

CONFORMED COPY

LOAN NUMBER 7063-TUN

Loan Agreement

(Agricultural Support Services Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 2, 2001

LOAN NUMBER 7063-TUN

LOAN AGREEMENT

AGREEMENT, dated October 2, 2001, between REPUBLIC OF TUNISIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated May 21, 2001 from the Borrower describing a program of actions, objectives and policies designed to develop organizational structures for agricultural producers, reinforce the institutional capacity and quality of agricultural services and improve information dissemination for agricultural sector stakeholders (the Program) and declaring the Borrower's commitment to the execution of the said Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), 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 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 Fixed-Spread Loans" of the Bank, dated September 1, 1999 (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) "Accompanying Measures" means the policy and institutional measures agreed between the Borrower and the Bank, aimed at implementing the Program and supporting the activities under the Project to which they are linked;

(b) "Beneficiary" means a research operator eligible to a Research Grant (as this term is hereinafter defined) for a Research Sub-project (as this term is hereinafter defined) prepared under Part B.1 (a) of the Project;

(c) "Central Bank of Tunisia" means the Borrower's Central Bank (Banque Centrale de Tunisie) established and operating pursuant to the Borrower's Law No. 58-90 dated September 19, 1958, as the same may be amended from time to time;

(d) "Coordinating Committee" means the Project coordinating committee to be established by the Borrower in accordance with the provisions of Section 6.01 (c) of this Agreement, as referred to in paragraph 1, Section A of Schedule 5 to this Agreement;

(e) "CRDA" means Commissariat Régional au Développement Agricole, a Regional Commissariat for Agriculture Development, established and operated as an administrative public institution (établissement public à caractère administratif) pursuant to the Borrower's Law No. 89-44 dated March 8, 1989, and its related implementing decrees;

(f) "DGFE" means Direction Générale du Financement et des Encouragements, the General Directorate of Finance and Incentives within the MOA (as this term is hereinafter defined);

(g) "Eligible Categories" means categories (1), (2), (3) and (4) set forth in the table of Schedule 1 to this Agreement;

(h) "Eligible Expenditures" means the expenditures for goods, works and services referred to in Section 2.02 (a) of this Agreement;

(i) "Environmental Assessment" means the environmental assessment, acceptable to the Bank, prepared by the Borrower, dated May 2001, including, inter alia: (i) the identification and assessment of the potential environmental impact of activities to be carried out under the Project; (ii) an evaluation of alternatives; (iii) the definition of appropriate mitigation, monitoring and institutional measures to be implemented with a view to ensuring compliance of the activities referred to in sub-paragraph (i) above with said measures; and (iv) the Environmental Management Plan (as this term is hereinafter defined);

(j) "Environmental Management Plan" means the plan, acceptable to the Bank, detailing the mitigation, monitoring and institutional measures referred to in the Environmental Assessment and required for the implementation of the Project, with a view to eliminating adverse environmental and social impacts, offsetting such impacts, or reducing such impacts at acceptable levels;

(k) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(l) "IRESA" means Institution de Recherche et de l'Enseignement Supérieur Agricoles, the Borrower's Institute for Agricultural Research and Higher Education;

(m) "IRVT" means Institut de la Recherche Vétérinaire, the Borrower's Veterinary Research Institute;

(n) "MOA" means the Borrower's Ministry of Agriculture established and operating pursuant to the Borrower's Decree No. 87-779 dated May 21, 1987, as amended by the Decree No. 88-1101 dated June 9, 1988, and as it may be further amended from time to time;

(o) "ONAGRI" means Observatoire National de l'Agriculture, the Borrower's National Agricultural Observatory;

(p) "Project Implementation Plan" means the plan, to be prepared by the Borrower and submitted to the Bank in accordance with the provisions of Section 6.01 (b) of this Agreement, which sets out the principles and procedures governing the implementation of the Project, such plan to, inter alia: (i) define the respective roles and responsibilities of the agencies involved in the implementation of the Project; (ii) set forth the timetable of actions required under the Project including the timetable relating to the appointment of personnel required pursuant to the provisions of paragraph 2, Section A of Schedule 5 to this Agreement; (iii) identify the procedures to be used for monitoring and evaluating progress towards the achievement of the objectives of the Project; (iv) detail the financial management procedures for the Project, including, inter alia, the auditing, accounting and financial reporting arrangements for the Project; and (v) include the Environmental Assessment;

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

(r) "Project Management Unit" means the project management unit to be established by the Borrower in accordance with the provisions of Section 6.01 (a) of this Agreement;

(s) "Research Grant" means any funding provided through a Research Grant Agreement (as this term is hereinafter defined) to a Beneficiary under Part B.1 (a) of the Project;

(t) "Research Grant Agreement" means any agreement entered into between the Borrower and a Beneficiary pursuant to the provisions of Sections C and D of Schedule 5 to this Agreement;

(u) "Research Grant Management Manual" means the manual to be prepared by the Borrower and submitted to the Bank in accordance with the provisions of paragraph 3 (c) of Schedule 1 to this Agreement, as the same may be amended from time to time, in cooperation with and with the consent of the Bank, and such term includes any schedules to the Research Grant Management Manual;

(v) "Research Regionalization Plan" means the plan to be prepared by the Borrower and submitted to the Bank in accordance with the provisions of paragraph 3 (b) of Schedule 1 to this Agreement;

(w) "Research Sub-project" means a specific research project to be carried out by a Beneficiary utilizing the proceeds of a Research Grant; and

(x) "Special Account" means the account referred to in Schedule 6 to this Agreement.

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 this Agreement, an amount equal to twenty three million eight hundred thousand Euros (EUR 23,800,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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: (i) amounts paid (or if the Bank shall so agree, amounts to be paid) by the Borrower on account of withdrawals made by a Beneficiary under a Research Sub-project to meet the reasonable cost of goods and services required for the Research Sub-project in respect of which the withdrawal from the Loan Account is requested; (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan; and (iii) in respect of the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, open and maintain in Euros a special deposit account in the Central Bank of Tunisia 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, 2007 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 front-end fee in an amount equal to two hundred thirty eight thousand Euros (EUR 238,000). The Borrower agrees that 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 such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one percent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one percent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semi-annually in arrears on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 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, through MOA, carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, environmental, financial, management, technical and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services, personnel 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, the Project Implementation Plan, the Accompanying Measures, the Environmental Assessment and the Environmental Management Plan.

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.

Section 3.03. 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 for the future operation of the Project; and

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

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower shall, at all times, maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this

Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than June 30, 2002, or such later date as the Bank shall agree, to prepare semi-annual Project Management Reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project for 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;
- (ii) describes physical progress in the implementation of the Project for the period covered by said report; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar semester a semi-annual Project Management Report for such period.

Section 4.03. In order to achieve the objectives of Part B.1 of the Project, the Borrower shall, not later than June 30, 2003: (a) submit to its Chamber of Representatives a draft law, in substance satisfactory to the Bank, for the establishment of a single agricultural research institute; and (b) take all measures required on its part, including regulatory measures, to revise the mandate of IRESA accordingly.

Section 4.04. In order to achieve the objectives of Part C of the Project, the Borrower shall take all measures required on its part, satisfactory to the Bank, including regulatory measures, to, not later than June 30, 2002, grant adequate administrative and financial management flexibility to IRVT laboratories.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the Borrower has established within DGFE the Project Management Unit, on the basis of terms of reference satisfactory to the Bank;
- (b) the Borrower has submitted the Project Implementation Plan to the Bank, in form and substance satisfactory to the Bank; and
- (c) the Borrower has established the Coordinating Committee on the basis of institutional arrangements satisfactory to the Bank.

Section 6.02. The date one hundred and 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 International Cooperation and Foreign Investment 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:

Ministry of International Cooperation
and Foreign Investment
98, Avenue Mohamed V
1002 Tunis-Belvedere
Republic of Tunisia

Telex:
18060

Facsimile:
216-1-799-069/845

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:
248423 (MCI); or
64145 (MCI)

Facsimile:
(202) 477-6391

INTBAFRAD
Washington, D.C.

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 TUNISIA

By /s/ Hatem Atallah

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Louis Sarbib

Regional Vice President
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 Euros)	% of Expenditures to be Financed
(1) Civil Works:		80%
(a) Part B.1 (c) of the Project	200,000	
(b) Other civil works	2,800,000	

(2)	Goods:		100% of foreign expenditures, 100% of local expenditures (ex-factory costs); and 80% of local expenditures for other items procured locally
	(a) Part B.1 (c) of the Project	2,700,000	
	(b) Other goods	6,300,000	
(3)	Consultants' Services and Training	9,500,000	100%
(4)	Research Grants for Research Sub-projects	900,000	100% of amounts disbursed
(5)	Fee	238,000	Amount due under Section 2.04 of this Agreement
(6)	Unallocated	1,162,000	
(7)	Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (c) of this Agreement
	TOTAL	23,800,000	

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: (a) prior to the date of this Agreement; (b) under Categories 1 (a) and 2 (a) unless the Borrower shall have first submitted to the Bank a Research Regionalization Plan, in form and substance satisfactory to the Bank, such plan to set out, inter alia: (i) the measures required to transform regional research poles into regional research centers; (ii) the respective domains of research for at least two of the regional research centers referred to in sub-paragraph (i) above, including the identification of resources required for the proper functioning of said centers; and (iii) the identification of resources required for the proper functioning of regional research poles during Project implementation; and (c) under Category 4 unless the Borrower shall have first submitted to the Bank the Research Grant Management Manual, in form and substance satisfactory to the Bank, such manual to detail the criteria, terms and conditions for Research Grants set forth in Sections C and D of Schedule 5 to this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for: (a) civil works under contracts not exceeding \$500,000 equivalent each; (b) goods under contracts not exceeding \$400,000 equivalent each; (c) services under contracts costing less than \$100,000 equivalent each for consulting firms; (d) services under contracts costing less than \$50,000 equivalent each for individual consultants; and (e) Research Grants for Research Sub-projects in an amount not exceeding \$50,000 equivalent each, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in implementing its national program for the development of agricultural services and to support the growth of a high quality, high value added and sustainable agriculture, through improved market access and strengthening of agricultural producers organizations and

services.

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: Capacity Building of Agricultural Producer and Inter-professional Organizations

Provision of technical advisory services, training and acquisition of equipment to support organizational structures for agricultural producers to:

1. Strengthen, on a pilot basis, the agricultural producers organizations' capacity to design, finance and provide services, including: (a) promotion and capacity building activities for agricultural producers organizations; and (b) the strengthening of DGFE's capacity to monitor and supervise agricultural producers organizations.
2. Strengthen inter-professional organizations to improve product quality and develop new markets, including: (a) the establishment of an agricultural products quality network; (b) the strengthening of agricultural producers and exporters' capacity to develop their business; (c) the development of quality standards and brands; and (d) the strengthening of research and development activities.

Part B: Strengthening the Supply of Research, Training and Farming Advisory Services

Provision of technical advisory services and training, carrying out of works and acquisition of equipment to improve public, cooperative and private agricultural producer services, with a particular focus on the needs of smaller agricultural producers, women agricultural producers and young agricultural producers, consisting of:

1. Strengthening and regionalization of agricultural research, including: (a) the provision of Research Grants for the carrying out of priority Research Sub-projects; (b) the establishment of a unified research institute; (c) the establishment of two regional research centers and support to existing regional research poles; (d) the strengthening of the capacity of regional and national commissions in charge of programming and evaluating research activities; (e) the creation of repertory of usable research results accessible to users; (f) the setting-up of a computerized network connecting the various documentation centers; and (g) the carrying out of external evaluation of research programs.
2. Design and implementation of a pilot project to improve agricultural producers access to training and farming advice, including: (a) the setting-up of training and advisory service teams within the regional agricultural training centers; (b) the reinforcement of women's extension; and (c) the carrying out of information dissemination activities.
3. Improvement of training design and quality, including: (a) the establishment of a permanent training demand and needs assessment system; (b) the review of the national training curriculum and materials; (c) the upgrading of training centers; and (d) the carrying out of monitoring and evaluation activities.

Part C: Livestock and Animal Health

Provision of technical advisory services and training, carrying out of works and acquisition of equipment to improve public, cooperative and private services for livestock farmers, including:

1. Improvement of diagnostic capacities of public laboratories and inspection services in animal health, animal feed quality control and in the safety of animal and fish products.
2. Introduction of a national identification system for cattle and a monitoring/tracing system of animal movements.
3. Establishment of an animal disease monitoring and control program (système d'épidémio-surveillance).
4. Strengthening of zootechnical services.

5. Development and monitoring of private veterinary and livestock services.

Part D: Plant Protection and Seed and Plant Certification

Provision of technical advisory services and training, carrying out of works and acquisition of equipment to strengthen the Borrower's capacity for plant protection and seed and plant certification and thereby facilitate market access of produce, including:

1. Improvement of quality monitoring and testing capacities for farm inputs, in particular for seeds, plants and phytosanitary products.
2. Development of monitoring and surveillance systems on domestic trade and import/export activities.
3. Carrying out of training for MOA technical and extension staff, and awareness campaigns for agricultural producers on pest control and integrated pest management.

Part E: Strengthening Public Interest Services and Project Management Support

1. Provision of technical advisory services and training and acquisition of equipment to promote the dissemination of agricultural statistics and information, including: (a) the improvement of the Borrower's agricultural statistics system; (b) the upgrading of the crop and fisheries forecasting system; and (c) the strengthening of the agricultural information system of ONAGRI.
2. Strengthening the capacity of DGFE in coordinating the implementation of the Project, through the provision of technical advisory services and training and the acquisition of equipment.

* * *

The Project is expected to be completed by December 31, 2006.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Payment Date	Installment Share (Expressed as a %)
November 15, 2001	0%
May 15, 2002	0%
November 15, 2002	0%
May 15, 2003	0%
November 15, 2003	0%
May 15, 2004	0%
November 15, 2004	0%
May 15, 2005	0%
November 15, 2005	0%
May 15, 2006	0%
November 15, 2006	0%
May 15, 2007	0%
November 15, 2007	0%
May 15, 2008	13%
November 15, 2008	13%
May 15, 2009	0%
November 15, 2009	0%
May 15, 2010	0%
November 15, 2010	0%
May 15, 2011	10.5%

November 15, 2011		0%
May 15, 2012	11.5%	
November 15, 2012		10.4%
May 15, 2013	10.4%	
November 15, 2013		7.8%
May 15, 2014	5.2%	
November 15, 2014		3.9%
May 15, 2015	2.6%	
November 15, 2015		2.6%
May 15, 2016	2.6%	
November 15, 2016		3.9%
May 15, 2017	0%	
November 15, 2017		0%
May 15, 2018	1.6%	
November 15, 2018		1%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I

of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part 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. National Competitive Bidding

Works estimated to cost less than \$5,000,000 equivalent per contract, up to an aggregate amount not to exceed \$6,000,000 equivalent, and goods estimated to cost less than \$400,000 equivalent per contract, up to an aggregate amount not to exceed \$8,500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National or International Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of national or international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$420,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works 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 each contract for works estimated to cost the equivalent of \$500,000 or more, and with respect to each contract for goods estimated to cost the equivalent of \$400,000 or more, 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 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. Selection Based on Consultants' Qualifications

Services which are 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.

2. Single Source Selection

Services which are estimated to cost less than \$50,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Certain services under the Project may 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 for the employment of consulting firms estimated to cost the equivalent of \$100,000 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 for the employment of individual consultants estimated to cost the equivalent of \$50,000 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

A. Project Implementation and Coordination

1. The Borrower shall ensure overall Project coordination among the executing units through the DGFE and the Coordinating Committee. The Coordinating Committee, chaired by the Minister of Agriculture, shall be maintained within the MOA and shall comprise representatives from various ministries and agencies of the Borrower and agricultural producers organizations. The Borrower shall, not later than June 30, 2002, establish regional sub-committees to assist the Coordinating Committee in coordinating and overseeing Project progress. Day-to-day coordination of all Project activities shall be carried out by the Project Management Unit which shall, at all times during Project implementation, be maintained with professional staffing in adequate number, whose qualifications and experience shall be acceptable to the Bank. The Project Management Unit shall be headed by a Director, appointed by the Borrower on the basis of terms of reference satisfactory to the Bank, and shall comprise a financial specialist and a monitoring and evaluation specialist.

2. The Borrower shall vest MOA with the overall responsibility for Project implementation. To this end, the Borrower shall take all measures required on its part to provide personnel in adequate number, as required for the proper implementation of the Project. At the regional level, CRDAs shall be responsible for the identification, implementation and coordination of Project activities across MOA's regional technical units. All Project activities shall be selected and carried out in accordance with the criteria and provisions set forth in the Project Implementation Plan.

3. Without limitation upon the provisions of the preceding paragraphs 1 and 2, the DGFE, through the Project Management Unit, shall have additional specific responsibility for: (a) monitoring of financial and physical progress of the Project, including progress evaluation of the achievement of the Accompanying Measures and the measures set forth in the Environmental Management Plan; (b) progress evaluation of the achievement of the Program; (c) coordination of procurement, disbursement and audit activities, including the preparation of Project Management Reports; (d) preparation of the mid-term review referred to in Section B of this Schedule; and (e) acting as secretariat of the Coordinating Committee.

B. Mid-Term Review

The Borrower shall, through the MOA:

(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 Accompanying Measures 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 March 31, 2004, 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 Accompanying Measures and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by June 30, 2004, or such later date as the Bank shall request, the report referred to in 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.

C. Eligibility Criteria for Research Sub-projects

No Research Sub-project shall be eligible for financing out of the proceeds of the Loan unless the Borrower is satisfied that the Research Sub-project meets the eligibility criteria specified below, the procedures, terms and conditions specified in Section D of this Annex and the provisions set forth in the Research Grant Management Manual, which shall include, inter alia, the following:

(a) the Research Sub-project shall be financially and technically viable and shall meet the criteria specified in the Research Grant Management Manual; and

(b) the Research Sub-project shall comply with the standards set forth in the applicable laws of the Borrower relating to health, safety and environmental protection, as well as with the Environmental Assessment and the Bank's applicable guidelines.

D. Terms and Conditions of Research Grants made for Research Sub-projects

Research Sub-projects shall be carried out pursuant to Research Grant Agreements to be concluded between the Borrower and the Beneficiary under terms and conditions set forth in the Research Grant Management Manual and satisfactory to the Bank which, inter alia, shall include the following:

(a) financing to be on a grant basis;

(b) the obligation to carry out the Research Sub-project in accordance with the Research Grant Management Manual, with due diligence and efficiency and in accordance with sound environmental, agricultural, technical, financial, and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Research Sub-project;

(c) the right of the Borrower to inspect by itself, or jointly with the Bank, if the Bank shall so request, the equipment, experimentation plots and laboratories, sites, services and training included in the Research Sub-project, the operations thereof and any relevant records and documents;

(d) the right of the Borrower to obtain from the Beneficiaries all information as the Borrower or the Bank shall reasonably request regarding the administration, operation and financial conditions of the Research Sub-project; and

(e) the right of the Borrower to suspend or terminate the right of the Beneficiary to use the proceeds of the Research Grant for the Research Sub-project upon the failure by the Beneficiary to perform any of its obligations under its Research Grant Agreement, such failure to be determined by internal and external evaluations carried out in accordance with the procedures set forth in the Research Grant Management Manual.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (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 EUR 1,400,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to EUR 800,000 until the aggregate amount of withdrawals 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 be equal to or exceed the equivalent of EUR 5,000,000.

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 deposit into the Special Account of an amount or amounts 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 into 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;

(b) 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 the records and accounts for the Special Account;

(c) 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 the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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.

