

CONFORMED COPY

LOAN NUMBER 3076 AL

Loan Agreement

(West Mitidja Irrigation Project)

between

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 5, 1990

LOAN NUMBER 3076 AL

LOAN AGREEMENT

AGREEMENT, dated April 5, 1990, between DEMOCRATIC and POPULAR REPUBLIC OF ALGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS 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; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms 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 last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this 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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "West Mitidja" means an area covering about 27,500 ha in the western part of the Mitidja plain located about 50 km west of Algiers and comprising an irrigation scheme to be built by the Borrower;

(c) "Project Area" means an area covering about 18,250 ha in West Mitidja and comprising the A, B, C, D, E.1 and FG Sectors and the Halloula area in West Mitidja;

(d) "MH" means the Borrower's Ministry responsible for Hydraulics;

(e) "MA" means the Borrower's Ministry responsible for Agriculture;

(f) "AGID" means the Borrower's National Irrigation and Drainage Authority, established and operating under the supervisory authority of MH pursuant to Decree No. 87-181 of August 18, 1987;

(g) "ANRH" means the Borrower's National Agency for Water Resources, established and operating under the supervisory authority of MH pursuant to Decree No. 81-167 of July 25, 1981 as modified by Decree No. 87-129 of May 19, 1987;

(h) "INPV" means the Borrower's Institute for Plant Protection established and operating under the supervisory authority of MA pursuant to Decree No. 75-11 of February 27, 1975;

(i) "OPIM" means the Borrower's Irrigation Authority for Mitidja, established and operating under the supervisory authority of MH pursuant to Decree No. 85-262 of October 29, 1985; and

(j) "Project Unit" means the unit established within AGID pursuant to Ministerial Arrete No. 37 of December 7, 1988.

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 one hundred ten million dollars (\$110,000,000), 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 dollars in its Central Bank or in a commercial Bank acceptable to the Bank a special account 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.

Section 2.03. The Closing Date shall be June 30, 1996 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."

(e) Notwithstanding the provisions of paragraph (a) of this Section, the interest rate for the Interest Period commencing in the first Semester of 1989 shall be seven and sixty-five hundredths percent (7.65%).

Section 2.06. Interest and other charges shall be payable semiannually on June 15 and December 15 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 environmental, administrative, financial, economic and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(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 nine 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 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

Other Covenants

Section 5.01. In order to facilitate the efficient utilization of water resources and proper operation of irrigation infrastructure within the Project Area, the Borrower shall not later than December 31, 1990, or such later date as the Borrower and the Bank shall agree, through its MH develop and thereafter implement all appropriate measures to gradually phase out ground water pumping for irrigation and to otherwise minimize the use of ground water for irrigation in each area within the Project Area upon the completion of construction within such area of the irrigation facilities under Part B of the Project.

Section 5.02. The Borrower shall:

(a) maintain procedures, satisfactory to the Borrower and the Bank, to monitor continuously the quality of the ground water, and the quality and quantity of waste water discharged, in West Mitidja; and

(b) based on the results of such monitoring, take, as necessary, all action required to ensure that the presence of pollutants in said ground water shall be maintained within levels acceptable to the Borrower and the Bank.

Section 5.03. The Borrower shall:

(a) with the assistance of engineering experts, whose qualifications, experience and terms of reference shall be satisfactory to the Borrower and the Bank, inspect at regular intervals the Boukourdane and Bou Roumi dams and their related structures for deficiencies in their condition or in the quality and adequacy of their maintenance and operations. Such intervals shall not exceed: (i) one year for the Boukourdane dam during its three first years of operations and five years thereafter; and (ii) five years for the Bou Roumi dam.

(b) immediately after each such inspection, issue a report thereon, prepared by said engineering experts, and promptly take or cause to be taken all remedial action, if any, recommended in said report.

Section 5.04. In order to facilitate through water charges the recovery of operation and maintenance cost of irrigation and associated facilities and gradual recovery of the investment cost of such facilities, the Borrower shall:

(a) apply a binominal tariff structure including a levy based on the nominal delivery capacity of the farm turnout and the actual consumption of water as well as a fixed levy applied on a per hectare basis in order to recover 100% of the operation and maintenance costs at full development and a reasonable portion of investment costs;

(b) under terms of reference satisfactory to the Borrower and the Bank carry out a study to determine the investment, operation, maintenance and replacement costs of the Irrigation and associated facilities and assess the share of such costs that farmers can reasonably contribute; and

(c) not later than December 31, 1991 or such later date as the Borrower and the Bank shall agree based on the results of such study and after taking into consideration the Bank's comments thereon, prepare and furnish to the Bank an action plan of specific measures to adopt the tariff structure referred to in paragraph (a) of this Section.

ARTICLE VI

Termination

Section 6.01. The date one hundred twenty (120) 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 Minister of the Borrower at the time responsible for Economy 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:

Ministry of Economy
Immeuble Mauretania
Place du Perou
Algiers
Democratic and Popular Republic
of Algeria

Cable address:	Telex:
FINPLAN Alger	67073

For the Bank:

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

United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT)
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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.

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

By /s/ Abderalman Bensid

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kermal Dervis

Acting Regional Vice President
Europe, Middle East and North Africa

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, 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 under Parts B.2 and B.4 of the Project	80,000,000	75%
(2) Goods under Parts B.2, B.4, C.1 and D of the Project	19,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items pro- cured locally
(3) Consultants' services and training under Parts B and D of the Project	5,000,000	100%
(4) Unallocated	6,000,000	

TOTAL 110,000,000

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; and

(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.

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.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve agricultural productivity, increase farmers' income and increase the level of employment within the Project Area through: (1) further development of water resources, (2) expansion of irrigated agriculture, (3) provision of credit for on-farm irrigation and agricultural development, and (4) strengthening of institutional capabilities in the design, construction, operation and maintenance of irrigation facilities.

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: Water Resource Development

(1) Construction of a pipeline between the Boukourdane reservoir and the Project Area including associated facilities for water pumping to supply about 14 million cubic meters of water per year for irrigation.

(2) Construction of a diversion weir, pumping station and tunnel, to convey about 20 million cubic meters of water per year from the pier river to the Bou Roumi reservoir.

Part B: Irrigation Expansion

(1) Construction of irrigation facilities, under gravity supply, on about 7,000 ha.

(2) Construction of irrigation facilities under pumping, on about 7,000 ha, including two main water conveyors of a combined total length of about 30 km.

(3) Construction of drainage and road systems on about 15,800 ha.

(4) Construction of housing, offices, workshops and warehouses.

Part C: On-farm Development

(1) Provision of sprinkler and drip irrigation equipment to be sold by OPIM in the framework of its activities to farmers for utilization in the carrying out of on-farm irrigation develop in West Mitidja.

(2) Provision of credit to farmers for the carrying out of on-farm development, including for: (i) mobile sprinkler and drip irrigation in West Mitidja, and (ii) fruit orchards, greenhouses, windbreaks and farm buildings, machinery and trucks in the Project Area.

Part D: Institutional Strengthening

(1) Development and application of suitable policies and procedures for: (a) the technical, administrative and financial management, of irrigation and associated facilities, and (b) the carrying out of surveys and the establishment of design criteria for sub-surface drainage facilities.

(2) Carrying out of: (a) a study to develop and implement a plan for strengthening the organizational structure of OPIM, including the establishment and

maintenance with adequate resources of separate units: (i) for the operation and maintenance of irrigation facilities, (ii) the storage, sale to farmers and after sale services of irrigation equipment, (iii) the provision of extension services to farmers on the selection of irrigation equipment and on-farm water management, and (iv) the monitoring of cropping patterns and efficiency of water use on the farms; (b) a study, including a base line environmental pollution survey, to develop and implement a plan, including an action program, to protect the ground-water resources of the Project Area against environmental pollution; (c) a study to develop and implement a fertilizer and pest management plan; and (d) a training program to upgrade the skills of the staff involved in the carrying out of the Project.

(3) Provision of materials, vehicles and office equipment to be utilized in carrying out this Part of the Project.

* * *

The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each June 15 and December 15	
beginning December 15, 1994 through June 15, 2004	5,500,00

* 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	0.20

More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works 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 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Borrower's territory 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. Works estimated to cost less than the equivalent of \$2,000,000 per contract, up to an aggregate amount not to exceed the equivalent of \$10,000,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Office equipment, computers and survey equipment estimated to cost less than the equivalent of \$100,000, per contract, up to an aggregate amount not to exceed \$1,000,000, may be procured under contracts awarded on the basis of price quotations solicited from a list of at least three suppliers in accordance with the Borrower's procedures compatible with the Guidelines.

3. Operation and maintenance equipment and vehicles estimated to cost less than the equivalent of \$300,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with the Borrower's procedures compatible with the Guidelines.

Part D: Review by the Bank of Procurement Decisions

Review of invitations to bid and of proposed awards and final Contracts:

(a) With respect to (i) each contract for works estimated to cost the equivalent of \$2,000,000 or more, (ii) each contract for goods estimated to cost the equivalent of \$300,000 or more, and (iii) each contract for radio-communication and computer equipment, 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement.

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

Section II. Employment of Consultants

Consultants' services shall be procured under contracts awarded to: (A) consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Borrower and the Bank, and (B) who shall be selected in accordance with principles and procedures satisfactory to the Borrower and 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.

SCHEDULE 5

Implementation Program

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

A. Overall Project Monitoring and Coordination

1. The overall responsibility for the monitoring of Project execution, maintenance of the accounts relating thereto pursuant to Section 4.01 of this Agreement, reporting thereon as required pursuant to Sections 9.06 and 9.07 of the General Conditions, and preparation of suitable reports on Project execution for the consideration by the Bank shall be carried out by AGID in conformity with the objectives of the Project. In order to assist AGID in carrying out its responsibilities as outlined above, AGID shall employ consultants whose qualifications, experience and terms of reference shall be satisfactory to the Bank and AGID.

2. The Borrower shall in accordance with its laws and regulations take all necessary action to provide for proper coordination of the activities. To this end, the Borrower shall ensure coordination:

(a) at the central level between the different authorities in charge of irrigation and associated activities and of agriculture, including AGID, ANRH and INPV for the activities they are respectively entrusted with; and

(b) at the local level between the different authorities in charge of irrigation and of agriculture, including OPIM and the Project Unit.

B. Execution of Part A of the Project

The Borrower shall ensure the provision of an adequate water supply for the proper operation of the irrigation facilities under Part B of the Project upon their completion. To this end, the Borrower shall cause to be taken all necessary measures to complete and set into operation the facilities under subpart A (1) thereof by December 31, 1993, or such later date as the Borrower and the Bank shall agree, and subpart A (2) thereof by June 30, 1995, or such later date as the Borrower and the Bank shall agree.

C. Execution of Part B of the Project

Part B of the Project shall be carried out through AGID in accordance with the following.

1. AGID shall be responsible for the construction of the facilities under Part B of the Project and shall maintain at its service an adequate number of duly qualified and experienced staff.

2. In order to enable AGID to properly perform its responsibilities, the Borrower

shall cause AGID to: (a) employ consultants, whose qualifications, experience and terms of reference shall be satisfactory to the Borrower and the Bank, to assist the Project Unit in such performance; (b) carry out, under terms of reference satisfactory to the Borrower and the Bank, the training program referred to under Part D (2) (d) of the Project; and (c) provide the Project Unit with the necessary vehicles and equipment to be utilized in the carrying out of its activities.

3. The sub-drainage facilities under Part B of the Project shall be constructed on the basis of detailed surveys undertaken by ANRH.

4. In order to ensure the proper operation and maintenance of the irrigation infrastructure under the Project, AGID shall:

(a) develop an operation and maintenance manual for the part of West Mitidja in operation and, not later than December 31, 1991, or such later date as the Borrower and the Bank shall agree, furnish to the Bank for review and comments a draft of such manual; and

(b) not later than June 30, 1995, or such later date as the Borrower and the Bank shall agree, finalize such manual taking into consideration the Bank's comments thereon.

D. Execution of Part C of the Project

Part C (1) of the Project shall be carried out through OPIM and Part C (2) of the Project shall be carried out through banking institutions of the Borrower. The Borrower shall cause the Project to be carried out in accordance with the following:

1. OPIM shall procure the sprinkler and drip irrigation equipment under Part C (1) of the Project with the assistance of AGID. Thereafter, the storage, sale to farmers and after sale services of the equipment to be so procured shall be carried out by OPIM through the separate units referred to in Part D (2) of Schedule 2 to this Agreement in accordance with OPIM's applicable policies and procedures and with the assistance of the consultants referred to in paragraph E.1 of this Schedule.

2. The provision of credit to farmers within the Project Area for the carrying out of on-farm irrigation and agricultural development under Part C (2) of the Project will be provided through the banking institutions as part of their normal operations within the Project Area.

E. Execution of Part D of the Project

Under the coordination of AGID, Parts D (1) (a) and D (2) (a) of the Project shall be carried out through OPIM, Parts D (1) (b) and D (2) (b) of the Project shall be carried out through ANRH and Part D (2) (c) shall be carried out through INPV in accordance with the following:

1. In order to assist OPIM in carrying out Parts D (1) (a) and D (2) (a) of the Project, ANRH in carrying out Parts D (1) (b) and D (2) (b) of the Project, and INPV in carrying out Part D (2) (c), the AGID shall:

(a) employ consultants, whose qualifications, experience and terms of reference shall be satisfactory to the Borrower and the Bank;

(b) carry out, under terms of reference satisfactory to the Borrower and the Bank, a training program to upgrade the skills of the staff in charge of the Project execution; and

(c) ensure the provision of vehicles and equipment as required for the proper carrying out of their respective tasks by the staff in charge of Project execution under the above specified Parts of the Project.

2. AGID shall take all necessary action on its part to ensure that the studies under Part D (2) of the Project, including the plans to be developed thereunder, shall be completed, under terms of reference satisfactory to AGID and the Bank, and copies thereof furnished to the Bank for its review and comments by: (a) December 31, 1991, or such later date as the Borrower and the Bank shall agree, in respect of the study under Part D (2) (a) of the Project; (b) December 31, 1992, or such later date as the Borrower and the Bank shall agree, in respect of the study under Part D (2) (b) of the Project, and (c) June 30, 1992, or such later date as the Borrower and the Bank shall agree, in respect of the study under Part D (2) (c) of the Project.

3. The Borrower shall, after taking into consideration the Bank's comments on the matter, adopt and carry out in accordance with its laws and regulations: (a) by December 31, 1992 or such later date as the Borrower and the Bank shall agree, the plan developed under Part D (2) (a) of the Project for strengthening the organizational structure of OPIM, including the establishment of the separate units referred to under said Part of the Project; (b) December 31, 1993, or such later date as the Borrower and the Bank shall agree, the plan developed under Part D (2) (b) of the Project for the utilization of water resources in accordance with appropriate environmental standards; and (c) June 30, 1994, or such later date as the Borrower and the Bank shall agree, the fertilizer and pest management plan developed under Part D (2) (c) of the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 \$10,000,000 to be withdrawn from the Loan Account and deposited into 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 made 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.

(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.

