

CONFORMED COPY

LOAN NUMBER 4631 TU

Loan Agreement

(Agricultural Reform Implementation Project/Loan)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 12, 2001

LOAN NUMBER 4631 TU

LOAN AGREEMENT

AGREEMENT, dated July 12, 2001, between REPUBLIC OF TURKEY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated June 6, 2001, describing a program of strategies, policies and actions designed to strengthen and reform the Borrower's agricultural sector (the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during the execution thereof; and

(B) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), which forms a part of the Program, 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 in support of the Program and the Project, 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), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) In Section 2.01, a new paragraph (22) is added to read: "'Program' means the program referred to in the Preamble to the Loan Agreement.";

(b) Section 4.01 is modified to read: "Except as the Borrower and the Bank shall otherwise agree, withdrawals from the Loan Account: (a) with respect to expenditures under Categories (1), (2), (3), (4), (5), (6) and (8) of the table in Part A of Schedule 1 to the Loan Agreement shall be made in respective currencies in which the expenditures to be financed out of the proceeds of the Loan have been paid or are payable; provided, however, that withdrawals in respect of expenditures in the currency of the Borrower shall be made in such currency or currencies as the Bank shall from time to time reasonably select; and (b) under Category (7) of the table in Part A of Schedule 1 to the Loan Agreement shall be made in the currency of the deposit account specified in Section 2.03 (b) of the Loan Agreement."

(c) Section 5.01 is renumbered as Section 5.01 (a) and the following new sub-section (b) is added to read:

"(b) The Borrower shall be entitled to withdraw the proceeds of the Loan allocated to Category (7) of the table in Part A of Schedule 1 to the Loan Agreement from the Loan Account in accordance with the provisions of the Loan Agreement and of these General Conditions."

(d) The last sentence of Section 5.03 is modified to read: "Applications for withdrawals from Categories (1) through (6) in the table set forth in paragraph 1 of Part A of Schedule 1 to the Loan Agreement, including the documentation required pursuant to this Article, shall be made promptly in relation to expenditures of the Project."

(e) Section 9.04 is modified to read: "Except as the Bank shall otherwise agree, the Borrower shall cause all goods, works, services, incremental operating costs, grants and job loss compensation payments financed out of the proceeds of the Loan allocated to Categories (1) through (6) in the table set forth in paragraph 1 of Part A of Schedule 1 to the Loan Agreement to be used exclusively for the purposes of the Project."

(f) Paragraph (c) of Section 9.07 of the General Conditions is modified to read:

"(c) 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, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program and Project, their cost and the benefits derived and to be derived from them, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Advisory Group" means a group to be composed of representatives of the ASCs, and responsible for advising the Executive Unit and Cooperative Service Unit in the implementation of Part C.1 of the Project;

(b) "Annual Work Program" means an annual program of actions to be undertaken by the Borrower with respect to Project implementation, included as an annex to the Project Implementation Plan;

(c) "ASCs" means the agricultural sales cooperatives registered and operating on the territory of the Borrower;

(d) "ASCU/ASC Law" means the Law Agricultural Sale Cooperatives and Unions, Law No. 4572, published on June 16, 2000, in the Official Gazette of the Borrower No. 24081, as amended to the date of this Agreement;

(e) "ASCUs" means the agricultural sales cooperative unions registered and

operating on the territory of the Borrower;

(f) "ASCU/ASC Restructuring Board" means the restructuring board established by the Government of the Borrower pursuant to the ASCU/ASC Law, or any successor or successors thereto;

(g) "ASCU Business and Restructuring Plan" means a short and medium term plan of operation and restructuring, to be adopted by each Participating ASCU;

(h) "CIUs" means the implementation units established by the MARA to assist in the implementation of Parts A and B of the Project, or any successor or successors thereto;

(i) "Cooperative Service Unit" means a unit established by the ASCU/ASC Restructuring Board within the Executive Unit to assist in the implementation of Part C.1 of the Project, or any successors thereto;

(j) "Deposit Account" means the account referred to in Section 2.03 (b) of this Agreement;

(k) "DIS Enactments" means the Borrower Government's Decree No. 2000/2172, effective as of April 3, 2001, and related regulation or regulations to be adopted by the MARA, providing for the implementation of Part A of the Project and making of direct income support payments under the Program;

(l) "Eligible Expenditures" means the expenditures for goods, works, services, grants, job loss compensation payments and incremental operating costs referred to in Section 2.02 (a) of this Agreement;

(m) "Environmental Management Plan" means the plan to be adopted by the Borrower in accordance with Section 3.02 (e) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and attachments to the Environmental Management Plan;

(n) "Executive Unit" means a unit established by the ASCU/ASC Restructuring Board to assist in the implementation of Part C of the Project, or any successor or successors thereto;

(o) "Farmer Transition Support Enactments" means the Borrower Government's Decree No. 2001/2218, effective as of April 24, 2001, and Decree No. 2001/2705, dated July 6, 2001, and related regulations, if any, providing for the implementation of Part B of the Project;

(p) "Farmer Transition Support Grant Agreements" means the grant agreements to be entered by the MARA and the Participating Farmers, in accordance with Section 3.02 (d) (iii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and attachments to the Farmer Transition Support Grant Agreements; and "Farmer Transition Support Grant Agreement" means each and any such agreement;

(q) "Interagency Protocols" mean the agreements (protocols) between the Undersecretariat of Treasury and MARA with respect to the implementation of Parts A and B of the Project, and between the Undersecretariat of Treasury, MIT and the Restructuring Board with respect to Part C of the Project;

(r) "Labor Law" means the Labor Law of the Borrower, Law No. 1475, dated August 28, 1971, as amended to the date of this Agreement;

(s) "MARA" means the Ministry of Agriculture and Rural Affairs of the Borrower;

(t) "MIT" means the Ministry of Industry and Trade of the Borrower;

(u) "Participating ASCs" means the ASCs which have met the requirements set forth in paragraph 2 (a) of the Annex to Schedule 5 to this Agreement;

(v) "Participating ASCs Cooperation Agreements" means the agreements to be entered by the Participating ASCs and the ASCU/ASC Restructuring Board in accordance with Section 3.02 (d) (ii) of this Agreement, as the same may be amended from time to time, and such term includes all the schedules and attachments to the Participating ASCs Cooperation Agreements; and "Participating ASC Cooperation Agreement" means each and any such agreement;

(w) "Participating ASCUs" means the ASCUs which have met the requirements set forth in paragraph 3 of the Annex to Schedule 5 to this Agreement;

(x) "Participating ASCUs Cooperation Agreements" means the agreements to be entered by the Participating ASCUs and the ASCU/ASC Restructuring Board in accordance with Section 3.02 (d) (ii) of this Agreement, as the same may be amended from time to time, and such term includes all the schedules and attachments to the Participating ASCUs Cooperation Agreements; and "Participating ASCU Cooperation Agreement" means each and any such agreement;

(y) "Participating Farmers" means farmers who are eligible to receive financial assistance from the Government of the Borrower pursuant to the Farmer Transition Support Enactments, to cover the cost of their crop conversion under Part B of the Project, and who have been selected in accordance with the selection criteria and procedures, and under terms and conditions referred to in paragraph 3 of Schedule 5 to this Agreement;

(z) "Project Account" means the account referred to in paragraph 6 of Schedule 5 to this Agreement; "PCU" means the project coordination unit established within the Undersecretariat of Treasury to perform day-to-day Project management and implementation activities, or any successor or successors thereto;

(aa) "Project Implementation Plan" means the plan dated June 4, 2001, prepared by the Borrower and agreed with the Bank, describing the project implementation actions and activities related to Project implementation, as the same may be amended and agreed with the Bank from time to time, but not less than annually, and such term includes all annexes to the project implementation plan, including the Annual Work Programs;"

(bb) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(cc) "Project Steering Committee" means an interagency committee established by the Government of the Borrower, chaired by the Undersecretary of the Treasury, with representatives from the MARA, MIT, State Planning Organization, General Directorate of Titles and Cadastre, State Statistics Institute, Ziraat Bank, and Union of Chambers of Agriculture, to perform overall Project oversight and management, or any successor or successors thereto;

(dd) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;

(ee) "Undersecretariat of Treasury" means the Undersecretariat of Treasury of the Borrower; and

(f) "Ziraat Bank" means the Agricultural Bank of the Borrower, or any successor or successors thereto.

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 six hundred forty nine million three hundred eighty thousand Dollars (\$649,380,000).

Section 2.02. The amount of the Loan allocated to Categories (1) through (6) in the table set forth in Part A of Schedule 1 to this Agreement 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, services, grants,, job loss compensation payments and incremental operating costs and incremental operating costs required for the Project and to be financed out of the proceeds of the Loan.

Section 2.03. (a) Subject to provisions of paragraphs (b) and (c) of this Section, and Schedule 1 to this Agreement, the Borrower shall be entitled to withdraw the proceeds of the Loan allocated to Category (7) in the table set forth in Part A of Schedule 1 to this Agreement from the Loan Account, in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account with respect to Category (7) in the table set

forth in Part A of Schedule 1 to this Agreement, and thereafter maintain in its central bank, a deposit account (Deposit Account) in Dollars, on terms and conditions satisfactory to the Bank. All withdrawals with respect to such Category (7) shall be deposited by the Bank into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Loan allocated from time to time to Category (7) shall not be used to finance expenditures excluded pursuant to the provisions of paragraph 7 of Part A of Schedule 1. If at any time, the Bank shall have determined, based on evidence satisfactory to the Bank, and after an exchange of views with the Borrower, that any of the proceeds of such Category (7) shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Bank: (i) deposit into the Deposit Account an amount equal to the amount of said payment; or (ii) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Loan Account for cancellation.

Section 2.04. The Closing Date shall be December 31, 2005, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. 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, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.06. 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 2.07. (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 2.08 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in 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 2.07, 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 2.08. Interest and other charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.09. 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. The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate financial, administrative, agricultural, environmental and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Without limitation upon the provisions of Section 3.01, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall:

(a) carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement, including the criteria, procedures, and terms and conditions related to the grants under Part B of the Project, and job loss compensation payments under Part C of the Project, set forth in the Annex to Schedule 5 to this Agreement, and in accordance with the Environmental Management Plan;

(b) until the completion of the relevant Project parts, maintain the PCU, CIUs, ASCU/ASC Restructuring Board, Executive Unit, and ensure that they have the resources, are staffed by personnel with qualifications and under terms of reference, and function at all times in accordance with procedures necessary and appropriate for the carrying out of the Project, and satisfactory to the Bank;

(c) (i) for each calendar year of Project implementation, prepare and furnish to the Bank, on or about October 1: (A) a proposed Annual Work Program, which shall discuss, inter alia, planned activities and expenditures during the next year, including sources of funding; (B) an assessment of the preceding year's activities and expenditures, if any, set forth in the preceding year's Annual Work Program; and (C) an assessment of the Borrower's overall implementation of the strategies, policies and actions of the Program;

(ii) for each calendar year of Project implementation, review with the Bank, no later than November 1, the items referred to in sub-paragraph (i) of this paragraph (c), and thereafter adopt, no later than December 1, the Annual Work Program for the next calendar year, taking into account the Bank's conclusions and recommendations;

(d) (i) enter, through the Undersecretariat of the Treasury, into a binding protocol with the Ziraat Bank, which shall describe the rights and responsibilities of the Ziraat Bank under the Project;

(ii) ensure that the ASCU/ASC Restructuring Board enters into a Participating ASCU Cooperation Agreement with each Participating ASCU, and enters into a Participating ASC Cooperation Agreement with each Participating ASC, which shall describe the rights and responsibilities of the parties thereto, including terms and conditions set forth in paragraphs 2, 3 and 4 of the Annex to Schedule 5 to this Agreement;

(iii) enter, through the MARA, into a Farmer Transition Support Grant Agreement with each Participating Farmer, which agreement shall describe the rights and responsibilities of the parties thereto, including terms and conditions set forth in paragraph 1 of the Annex to Schedule 5 to this Agreement; and

(iv) exercise its rights under the agreements referred to in subparagraphs (i) and (iii) of this paragraph (d), and ensure that the ASCU/ASC Restructuring Board exercises its rights under the

agreement referred to in paragraph (ii) of this paragraph (d), in such manner as to protect the interest of the Borrower and the Bank, and to accomplish the purposes of the Project, and, except as the Bank shall otherwise agree, shall not assign, abrogate, or waive such agreement or any provision thereof; and

(e) adopt, no later than July 15, 2001, a plan (Environmental Management Plan), which describes the environmental mitigation, monitoring and institutional measures under the Project, and is satisfactory to the Bank.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.04. (a) The Borrower and Bank shall, from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program.

(b) Prior to such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

(c) Without limitations upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of Category (7) which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action set forth in Part A, paragraph 5 of Schedule 1 to this Agreement.

Section 3.05. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

- (a)
 - (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;
 - (ii) for each year of Project implementation, prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about October 1, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (i) of this paragraph (a), on the progress achieved in the carrying out of the Project during the period preceding year, 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
 - (iii) for each year during Project implementation, review with the Bank, by November 1, or such later date as the Bank shall request, the report referred to in subparagraph (ii) of this paragraph (a) 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; and
- (b)
 - (i) 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 designed to ensure the continued achievement of the objectives of the Project; and
 - (ii) 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 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:

- (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 Project Management Reports or statements of expenditure, the Borrower 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 (1) 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 Project Management Reports, or 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 provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of Section 4.01 in order to enable the Borrower, not later than December 31, 2001, or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to

the Bank, and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter a Project Management Report for such period.

Section 4.03. Upon the Bank's request, the Borrower shall:

(a) have the Deposit Account referred to in paragraph (b) of Section 2.03 of this Agreement audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than six (6) months after the date of the Bank's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(c) furnish to the Bank such other information concerning said Deposit Account and the audit thereof as the Bank shall have reasonably requested.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out in a timely and effective manner; and

(b) the ASCU/ASC Law, DIS Enactments or Farmer Transition Support Enactments shall have been amended, suspended, abrogated, repealed, waived, or failed to be effectively implemented or enforced, so as to affect, in the opinion of the Bank, materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Termination

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Undersecretary of Treasury of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Basbakanlik
Hazine Mustesarligi
Inonu Bulvari
Emek-Ankara
Republic of Turkey

Cable address:

Telex:

Facsimile:

HAZINE 44232 HZM-TR821-42285 (312) 212-8550
Hazine, Ankara (MLYE-TR)44404 HZM-TR

For the Bank:

International Bank for

(6)	Job loss compensation payments under Part C of the Project:		
(a)	Severance payments	100,330,000	100%
(b)	Notice payments	19,820,000	98%
(7)	Portion of the Loan in support of the Program, referred to in Section 2.03 (a) of this Agreement:		
(a)	Tranche I	100,000,000	100%
(b)	Tranche II	100,000,000	100%
(8)	Fee	6,000,000	Amount due under Section 2.05 of this Agreement
(9)	Unallocated	25,100,000	
	TOTAL	600,000,000	

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, works 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, works or services supplied from the territory of the Borrower;

(c) the term "grants" means grants, in cash or in kind (works), made by the Government of the Borrower to the Participating Farmers, in accordance with the selection criteria, procedures, and under terms and conditions set forth in paragraph 1 of the Annex to Schedule 5 to this Agreement;

(d) the term "job loss compensation payments" means employment termination payments to qualified employees of the Participating ASCUs and ASCs, consisting of notice payments required under Articles 13 and 14 of the Labor Law, and severance payments, made in accordance with the provisions of the ASCU/ASC Law and Labor Law, and in accordance with paragraph 4 of Schedule 5, and paragraphs 2 and 4 of the Annex to Schedule 5 to this Agreement;

(e) the term "training" means: (i) the fees of consultants, including educational or other institutions and organizations, that provide training services; and (ii) the cost of study tours (including local tours for farmers), cost of workshops, and related travel expenditures, and boarding, lodging and per diem allowances of provided to civil servants of the Borrower; and

(f) the term "incremental operating costs" means reasonable and necessary incremental expenses incurred by the Borrower on account of Project implementation, management and monitoring, including the cost of transport and travel, fuel and repairs made on account of maintenance and operation of vehicles, attendance of seminars, conferences and meetings, communication, office operating and maintenance costs, including maintenance of office equipment, systems and facilities, rent and utilities, provided, however, that the above expenses shall have been budgeted in the Annual Work Program.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals in an amount not exceeding \$3,000,000 may be made in respect of Categories (1) through (5) set forth in the table in paragraph 1 of this Schedule, and an amount not exceeding \$32,000,000 may be made in respect of Category (6) set forth in the table in paragraph 1 of this Schedule, on account of payments made for expenditures before that date but after July 31, 2000.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under Categories (1) through (6) for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) works under

contracts costing less than \$2,000,000 equivalent each; (c) services of consulting firms under contracts costing less than \$100,000 equivalent each; (d) services of individual consultants under contracts costing less than \$25,000 equivalent each; (e) grants under Part B of the Project; (f) job loss compensation payments under Part C of the Project; and (g) incremental operating costs, each, under such terms and conditions as the Bank shall specify by notice to the Borrower.

5. Notwithstanding the provisions of paragraph 1 above:

(a) no withdrawal shall be made from the Loan Account under Category (7) (a) of the table set forth in Part A, paragraph 1 of this Schedule, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.04 of this Agreement, based on evidence satisfactory to the Bank that:

- (i) the macroeconomic policy framework of the Borrower is satisfactory, as measured on the basis of indicators agreed between the Borrower and the Bank;
- (ii) the Borrower has achieved progress satisfactory to the Bank in the carrying out of the Program;
- (iii) the Borrower has registered, in a manner satisfactory to the Bank, a total of at least twenty-five percent (25%) of farmers of the Borrower qualified for direct income support payments, and at least fifty percent (50%) of such registered farmers have received from the Borrower annual direct income support payments they are eligible to receive; and
- (iv) the Borrower's 2001 revised budget: (A) does not provide for any new direct or indirect agricultural subsidies; and (B) does not increase other existing direct or indirect agricultural subsidies, in real terms, as compared to subsidies in effect on January 1, 2001.

(b) no withdrawal shall be made from the Loan Account under Category (7) (b) of the table set forth in Part A, paragraph 1 of this Schedule, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.04 of this Agreement, based on evidence satisfactory to the Bank, that:

- (i) the macroeconomic policy framework of the Borrower is satisfactory, as measured on the basis of indicators agreed between the Borrower and the Bank;
- (ii) the Borrower has achieved progress satisfactory to the Bank in the carrying out of the Program;
- (iii) the Borrower has registered, in a manner satisfactory to the Bank, a total of at least fifty percent (50%) of farmers of the Borrower qualified for direct income support payments, and at least fifty percent (50%) of such registered farmers have received from the Borrower annual direct income support payments they are eligible to receive;
- (iv) the Borrower's government has submitted to the Borrower's parliament a draft 2002 budget which: (A) does not provide for credit or fertilizer subsidies; and (B) does not increase other existing direct or indirect agricultural subsidies, in real terms, as compared to subsidies in effect on January 1, 2001; and
- (v) by November 1, 2002, or when the requirements set forth in subparagraphs (i) through (iv) of this paragraph 5 (b) have been met, whichever occurs first, the Borrower's government has reduced wheat purchases from all sources to a level satisfactory to the Bank.

6. (a) If, after the exchange of views referred to in paragraph 5 (a) above, the Bank shall have given notice to the Borrower that the requirements of subparagraphs (a) (i) and (a) (ii) of paragraph 5 above, or the actions taken under subparagraph (a) (iii) of paragraph 5 above, are not satisfactory and, within ninety (90) days after such notice, the Borrower shall not have met the requirements of said subparagraphs (a) (i) and (a) (ii), or taken the actions under subparagraph (a) (iii) of paragraph 5

above, then the Bank may, by notice to the Borrower cancel the amount of the Loan allocated to Category (7) of the table set forth in Part A, paragraph 1 of this Schedule 1.

(b) If, after the exchange of views referred to in paragraph 5 (b) above, the Bank shall have given notice to the Borrower that the requirements of subparagraphs (b) (i) and (b) (ii) of paragraph 5 above, or the actions taken under subparagraph (b) (iii) of paragraph 5 above, are not satisfactory and, within ninety (90) days after such notice, the Borrower shall not have met the requirements of said subparagraphs (b) (i) and (b) (ii), or taken the actions under subparagraph (b) (iii) of paragraph 5 above, then the Bank may, by notice to the Borrower cancel the amount of the Loan allocated to Category (7) (b) of the table set forth in Part A, paragraph 1 of this Schedule 1.

7. Notwithstanding the provisions of paragraph 1 above, and for the purposes of Section 2.03 (c) of this Agreement, the proceeds of the Loan allocated to Category (7) shall not be used to finance any of the following expenditures:

(a) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall not be excluded;

(b) expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another credit or a loan;

(c) expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver and platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(d) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(e) expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

(f) expenditures: (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(g) expenditures under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

Part B. Special Account

1. The Borrower shall open and maintain in Dollars a special deposit account, in its Central Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Bank shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not

justified by the evidence furnished to the Bank, the Borrower shall upon notice from the Bank, promptly provide such additional evidence as the Bank may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, upon notice from the Bank, promptly 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 sub-paragraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

Annex A to SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex: the term "Authorized Allocation" means an amount equivalent to \$35,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$15,000,000 until the aggregate amount of withdrawals for Categories (1) through (6) set forth in the table in paragraph 1 of this Schedule 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 equal or exceed the equivalent of \$70,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish said 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 in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions [in respect of expenditures to be financed out of the proceeds of the Loan allocated to said Categories], 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 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.

Annex B to SCHEDULE 1

Operation of Special Account
When Withdrawals Are Made
On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Special Account's Eligible Categories.
2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$35,000,000.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the implementation of the Borrower's agricultural reform program, and specifically to reduce artificial incentives and governmental subsidies, with an appropriate social and economic safety net support, and to implement a new agricultural support system that will increase productivity in the agricultural sector.

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: Direct Income Support

Design and establishment of a nationwide farm and land registration system to provide eligible farmers in priority areas of assistance, such areas to be selected based upon transparent and objective criteria, direct income support payments, financed by the Borrower's budget, through the financing of goods and services.

Part B: Farmer Transition Support

Provision of financial support to the Participating Farmers who convert from producing highly subsidized and economically unsustainable crops (hazelnut and tobacco), to more sustainable crops, through the financing of grants to cover the cost of goods, services and works related to crop conversion.

Part C: Agricultural Sales Cooperatives and Agricultural Sales Cooperatives
Unions Restructuring

1. Restructuring, retrenchment and capacity building assistance to the Participating ASCs designed to increase their independence and financial autonomy, ability to exercise their ownership rights over ASCUs they are members of, and ability to sell and process crops on behalf of member farmers and provide production inputs to member farmers, through the financing of goods, services and job loss compensation payments.

2. Restructuring, retrenchment, capacity building and business development assistance to the Participating ASCUs designed to allow the Participating ASCUs to provide specific services to ASCs, such as marketing and processing services, in accordance with the ASCU/ACS Law, through the financing of goods, services and job loss compensation payments.

Part D: Project Support, Management and Implementation

1. Design and implementation of a nationwide public information campaign to inform farmers and other stakeholders in the agricultural sector about the activities and

programs to be undertaken under the Project, through the financing of services, including training.

2. Provision of technical assistance and advisory services related to agricultural statistics, laboratory and food testing, crop insurance and/or other activities related to the Program, through the financing of services.

3. Assistance to the PCU in the monitoring and evaluation of Project implementation, through the financing of goods, services and incremental operating costs.

4. Assistance to the PCU and CIUs in the management and implementation of the Project, including procurement and financial management activities, and auditing, through the financing of goods, services, including external auditing services and training, and incremental operating costs.

* * *

The Project is expected to be completed by June 30, 20053.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
On each April 15 and October 15 beginning October 15, 2006 through April 15, 2018	25,000,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Sections 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works 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 and works 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 and works 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 and domestic contractors

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.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$2,100,000 equivalent, and works estimated to cost less than \$2,000,000 equivalent per contract, up to an aggregate amount not to exceed \$15,070,000 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, up to an aggregate amount not to exceed \$100,000 equivalent, 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, up to an aggregate amount not to exceed \$530,000 equivalent, 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. Community Participation

Works required for Part B of the Project shall be procured in accordance with procedures acceptable to the Bank.

5. Procurement of Small Works

Works estimated to cost less than \$75,000 equivalent per contract, up to an aggregate amount not to exceed \$1,900,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: 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 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

With respect to all contracts procured in accordance with the procedures referred to in Part B and first contract for goods and the first two contracts for works procured in accordance with the procedures referred to in Part C.1 of this Section I, the procedures set forth in paragraphs 2 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 the Introduction and Section 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 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions 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 of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services relating to audits and to the management of service delivery contracts under the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultant Qualification

Consultant services under Part A of the Project, and quantitative and qualitative surveys under Part D of the Project may be procured under contracts awarded in accordance with the provisions of paragraph 3.7 of the Consultant Guidelines.

3. Service Delivery Contracts

Services to be provided by qualified clerical workers under Part A of the Project shall be procured in accordance with the procedures acceptable to the Bank.

4. Individual Consultants

Services under Part D of the Project 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

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection 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 estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, 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.

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. Overall Project Oversight, Management and Implementation

The overall Project oversight and management shall be under the responsibility of the Project Steering Committee, with the PCU being responsible for day-to-day Project management and implementation activities, including procurement, disbursement, financial management and Project monitoring. The Project shall be implemented in accordance with the Project Implementation Plan.

2. Part A of the Project

Part A of the Project shall be implemented primarily by the MARA, with the assistance of the General Directorate of Titles and Cadastre, the PCU and the CIU established by the Borrower to implement the direct income support program, in accordance with provisions set forth in the Interagency Protocol related to Part A of the Project.

3. Part B of the Project

Part B of the Project shall be implemented primarily by the MARA, with the assistance of the Ministry of Forestry of the Borrower, the PCU, and the CIU established by the Borrower to implement Part B of the Project, in accordance with the provisions set forth in the Interagency Protocol related to Part B of the Project, and in accordance with the selection criteria, procedures, and under terms and conditions set forth in paragraph 1 of the Annex to this Schedule 5.

4. Part C of the Project

Part C of the Project shall be implemented primarily by the ASCU/ASC Restructuring Board, with the assistance of the Executive Unit, including the Cooperative Service Unit and Advisory Group, the PCU and MIT, in accordance with the provisions set forth in the Interagency Protocol related to Part C of the Project, and in accordance with the selection criteria, procedures, and under terms and conditions

set forth in the Annex to this Schedule 5.

5. Part D of the Project

Part D of the Project shall be implemented primarily by the PCU, with the assistance of the Executive Unit and the CIUs.

Annex to SCHEDULE 5

1. Grants to the Participating Farmers Under Part B of the Project

(a) Grants, in cash or in kind, under Part B of the Project shall be made only to the Participating Farmers who have received a certification from the MARA that their crops include hazelnuts or tobacco, and that they are eligible to receive direct income support grants, in accordance with the DIS Enactments.

(b) The amount of individual grants shall be based upon the estimated cost of goods, including input costs for new crops, works and services that will be required by the Participating Farmer to convert from producing highly subsidized and economically unsustainable crops (hazelnut or tobacco), to more sustainable crops.

(c) No expenditures for goods, works and services referred to under subparagraph (b) of this paragraph 1 shall be eligible for financing out of the proceeds of the Loan unless a Farmer Transition Support Grant Agreement has been executed between the MARA and the Participating Farmer.

(d) Each Farmer Transition Support Grant Agreement shall require the Participating Farmer to, inter alia:

- (i) implement crop conversion within the time, with due diligence, and in accordance with sound technical, labor, commercial, environmental and agricultural standards;
- (ii) provide, promptly as needed, the funds, facilities and other resources required to implement crop conversion;
- (iii) procure the works, goods and services to be financed out of the proceeds of the grant on the basis of commercial practices acceptable to the Borrower and Bank, due account being taken also of other relevant factors such as time of delivery and efficient and reliability of the goods and availability of maintenance facilities and spare parts thereof, and in the case of consultants' services, of their quality and the competence of the parties rendering them;
- (iv) ensure that goods, works and services financed in cash or in kind under the grant are used exclusively in the carrying out of the crop conversion;
- (v) maintain adequate records related to crop conversion and use of grant funds;
- (vi) allow MARA staff or MARA agents to inspect the sites, works and goods financed by the grant; and
- (vii) agree to have the grant suspended or terminated upon the farmer's failure to perform the obligations set forth in the Farmer Transition Support Grant Agreement, and be legally obligated, upon grant termination, to reimburse the MARA any grant funds received.

(e) All grants under Part B of the Project shall be subject to pre-audit and other reviews in accordance with the terms and conditions and under procedures satisfactory to the Bank.

2. Job Loss Compensation Payments to the Participating ASCs under Part C.1 of the Project

(a) An ASC shall become a Participating ASC and: (i) become eligible to receive payments under the Loan to compensate such ASC for job loss compensation payments made or to be made to the retrenched staff members of such ASC; or (ii) have the payments made by the Government of the Borrower to the retrenched staff members of such ASC to be eligible for Loan financing, when an ASC has entered into a

Participating ASC Cooperation Agreement with the ASCU/ASC Restructuring Board, with terms and conditions satisfactory to the Bank.

(b) Each Participating ASC Cooperation Agreement shall require the Participating ASC to, inter alia:

- (i) conduct its operations in a manner consistent with the ASCU/ASC law, the Borrower government's reform policies in the ASCU/ASC sector, as set forth in the Program, and Project objectives related to Part C.1 of the Project;
- (ii) execute with each retrenched staff member of such ASC who will receive a job loss compensation payment financed by the Loan a separation agreement, which shall provide, inter alia, that the retrenched staff member shall not have any further legal or financial claims against such ASC;
- (iii) not rehire former (retrenched) staff members who have received job loss compensation payments financed by the Loan;
- (iv) provide the ASCU/ASC Restructuring Board periodic reports, as and when required by the ASCU/ASC Restructuring Board; and
- (v) permit the ASCU/ASC Restructuring Board or its agents (auditors to be appointed by the ASCU/ASC Restructuring Board) to undertake a pre-audit of job loss compensation payments and provide the ASCU/ASC Restructuring Board a report from such auditors.

(c) All job loss compensation payments under Part C.1 of the Project shall be subject to pre-audit and other reviews in accordance with the terms and conditions and under procedures satisfactory to the Bank.

3. Technical Assistance to the Participating ASCs Under Part C.1 of the Project

A Participating ASC shall become eligible to receive, in addition to job loss compensation payments support referred to in paragraph 2 of this Annex, technical assistance under Part C.1 of the Project if: (a) the ASCU/ASC Restructuring Board has appraised such Participating ASC and has concluded that the Participating ASC is capable and willing to undertake specific structural, operational and institutional reforms in order to become financially, economically and institutionally sustainable; and (b) the Participating ASC Cooperation Agreement with such Participating ASC sets forth the actions and undertakings related to such reforms, and is satisfactory to the Bank.

4. Job Loss Compensation Payments to the Participating ASCUs under Part C.2 of the Project

(a) An ASCU shall become a Participating ASCU and: (i) become eligible to receive payments under the Loan to compensate such ASCU for job loss compensation payments made or to be made to the retrenched staff members of such ASCU; or (ii) have the payments made by the Government of the Borrower to the retrenched staff members of such ASCU be eligible for Loan financing, when an ASCU has entered into a Participating ASCU Cooperation Agreement with the ASCU/ASC Restructuring Board, with terms and conditions satisfactory to the Bank.

(b) Each Participating ASCU Cooperation Agreement shall require the Participating ASCU to, inter alia:

- (i) conduct its operations in a manner consistent with the ASCU/ASC law, the Borrower government's reform policies in the ASCU/ASC sector, as set forth in the Program, and Project objectives related to Part C.2 of the Project;
- (ii) not divert funds from its core business to non-core businesses and affiliates, unless authorized to do so by the ASCU/ASC Restructuring Board;
- (iii) execute with each retrenched staff member of such ASCU who will receive a job loss compensation payment financed by the Loan a separation agreement, which shall provide, inter alia, that the retrenched staff member shall not have any further legal or financial claims against such ASCU;

- (iv) not rehire former (retrenched) staff members who have received job loss compensation payments financed by the Loan;
- (v) submit to the general assembly of such ASCU restructuring and reorganization recommendations that may be made by the ASCU/ASC Restructuring Board;
- (vi) provide the ASCU/ASC Restructuring Board periodic and comprehensive reports related to such ASCU restructuring and reorganization, pursuant to the terms of the ASCU Business and Restructuring Plan; and
- (viii) permit the ASCU/ASC Restructuring Board or its agents (auditors to be appointed by the ASCU/ASC Restructuring Board) to undertake a pre-audit of job loss compensation payments and provide the ASCU/ASC Restructuring Board a report from such auditors.

(c) All job loss compensation payments under Part C.2 of the Project shall be subject to pre-audit and other reviews in accordance with the terms and conditions and under procedures satisfactory to the Bank.

5. Technical Assistance to Participating ASCUs Under Part C.2 of the Project

A Participating ASCU shall become eligible to receive, in addition to job loss compensation payments support referred to in paragraph 4 of this Annex, technical assistance under Part C.2 of the Project if: (a) the ASCU/ASC Restructuring Board has appraised such Participating ASCU and has concluded that the Participating ASCU is capable and willing to undertake specific structural, operational and institutional reforms in order to become financially, economically and institutionally sustainable; and (b) the ASCU Business and Restructuring Plan and the Participating ASCU Cooperation Agreement with such Participating ASCU set forth the actions and undertakings related to such reforms, and are satisfactory to the Bank.

