

CONFORMED COPY

LOAN NUMBER 3567 TU

Loan Agreement

(Eastern Anatolia Watershed Rehabilitation Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 25, 1993

LOAN NUMBER 3567 TU

LOAN AGREEMENT

AGREEMENT, dated March 25, 1993, between REPUBLIC OF TURKEY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) by an agreement of even date herewith (the GET Grant Agreement) the Bank, acting as Trustee of the Global Environmental Trust Fund, has agreed to make a grant (the GET Grant) to the Borrower in an amount equivalent to three million seven hundred ten thousand Special Drawing Rights (SDR 3,710,000) to assist in financing Part E of the Project on the terms and conditions set forth in the GET Grant Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower 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" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated March 11, 1992 and March 25, 1992 between the Borrower and the Bank;

(b) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(c) "MOF" means the Borrower's Ministry of Forestry, or any successor thereto;

(d) "MARA" means the Borrower's Ministry of Agriculture and Rural Affairs, or any successor thereto;

(e) "MOE" means the Borrower's Ministry of Environment, or any successor thereto;

(f) "the three Provinces" means the Borrower's Provinces of Malatya, Elazig and Adiyaman; and

(g) "GDRS" means the General Directorate of Rural Services 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, various currencies that shall have an aggregate value equivalent to the amount of seventy seven million dollars (\$77,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan 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 and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in a freely convertible currency, acceptable to the Bank, a special deposit account in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the

provisions of Schedule 6 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be September 30, 2000 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the

Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on January 1 and July 1 in each year.

Section 2.07. 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. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, economic, technical, environmental and agricultural practices and shall provide, promptly as needed, the funds, through, inter alia, adequate annual budgetary allocations, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. 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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles 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 months after the end of each such year, the 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 said records and accounts and the audit thereof as the Bank shall 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 statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special 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 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that the right of the Borrower to withdraw the proceeds of the GET Grant shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the GET Grant Agreement; provided, however, that the preceding shall not apply if the Borrower establishes to the satisfaction of the Bank that (a) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the GET Grant Agreement, and (b) adequate funds for Part E of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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 and Foreign Trade 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 Ve
Disticaret Mustesarligi
Inonu Bulvari
Emek/Ankara
Republic of Turkey

Cable address:Telex:

MALIYE-HAZINE 821-42285 (MLYE-TR) or
821-42689 (ANK-TR)

Rapifax:

90-4-2128737

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:

INTBAFRAD 248423 (RCA)
Washington, D.C. 82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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

REPUBLIC OF TURKEY

By /s/ Mahfi Eglimez
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Michael Wiehen
Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan under Parts A through D of the Project, 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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Works	31,100,000	60%
(2) Goods	30,100,000	100% of foreign expenditures,

		100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(3) Apiculture kits	2,400,000	50%
(4) Consultants' services and training	6,000,000	100%
(5) Operating expenditures	3,400,000	50%
	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(6) Refunding of Project Preparation Advance	750,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	3,250,000 -----	
TOTAL	77,000,000 =====	

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 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 or services supplied from the territory of the Borrower; and

(c) the term "operating expenditures" means expenditures for fuel and repairs made on account of the operation and maintenance of vehicles and earthmoving equipment financed out of the proceeds of the Loan and utilized in the carrying out of the Project.

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 aggregate amount not exceeding the equivalent of \$3,000,000, may be made on account of payments made for expenditures before that date but after November 1, 1992.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) restore sustainable range, forest and farming activities and increase productivity and improve household incomes through the introduction of new technologies in the three Provinces; and (b) establish and manage in-situ gene conservation of globally significant herbaceous and woody species indigenous to the Borrower's territory.

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: Watershed Rehabilitation in the three Provinces

Carrying out a program to rehabilitate about 54 micro-catchments in the upper Euphrates watershed through a series of treatments on cultivated, range and forest lands, including treatments to reduce fallow, increase fodder and fuelwood production, promote soil conservation and soil and moisture conserving farming techniques, improve range management and rehabilitate and afforest forest lands and range lands.

Part B: Income Supporting Activities in the three Provinces

Carrying out a program to assist the local population in the implementation of activities to increase household incomes, including activities to expand small-scale irrigation, dry land terracing, horticulture, apiculture and to improve local livestock.

Part C: Adaptive Research in the three Provinces

Carrying out a program of on-farm, range lands and forests adaptive research and demonstrations to improve the effectiveness and sustainability of the rehabilitation treatments under Part A of the Project and the small scale irrigation and dry land farming activities under Part B of the Project.

Part D: Institutional Support

(1) Carrying out a program to strengthen the institutional capabilities and improve the coordination in services delivery and responsiveness to the local population needs of the Borrower's departments and agencies involved in the carrying out of Parts A through C of the Project, including through the provision of technical assistance, staff training, equipment, machinery and vehicles.

(2) The provisions of technical assistance, staff and farmers training, studies, equipment and vehicles to be utilized in carrying out a program to develop and implement: (a) policies and procedures for the planning and management of the activities under Parts A through C of the Project, in particular through the preparation and implementation of microcatchment plans, and for the monitoring and evaluation of the execution thereof; (b) a management information system and a geographical information system for watershed mapping; (c) a framework for strengthening the local population's participating in the planning and execution of the activities under Parts A and B of the Project and the close cooperation between involved villages and the Borrower's departments and agencies responsible for the carrying out of said activities; and (d) a mechanism for assessing the feasibility of, and the development of plans for, adapting Project activities under Part A of the Project for extension to other parts of the Borrower's territory.

Part E: Gene Conservation

Carrying out a program to establish and manage in-situ gene conservation of globally significant herbaceous and woody species, including: (1) genetic resources survey of selected sites and designation of gene management zones; (2) gene resource inventories and identification, establishment monitoring and data management of gene management zones; (3) development of a national plan for in-situ conservation of wild crop relatives and woody species; and (4) development and implementation of a plan to strengthen the institutional capabilities of the Borrower's departments and agencies involved in gene conservation and to ensure their effective collaboration in the planning, establishment and management of gene conservation, including the provision of training, technical assistance, and specialized equipment.

* * *

The Project is expected to be completed by March 31, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On January 1 and July 1	
beginning July 1, 1998 through July 1, 2009	3,210,000
and on January 1, 2010	3,170,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of

the bid price. Such an increase shall not be taken into account in the bid evaluation.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$75,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Turkey may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Beehives and related equipment may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Office, laboratory and survey equipment and computers estimated to cost the equivalent per contract of less than: (a) \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank, up to an aggregate amount equivalent to \$300,000; and (b) \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, up to an aggregate amount equivalent to \$600,000, all in accordance with procedures acceptable to the Bank.

3. Fertilizer, sacking, bags, fencing and office materials, seed vetch, sainfoin and alfalfa may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

4. Agricultural inputs, estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$8,000,000, acorn, grass and forage seed and seedlings, may be procured under contracts awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

5. Works, other than those to be procured in accordance with the procedures described in Part C.5 hereof, shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

6. Reforestation works, oak coppice rehabilitation and some GDRS activities may be carried out by force account, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to: (i) the first contract for works in each of three Provinces; and (ii) each contract for goods estimated to cost the equivalent of \$75,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the

preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded to consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultants Guidelines).

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 5

Implementation Program

The provisions of this schedule shall apply for the purposes of Section 3.01 (b) of this Agreement.

A. Parts A through D of the Project

1. Overall responsibility for the coordination and supervision of the carrying out of Parts A through D of the Project shall be assigned by the Borrower to MOF. For this purpose, the Borrower shall: (a) ensure that MOF shall maintain a national project coordination and support unit with staff and other resources and terms of reference agreed with the Bank; and (b) maintain a national steering committee, under terms of reference agreed with the Bank, to provide policy guidance to MOF and its said unit, chaired by the Director for the Research, Planning and Coordination Board of MOF and comprising suitable representatives of MOF's Directorates for Afforestation and Erosion Control, for Forestry and for Village Development, MARA's Directorates for Agricultural Production and Development, for Rural Services and for Agricultural Research, and the Borrower's Undersecretariat of Treasury and Foreign Affairs' Directorate of Foreign Economic Relations.

2. Responsibility for the carrying out of Project activities within each of the three Provinces shall be assigned by the Borrower to a provincial Project implementation unit to function under the supervision and with the assistance of the national project coordination and support unit referred to in paragraph 1 hereof and to be maintained by the Borrower for each of the three Provinces with staff and other resources and terms of reference agreed with

the Bank. Membership of each such unit shall comprise the respective Province's Directors of MOF and MARA. Each such unit shall function with the advice of a provincial steering committee, chaired by the Governor of the respective Province and comprising the respective Province's Directors for Forestry of MOF, and for Agriculture and for Rural Services of MARA, to be maintained by the Borrower under terms of reference agreed with the Bank. Furthermore, each such unit shall maintain a planning group for the preparation, under terms of reference agreed with the Bank, of annual work programs and budgets for the rehabilitation of micro-catchments under Part A of the Project within its respective Province. Each such group shall comprise suitable representatives of the staff of MOF and MARA involved in the carrying out of Part A of the Project within the respective Province, MARA's Village Group Technicians for the respective Province and representatives of the population of the villages benefitting from the rehabilitation of micro-catchments under Part A of the Project.

3. The Borrower shall: (a) employ or cause to be employed consultants with qualifications, experience and terms of reference, and on the basis of a time schedule, agreed with the Bank, in order to assist in the carrying out Parts A through D of the Project; (b) ensure that the rehabilitation of micro-catchments under Part A of the Project shall be carried out in accordance with annual programs (i) prepared by the respective planning groups referred to in paragraph 2 hereof in accordance with the terms of reference indicated therein, (ii) reviewed and endorsed by the respective provincial Project implementation unit referred to in paragraph 2 hereof and the national project coordination and support unit referred to in paragraph 1 hereof, (iii) finalized and approved by the national steering committee referred to in paragraph 1 hereof after reviewing the same with the Bank and taking into consideration the Bank's comments thereon, and (iv) agreed to by representatives of the population of villages benefitting from such rehabilitation of micro-catchments; (c) ensure that the topics for the adaptive research under Part C of the Project shall be selected under criteria agreed with the Bank and carried out through the Borrower's regional research institutes in the three Governorates under arrangements agreed with the Bank; (d) ensure that the program for income supporting activities under Part B of the Project shall be carried out in accordance with plans and criteria for determining the eligibility of members of the local population benefitting thereunder agreed with the Bank; (e) ensure that the staff and farmers training under Part D of the Project shall be carried out in accordance with programs and criteria for the selection of candidates thereunder agreed with the Bank; and (f) ensure that pesticides to be financed out of the proceeds of the Loan shall be selected, stored and applied in accordance with appropriate pest and pesticide management practices agreed with the Bank.

4. In order to facilitate the achievement of the objectives of Parts A through D of the Project, the Borrower shall prepare, through the national project coordination and support unit referred to in paragraph 1 hereof and under terms of reference agreed with the Bank, and furnish to the Bank, by July 31, 1995, a report on the progress during the period preceding said report in carrying out said Parts and the achievement of the objectives thereof and the measures recommended and the resources required to ensure the proper carrying out of said Parts and the achievement of the objectives thereof during the period after said report. The Borrower shall afford the Bank a reasonable opportunity to review with the Borrower the conclusions and recommendations of said report, and, thereafter, adopt and implement all such measures as shall be required to ensure the efficient carrying out of said Parts and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Bank's comments thereon.

B. Part E of the Project

1. Overall responsibility for the supervision of the carrying out of Part E of the Project shall be assigned by the Borrower to a national steering committee to be maintained under terms of

reference agreed with the Bank and to comprise representatives of MOF, MARA and MOE and of MOF's and MARA's research departments and regional institutes.

2. Responsibility for the carrying out of Part E of the Project shall be assigned by the Borrower to MOF and MARA in respect of subparts (1), (2) and (4) thereof and to MOE in respect of subpart (3) thereof, in accordance with arrangements agreed with the Bank. In order to facilitate proper coordination of the activities of MOF, MARA and MOE under Part E of the Project, the Borrower shall maintain, under terms of reference agreed with the Bank, an implementation committee comprising representatives of the staff of MOF, MARA and MOE involved in the carrying out of said Part E.

3. The Borrower shall: (a) employ or cause to be employed consultants with qualifications, experience and terms of reference agreed with the Bank, in order to assist in the carrying out of Part E of the Project; (b) maintain a scientific advisory committee, comprising a panel of experts with qualifications, experience and terms of reference agreed with the Bank, to provide technical guidance to the Borrower's staff involved in the carrying out of Part E of the Project; and (c) ensure that the training under Part E of the Project shall be carried out in accordance with programs and criteria for the selection of candidates thereunder agreed with the Bank.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$4,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the 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 a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) 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 paragraph 4 of this Schedule 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.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. 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.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 allocated to the eligible Categories 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.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) 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 or the portion thereof not so eligible or justified. 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 shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, 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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account

for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

