining the prior approval of the Bank.
5. The Borrower shall, through the MARA and MOH, take all measures necessary to carry out the Environmental Management Plan in a timely manner, ensuring that adequate information on the implementation of the said measures is suitably included in the progress reports referred to in following paragraph A.1 of Section II of this Schedule.

Section II. Project Monitoring, Reporting, Evaluation.

A. Project Reports.

1. The Borrower shall, through the MARA and MOH, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits.

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than one month after the end of each calendar semester, interim un-audited financial reports for the Project covering the semester, in form and substance acceptable to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement**A. General.**

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

B. Particular Methods of Procurement of Goods and Works

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

which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>	
(a)	Limited International Bidding
(b)	National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2
(c)	Shopping
(d)	Direct Contracting
(e)	Established Private or Commercial Practices which have been found acceptable to the Bank

C. Particular Methods of Procurement of Consultants' Services

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

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

<u>Procurement Method</u>	
(a)	Least Cost Selection
(b)	Selection based on Consultants' Qualifications
(c)	Single Source selection
(d)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General.

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

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

Category	Amount of the Loan Allocated (expressed in Euro)	Percentage of Expenditures to be financed
(6) Incremental operating costs (a) under Part III .2 of the Project (b) under Part III.3 of the Project	120,000 100,000 550,000	100%
(7) Unallocated		
TOTAL	<u>27,300,000</u>	

B. Withdrawal Conditions; Withdrawal Period.

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

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

(b) for expenditures under Categories (1) (a), (2) (a), (3) (a), (4) and (5) unless the Environmental Management Plan, acceptable to the Bank, has been adopted by the Borrower; and

(c) under Categories (4) and (5), unless the Compensation Fund payments are made and Poultry Restructuring Sub-projects are selected and implemented in accordance with criteria and procedures set forth in the POM.

2. For the purposes of the table in Part A of this Section, the term “incremental operating costs” means expenditures incurred to finance the reasonable and necessary incremental expenses incurred by the MARA CEU and MOH PIU on account of Project implementation, management and monitoring, including travel costs of the MARA CEU and MOH PIU staff and consultants and cost of communications, supplies, stationery, office equipment, rent and utilities and equipment maintenance.

3. The Closing Date is November 30, 2010.

**ANNEX TO
SCHEDULE 2**

**Mandatory Provisions for Procurement under Bank-Financed Contracts
Subject to National Competitive Bidding**

The Borrower shall use the Bank's Europe and Central Asia Region National Competitive Bidding documents template for works and goods and apply the following provisions in the carrying out of National Competitive Bidding procedures under the Project:

A. Eligibility

Bidding shall not be restricted to domestic bidders. No restriction shall be applied to foreign bidders who wish to submit a bid.

B. Procedures

Invitations to bid shall be advertised in the Official Gazette and in at least one widely circulated national daily newspaper or in an electronic portal of free access allowing a minimum of 30 days for the preparation and submission of bids.

C. Assessment of Bidders' Qualifications

In the procurement of goods and works, where pre-qualification is not used, the qualifications of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying minimum experience, technical and financial requirements which shall be explicitly stated in the bidding documents and which shall be determined by a 'pass/fail' method, not through use of a merit point system.

D. Participation by Government-owned Enterprises

Government-owned enterprises in the Republic of Turkey shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Government. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

E. Participation by Joint Ventures

Participation shall be allowed from joint ventures on the condition that such joint venture partners will be jointly and severally liable under the Contract.

F. Bidding Documents

Procuring entities shall use the Bank's sample National Competitive Bidding documents for Europe and Central Asia Region for works and goods and shall draft contract and conditions of contract acceptable to the Bank.

G. Bid Evaluation

- (a) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents and a merit point system shall not be used.
- (b) Extension of bid validity shall be allowed once only for not more than 30 days. No further extensions should be requested without the prior approval of the Bank
- (c) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.
- (d) No preference shall apply under National Competitive Bidding.

H. Price Adjustment

Civil works contracts of long duration (i.e. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

I. Rejection of All Bids

All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.

J. Contracts

All contracts shall be in writing, signed and stamped by authorized signatories of the Purchaser and the Supplier and shall contain identical terms and conditions of contract to those included in the tender documents.

K. Securities

Bid Securities should not exceed 3% (three percent) of the estimated cost of the contract; Performance Securities not more than 10% (ten percent). No advance payments shall be made to the Suppliers without a suitable Advance Payment security. The wording of all such securities shall be included in the bidding documents and shall be acceptable to the Bank.

SCHEDULE 3**Amortization Schedule**

<u>Principal Payment Date</u>	Principal Amount of the Loan Payable (Expressed in Euro*)
On each March 15 and September 15	
Beginning September 15, 2011 through March 15, 2021	1,365,000

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

APPENDIX**Section I. Definitions**

1. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
2. “Compensation Fund” means the fund to be established by the Borrower out of the proceeds of the Loan to be utilized to pay cash compensation to poultry owners within the protection and surveillance zone referred to in Part I.3 of Schedule I to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
4. “Environmental Management Plan” means the plan describing procedures for the safe management and disposal of animal carcasses and to be adopted pursuant to paragraph 5 of Section I of Schedule 2 to this Agreement.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
6. “MARA” means the Borrower’s Ministry of Agriculture and Rural Affairs.
7. “MARA CEU” means the central execution unit within the MARA.
8. “MARA Contingency Plan for Avian Influenza” means the plan for addressing the outbreak of avian influenza dated November 1, 2005.
9. “MOH” means the Borrower’s Ministry of Health.
10. “MOH PIU” means the project implementation unit established within the MOH.
11. “National Pandemic Influenza Action Plan” means the plan for improved surveillance, case detection and reporting of human influenza occurrence in Turkey.
12. “National Zoonotic Disease Committee” means the committee established on November 11, 2005.
13. “POM” means the project operational manual adopted by the MARA and MOH setting forth the procedures and rules related to Project implementation.

14. “Poultry Restructuring Sub-projects” means the investment projects, selected and implemented in accordance with the provisions of the POM, aimed at mitigating the negative impact on poultry producers through provision of alternative income generating or marketing opportunities.
15. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
16. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 20, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.