

CONFORMED COPY

LOAN NUMBER 4638 TU

Loan Agreement

(Social Risk Mitigation Project/Loan)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 14, 2001

LOAN NUMBER 4638 TU

LOAN AGREEMENT

AGREEMENT, dated September 14, 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 August 15, 2001, describing the Borrower's strategies, policies and actions designed to strengthen and reform the fields of social risk mitigation, social assistance and poverty reduction (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) and (7) 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 (6) 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 (6) 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 (5) 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, services, sub-projects, grants and incremental operating costs financed out of the proceeds of the Loan allocated to Categories (1) through (5) 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 Committee" means the committee chaired by the Minister of State responsible for the SYDTF (as hereinafter defined), and including representatives from the Participating Agencies and related institutions, and civic society, responsible for providing the SYDTF guidance and recommendations regarding the Project, or any successor or successors thereto;

(b) "Agency Bank" means any bank, acceptable to the Bank, that enters into an Agency Bank Agreement (as hereinafter defined);

(c) "Agency Bank Agreement" means any of the agreements entered into between

the SYDTF and any Agency Bank, whereby the Agency Bank undertakes to make, as an agent of the SYDTF, payments of Education and Health/Nutrition Grants under Part B of the Project;

(d) "Annual Program" means an annual program of actions to be undertaken by the Borrower with respect to the Project and Program implementation, referred to in Section 3.02 (d) of this Agreement;

(e) "Beneficiary" means: (a) for the purposes of Part B of the Project, any of the children's mothers, or, in the absence of the natural mother, any recipient of the designated Education or Health/Nutrition Grant (as hereinafter defined), as defined in the POM (as hereinafter defined), referred to in Parts B.1 and B.2 of the Project; and (b) for the purposes of Part C.1 of the Project, a member of any community group or association, formed in accordance with procedures set forth in the POM, to which a Performance Grant (as hereinafter defined) is made or proposed to be made under Part C.1 of the Project;

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

(g) "DIE" means the State Institute of Statistics of the Borrower;

(h) "Education Grant" means a grant in cash made or proposed to be made out of the proceeds of the Loan to a Beneficiary under Part B.1 of the Project in accordance with the selection criteria, procedures and under terms and conditions set forth in the POM;

(i) "Eligible Categories" means categories (1) through (5), set forth in the table in Part A of Schedule 1 to this Agreement;

(j) "Eligible Expenditures" means the expenditures for goods, services, Education, Health/Nutrition and Performance Grants and Sub-projects referred to in Section 2.02 of this Agreement;

(k) "Executive Committee" means the committee to be formed under Part C of the Project, chaired by the Director of the SYDTF, and including the PCU coordinator, two PCU monitoring and evaluation specialists, a representative of the SHCEK, and three members of the NGOs, or any successor or successors thereto;

(l) "Health/Nutrition Grant" means a grant in cash made or proposed to be made out of the proceeds of the Loan to a Beneficiary under Part B.2 of the Project in accordance with the selection criteria, procedures and under terms and conditions set forth in the POM;

(m) "NGO" means a non-governmental organization;

(n) "Participating Agency" means the SYDVs, the SHCEK or the DIE (as such terms hereinafter defined);

(o) "Participating Agency Agreement" means any of the agreements and the circular referred to in Section 3.02 (e) (i) of this Agreement;

(p) "Performance Agreement" means an agreement to be entered into between the relevant SYDV and a Service Provider (as hereinafter defined) under Parts C.2 and C.3 of the Project, and between the SHCEK and a Service Provider under Part C.4 of the Project, in accordance with the provision of paragraph C.4 of the Annex to Schedule 5 to this Agreement;

(q) "Performance Grant" means a grant made or proposed to be made out of the proceeds of the Loan to the Beneficiaries under Part C.1 of the Project for the financing of a Sub-project (as hereinafter defined) in accordance with the selection criteria, procedures and under terms and conditions set forth in the POM;

(r) "Performance Grant Agreement" means an agreement to be entered into between the relevant SYDV and the Beneficiaries in accordance with the provision of paragraph B.5 of the Annex to Schedule 5 to this Agreement;

(s) "PCU" means the project coordination unit established within the SYDTF to perform day-to-day Project management and implementation activities, or any successor or successors thereto;

(t) "Project Management Report" means each report prepared in accordance with

Section 4.02 of this Agreement;

(u) "POM" means the project operational manual adopted by the SYDTF and setting out the operational and administrative procedures, and terms and conditions related to the implementation of the Project;

(v) "Service Provider" means a private enterprise, institution or NGO that has been selected by the relevant SYDV to carry out a Sub-project under Part C of the Project;

(w) "SHCEK" means the Social Services and Child Protection Organization of the Borrower;

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

(y) "Sub-project" means a specific productive activity financed, or proposed to be financed under Part C of the Project;

(z) "SYDTF" means the Social Solidarity Fund of the Borrower;

(aa) "SYDVs" means the Social Solidarity Foundations of the Borrower;

(bb) "TL" means the Turkish Lira, the currency of the Borrower; and

(cc) "Treasury" means the Undersecretariat of Treasury of the Borrower.

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 five hundred million Dollars (\$500,000,000).

Section 2.02. The amount of the Loan allocated to Categories (1) through (5) 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: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, services and incremental operating costs required for the Project and to be financed out of the proceeds of the Loan; (ii) amounts paid (or, if the Bank shall so agree, amounts to be paid) by the SYDVs on account of withdrawals made by the Beneficiaries under Education Grants and Health/Nutrition Grants, and Performance Grants to meet the reasonable cost of goods, works and services required for the Sub-projects under Part C.1 of the Project in respect of which the withdrawal from the Loan Account is requested; and (iii) withdrawals made to meet the reasonable cost of goods, works and services required for a Sub-project under Parts C.2, C.3 and C.4 of the Project.

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 (6) 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 (6) 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. The withdrawal with respect to such Category (6) 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 (6) 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 (6) 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 June 30, 2006, 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, through SYDTF, with the assistance of the Participating Agencies, with due diligence and efficiency and in

conformity with appropriate financial, administrative and social protection 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, through SYDTF, shall:

(a) carry out the Project with the assistance of the Participating Agencies, in accordance with the Implementation Program set forth in Schedule 5 to this Agreement and in accordance with the POM;

(b) until the completion of the Project, maintain the PCU with adequate resources and 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) until the completion of the Project, maintain the POM, and except as the Bank shall otherwise agree, not amend, waive or fail to enforce the POM, or any provision thereof;

(d) (i) for each calendar year of Project implementation, prepare and furnish to the Bank, on or about October 30: (A) a proposed Annual 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 Program; and (C) an assessment of the Borrower's overall implementation of the strategies, policies and actions of the Program; and

(ii) for each calendar year of Project implementation, review with the Bank, no later than November 30, the items referred to in sub-paragraph (i) of this paragraph (d), and thereafter adopt, no later than January 31 of the next calendar year, the Annual Program for such calendar year, taking into account the Bank's conclusions and recommendations; and

(e) (i) issue a circular with respect to the SYDVs, and enter into an agreement or agreements with the SHCEK and DIE, which circular and agreements shall set forth the rights and responsibilities of the parties thereto for the implementation of the respective parts of the Project, as provided in this Agreement and the POM;

(ii) ensure that the SYDTF enters into an Agency Bank Agreement with each relevant Agency Bank, which agreement shall describe the rights and responsibilities of the parties thereto in accordance with terms and conditions set forth in the POM; and

(iii) exercise its rights and carry out its obligations under each Participating Agency Agreement referred to in subparagraph (i) of this paragraph (e), and ensure that the SYDTF exercises its rights and carries out its obligations under each Agency Bank Agreement referred to in paragraph (ii) of this paragraph (e), 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, amend, abrogate, waive or fail to enforce such agreement or any provision thereof.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods 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. The Borrower shall, not later than December 31, 2001, transfer an amount of 550 trillion TL to the SYDTF for the implementation of the social assistance programs agreed with the Bank.

Section 3.05. (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 (6) 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 3.06. The Borrower, through the SYDTF, shall:

(a) 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;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about November 30, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project, and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by December 31, 2003, or such later date as the Bank shall request, the report referred to paragraph (b) of this Section, and thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Section 3.07. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall, through the SYDTF, 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, through the SYDTF, 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, through the SYDTF, 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, through the SYDTF, 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 January 31, 2002, 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, through the SYDTF, 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 POM 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

Effectiveness; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement, within the meaning of Section 12.01 (c) of the General Conditions, namely, that the basic financial management arrangements satisfactory to the Bank have been adopted by the SYDTF.

Section 6.02. 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 Hazine, Ankara	44232 HZM-TR 44404 HZM-TR	(312) 212-8550

For the Bank:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Ankara, Republic of Turkey, as of the day and year first above written.

REPUBLIC OF TURKEY

By /s/ Faik Öztrak

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ajay Chhibber

Country Director
Turkey Country Unit
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

Part A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Education Grants and Health/Nutrition Grants under Part B of the Project	260,000,000	100% of amounts disbursed until December 31, 2002; 80% of amounts disbursed until December 31, 2003; and 60% thereafter
(2) Performance Grants and Sub-projects under Part C of the Project	100,000,000	82% of amounts disbursed
(3) Goods	15,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 82% of local expenditures for other items procured locally
(4) Consultants' services, including training	15,000,000	82%
(5) Incremental operating costs	300,000	82%
(6) Portion of the Loan in support of the Program, referred to in Section 2.03 (a) of this Agreement	100,000,000	100%
(7) Fee	5,000,000	Amount due under Section 2.05 of

this Agreement

(8) Unallocated	4,700,000
TOTAL	500,000,000

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 "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, cost of workshops, and related travel expenditures, and boarding, lodging and per diem allowances provided to civil servants of the Borrower; and

(d) 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, and office operating and maintenance costs, including maintenance of office equipment, systems and facilities, provided, however, that the above expenses shall have been budgeted in the Annual Program.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement; and (b) under Categories (1) and (2) set forth in the table in paragraph 1 of Part A of this Schedule, unless: (i) the financial management arrangements for the SYDTF, satisfactory to the Bank, have been implemented, including management information system and the project accounting software, satisfactory to the Bank, have been installed in the SYDTF (PCU), and the financial management manual, satisfactory to the Bank, has been adopted by the SYDTF; and (ii) the Law on SYDTF and SYDVs, satisfactory to the Bank, for the strengthening of the organizational structures of the SYDTF and SYDVs, including the cooperation between these institutions and their collaboration with NGOs, has been enacted.

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 (5) for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) services of consulting firms under contracts costing less than \$100,000 equivalent each; (c) services of individual consultants under contracts costing less than \$50,000 equivalent each; and (d) incremental operating costs and training, each, under such terms and conditions as the Bank shall specify by notice to the Borrower.

5. Notwithstanding the provisions of paragraph 1 above no withdrawal shall be made from the Loan Account under Category (6) 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:

(a) the macroeconomic policy framework of the Borrower is satisfactory, as measured on the basis of indicators agreed between the Borrower and the Bank; and

(b) the Borrower has achieved progress satisfactory to the Bank in the carrying out of the Program.

6. (a) If, after the exchange of views referred to in paragraph 5 above, the Bank shall have given notice to the Borrower that the requirements of subparagraphs (a) and (b) 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) and (b) of paragraph 5 above, then the Bank may, by notice to the Borrower cancel the amount of the Loan allocated to Category (6) 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 (6) 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 semiprecious 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 or 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 \$15,000,000 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 \$5,000,000 until the aggregate amount of withdrawals for Categories (1) through (5) 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 \$15,000,000.

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 \$15,000,000.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Borrower's poverty reduction measures both in the short and long term through alleviating the impact of current economic crisis on the most vulnerable population, strengthening the capacity of public institutions providing social services and social assistance, implementing a basic social assistance system to protect and promote poor children's human capital, and increasing the income generating and employment opportunities of the poor.

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: Institutional Development

1. Development of integrated management information systems and provision of information technology to the SYDTF, SYDVs and SHCEK.
2. Development of research and monitoring, and evaluation functions within the SYDTF, SYDVs and SHCEK, through the financing of goods, technical assistance and training.
3. Development and implementation of human resources policies and comprehensive staff training programs for the SYDTF, SYDVs and SHCEK, through the financing of technical assistance and training.
4. Design and implementation of public information activities, including public information campaigns within the SYDTF, SYDVs and SHCEK, through the financing of technical assistance and training.
5. Development and implementation of a program of household surveys and strengthening the capacity of the DIE to undertake census analysis, through the financing of goods, technical assistance and training.
6. Assistance to the SYDTF in Project management and implementation, including activities related to procurement, financial management, including auditing, disbursement, monitoring and evaluation, and reporting, and the provision of additional social workers to selected SYDVs, through the financing of consulting services, including training, and goods.

Part B: Conditional Grants

1. Provision of Education Grants to the mothers (or designated Grant recipient in the absence of the natural mother as defined in the POM) of children aged six (6) years old and more, who belong to eligible families in accordance with the POM, to finance out of pocket expenditures for children in grades 1 through 11, as provided in the POM.
2. Provision of Health/Nutrition Grants to the mothers, or designated Grant recipients in the absence of the natural mothers, as defined in the POM, of children who are less than seven (7) years old and not in receipt of the Education Grants, and who belong to eligible families in accordance with the POM, to assist in the health

care, including nutrition, needs of those children, as provided in the POM.

Part C: Local Initiatives

1. Promotion, selection, implementation and supervision, in accordance with the criteria and principles set forth in the POM, of income generating Sub-projects and provision of Performance Grants to Beneficiaries for the financing of such Sub-projects.
2. Promotion, selection, implementation and supervision, in accordance with the criteria and principles set forth in the POM, of employability training Sub-projects.
3. Promotion, selection, implementation and supervision, in accordance with the criteria and principles set forth in the POM, of Sub-projects, to create temporary community employment for the repair and rehabilitation of essential local community assets.
4. Promotion, selection, implementation and supervision, in accordance with the criteria and principles set forth in the POM, of community service Sub-projects, to deal with the needs of vulnerable groups, such as poor children, youth-at-risk, unemployed and the elderly.

* * *

The Project is expected to be completed by December 31, 2005.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
On each April 15 and October 15 beginning April 15, 2007 through October 15, 2016	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

Part A: General

Goods 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 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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

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

(b) Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures

1. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 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.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 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.

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: (a) all contracts procured in accordance with the procedures referred to in Part B of this Section I; and (b) first three contracts procured in accordance with the procedures referred to in Parts C.1 and C.2 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. Quality Based Selection

Services under Part A.2 of the Project shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection

Services relating to audits 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.

3. Selection Based on Consultants' Qualification

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

4. Individual Consultants

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

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

1. Selection Planning

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

(a) The overall Project oversight and management shall be under the responsibility of the SYDTF, with the PCU being responsible for day-to-day Project management and implementation activities, including procurement, disbursement, financial management and Project monitoring.

(b) The Advisory Committee shall be responsible for periodically assessing the overall Project implementation and problems, based on information provided by the PCU and other sources, and shall provide the SYDTF written recommendations and advice regarding future Project activities.

(c) The Project shall be implemented in accordance with the POM. The POM shall contain the detailed procedures for the carrying out of the Project, including inter alia: the requirements to be fulfilled for the provision of Education, Health/Nutrition and Performance Grants (which shall include the provision set forth in the Annex to this Schedule 5 to this Agreement); the criteria for identification, registration and selection of Beneficiaries; the criteria for identification, appraisal, selection of Sub-projects; required procedures and documents for disbursement of Education, Health/Nutrition and Performance Grants and Sub-projects and the mechanisms for the verification of compliance with terms and conditions of such grants and Sub-projects; the detailed procedures for coordination and collaboration among the PCU, the Participating Agencies, the Agency Banks, and other stakeholders in the implementation of the Project; the financial management procedures; the procurement procedures; and the procedures, indicators and targets for Project supervision, monitoring and evaluation.

(d) The SYDVs shall implement the Project in accordance with the selection criteria and procedures, and under terms and conditions set forth in the POM and the circular to be issued by the SYDTF.

2. Part A of the Project

Part A of the Project shall be implemented primarily by the SYDTF, with the assistance of the Participating Agencies, in accordance with provisions set forth in the Participating Agency Agreements related to Part A of the Project.

3. Part B of the Project

Part B of the Project shall be implemented primarily by the SYDTF, with the assistance of the SYDVs and Agency Banks, in accordance with the provisions set forth in the Participating Agency Agreements related to Part B of the Project and the Agency Bank Agreements, and requirements for provision of Education Grants and Health/Nutrition Grants 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 SYDTF, with the assistance of the SYDVs and Executive Committee for Parts C.1, C.2 and C.3 of the Project and with the assistance of the SHCEK and Executive Committee for Part C.4 of the Project, in accordance with the provisions set forth in the Participating Agency Agreements related to Part C of the Project, and in accordance with the selection criteria and procedures, and under terms and conditions set forth in the Annex to this Schedule 5. The Executive Committee shall be responsible for evaluating proposals for Sub-projects and Performance Grants and making recommendations to the SYDTF, and for reviewing and reporting to the SYDTF the status of Sub-projects and Performance Grants under implementation.

Annex to SCHEDULE 5

A. Requirements for the Provision of Education Grants and Health/Nutrition Grants

1. To benefit from an Education Grant, a child must: (a) meet the criteria of eligibility set forth in the POM; (b) be six (6) years old and more; (c) enrolled in grades 1 through 11; (d) maintain every school term a class attendance rate required under the applicable regulations; and (e) not repeat any grade more than once.
2. The amount of each Education Grant shall not exceed the equivalent of \$8 per month per child during the school year.
3. To benefit from a Health/Nutrition Grant: (a) a child must be less than seven (7) years old and not in receipt of an Education Grant, and meet the criteria of eligibility set forth in the POM; and (b) the Beneficiaries shall be required to bring their children to public health clinics (in accordance with as established plan, as set forth in the POM), for scheduled monitoring of weight gain against agreed standards, and to receive basic health services in public health clinics.
4. The amount of Health/Nutrition Grants shall be the equivalent of \$6 per month per child.

B. Terms and Conditions for Performance Grants Under Part C.1 of the Project

1. The Performance Grants shall be made to the Beneficiaries who meet the criteria of eligibility set forth in the POM.
2. The Performance Grants shall be made for the Sub-projects which are each selected in accordance with the criteria and procedures set forth in the POM and determined, on the basis of an appraisal carried out in accordance with the POM, to be, inter alia: (a) technically sound and feasible; (b) supporting an income generating activity; and (c) in compliance with environmental standards, satisfactory to the Bank, and in compliance with all applicable laws and regulations of the Borrower relating to health, safety and environmental protection.
3. The Beneficiaries shall carry out the Sub-projects through the Service Providers selected in accordance with the criteria and procedures set forth in the POM.
4. The amount of each Performance Grant shall not exceed the equivalent of \$10,000, and the amount paid to any one Beneficiary shall not exceed \$1,000.
5. For the purposes of each Performance Grant, the relevant SYDV shall conclude a Performance Grant Agreement with the Beneficiaries in the form of the model provided in the POM. The Performance Grant Agreement shall include, inter alia:
 - (a) a description of the Sub-project, together with an estimate of the cost thereof;
 - (b) the amount of the Performance Grant to be provided to assist in the carrying out of the Sub-project;
 - (c) the Service Provider who will implement the Sub-project or if not selected the procedures for the selection of the Service Provider;
 - (d) the implementation schedule for the Sub-project;
 - (e) the obligation of the Beneficiaries and the Service Provider to procure small works, goods and services to be financed under the Performance Grant Agreement in accordance with the procedures set forth in the POM;
 - (f) the obligation of the Beneficiaries and the Service Provider to report to the SYDV on the progress of Sub-project implementation and to enable representatives of the SYDV, the PCU and of the Bank, if the Bank shall so request, to visit the Sub-project site;
 - (g) the obligation of the Beneficiaries to maintain records and accounts for expenditures incurred under the Sub-project and to submit to the SYDV at regular intervals statements with respect to such records and accounts; and
 - (h) agreement of the Beneficiaries to have the Performance Grant be suspended or terminated upon the Beneficiaries' failure to perform the obligations set forth in the Performance Grant Agreement.

C. Terms and Conditions for Sub-projects Under Parts C.2, C.3 and C.4 of the Project

1. The Relevant SYDV under Parts C.2 and C.4 of the Project, and the SHCEK under Part C.3 of the Project, shall select the Sub-projects in accordance with the criteria and procedures set forth in the POM and determined, on the basis of an appraisal carried out in accordance with the POM, to be, inter alia: (a) technically sound and feasible; (b) supporting an employability training activity under Part C.2 of the Project, a community social service activity under Part C.4 of the Project, or temporary community employment under Part C.3 of the Project; and (c) in compliance with environmental standards, satisfactory to the Bank, and in compliance with all applicable laws and regulations of the Borrower relating to health, safety and environmental protection.

2. The Sub-projects shall be carried out through the Service Providers selected by the relevant SYDV under Parts C.2 and C.3 of the Project, and by the SHCEK under Part C.4 of the Project, in accordance with the criteria and procedures set forth in the POM.

3. The amount of each Sub-project shall not exceed: (a) the equivalent of \$25,000 under Part C.2 of the Project; (b) the equivalent of \$50,000 under Part C.3 of the Project; and (c) the equivalent of \$100,000 under Part C.4 of the Project.

4. For the purposes of each Sub-project, the relevant SYDV under Parts C.2 and C.3 of the Project, and the SHCEK under Part C.4 of the Project, shall conclude a Performance Agreement with the Service Provider in the form of the model provided in the POM. The Performance Agreement shall include, inter alia:

(a) a description of the Sub-project, together with an estimate of the cost thereof;

(b) the amount to be provided to the Service Provider to assist in the carrying out of the Sub-project;

(c) the implementation schedule for the Sub-project;

(d) the obligation of the Service Provider to procure small works, goods and services to be financed under the Performance Agreement in accordance with the procedures set forth in the POM;

(e) the obligation of the Service Provider to report to the SYDV under Parts C.2 and C.4 of the Project and to the SHCEK under Part C.3 of the Project, on the progress of Sub-project implementation and to enable representatives of the SYDV, SHCEK, the PCU and of the Bank, if the Bank shall so request, to visit the sites, and examine the goods, works and services financed by the Sub-project;

(f) the obligation of the Service Provider to maintain records and accounts for expenditures incurred under the Sub-project and to submit, to the SYDV under Parts C.2 and C.3 of the Project, and to SHCEK under Part C.4 of the Project, at regular intervals statements with respect to such records and accounts; and

(g) agreement of the Service Provider to have the Sub-project to be suspended or terminated upon the Service Provider's failure to perform the obligations set forth in the Performance Agreement.

