

CONFORMED COPY

LOAN NUMBER 3893 TU

Loan Agreement

(Antalya Water Supply and Sanitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ANTALYA WATER SUPPLY AND SEWERAGE AUTHORITY

Dated July 5, 1995

LOAN NUMBER 3893 TU

LOAN AGREEMENT

AGREEMENT, dated July 5, 1995, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and ANTALYA WATER SUPPLY AND SEWERAGE AUTHORITY (the Borrower).

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

(B) the Borrower intends to contract from the European Investment Bank (EIB) a loan (the EIB Loan) in the amount of ECU thirty-five million (ECU 35,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the EIB Loan Agreement) to be entered into between the Borrower and EIB;

(C) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

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

(b) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

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

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

(a) "Sirket" means the enterprise to be established under Law No. 6762, dated June 29, 1956, of the Guarantor for the purpose of consolidating the administrative and financial management of water supply, sewerage, stormwater and solid waste services in the Antalya Metropolitan Municipality;

(b) "PMU" means the project management unit established within the Antalya Metropolitan Municipality for the purpose of initiating the preparation and implementation of the Project;

(c) "Subsidiary Agreement" means the agreement to be entered into by the Borrower and the Sirket pursuant to Section 3.01 (b) of this Agreement;

(d) "Guarantor's Laws" means Law No. 3030, Law No. 2560 and Law No. 3914 of the Guarantor;

(e) "Borrower's Statutes" means Decree No. 94/6516 dated February 18, 1995 of the Guarantor providing for the establishment of the Borrower;

(f) "Private Operator" means any enterprise with which the Borrower shall enter into lease and/or management contracts to operate the Borrower's water supply, sewerage and stormwater drainage services; and

(g) "Special Account" means the account referred to in Section 2.02 (b) of 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 the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred million dollars (\$100,000,000), 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 described

in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in a freely convertible currency acceptable to the Bank a special deposit account in the Central Bank of the Guarantor 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, 2003 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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 percent (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 and the Guarantor 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 and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Quarter."

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

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

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and the Borrower shall otherwise agree, the Borrower shall carry out the Project through the PMU and the Sirket in accordance with the Implementation Program set forth in Schedule 5 to this Agreement and, for this purpose, shall, not later than November 30, 1995, enter into a subsidiary agreement with the Sirket on the basis of terms and conditions satisfactory to the Bank, including, inter alia, the requirements specified in paragraph 1 of Schedule 5 to this Agreement.

(c) The Borrower shall enter into lease and/or management contracts with Private Operators on the basis of terms and conditions satisfactory to the Bank, including, inter alia, the requirement that said Private Operators periodically adjust the charges for water supply and sewerage services in accordance with changes in the Consumer Price Index of the Guarantor or other indicator acceptable to the Bank in order that the level of said prices be maintained in real terms.

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. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare 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, of such scope and in such detail as the Bank shall reasonably request, for the future operation of the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices,

taking into account the Bank's comments thereon.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound public utility and financial practices.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) 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, accounts and financial statements as well as 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, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 5.02. The Borrower shall not undertake any investment in excess of the equivalent of two hundred thousand dollars (\$200,000) without the concurrence of the Bank.

Section 5.03. The Borrower shall:

(a) establish prices for its services which would allow the Borrower, under conditions of efficient operation at reasonable levels of capacity utilization to cover: (i) the operating costs of the Borrower; (ii) the charges of the Private Operator for recurrent costs arising from operating the systems and providing the services (personnel, energy, general maintenance, chemicals and other consumables); (iii) the costs of the Sirket attributable to the services provided to the Borrower; (iv) reasonable contributions by the Borrower to its future investment program; and (v) service payments on any indebtedness of the Borrower; and

(b) adjust said prices each calendar quarter to reflect changes in the Consumer Price Index of the Guarantor or other indicator acceptable to the Bank during the previous calendar quarter.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) the Guarantor's Laws or the Borrower's Statutes shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially or adversely affect the ability of the Borrower to carry out the obligations set forth in this Agreement;

(b) that the EIB Loan Agreement shall have failed to become effective by December 1, 1995, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; and

(c) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the agreed maturity

thereof.

- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in Section 6.01 (b) of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower;

(b) the event specified in paragraph (c)(i)(B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (d)(ii) of that Section; and

(c) any event specified in Section 6.01 (a) of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. 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 Sirket has been established under Law No. 6762 dated June 29, 1956 of the Guarantor;

(b) the consultants shall have been employed for the purposes of Part D (2) (a) of the Project;

(c) the consultants shall have been employed for the purposes of Part D (2) (b) of the Project; and

(d) all legal requirements for the acquisition of the land for the construction of the sewage treatment plant, provided under Part B of the Project, have been fulfilled and there is no obstacle to the completion of the construction of said sewage treatment plant.

Section 7.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that all necessary legal action has been taken and all necessary approvals given with respect to the establishment of the Sirket and the acquisition of the land for the sewage treatment plant, and that no obstacles remain which would affect the completion of the construction of said sewage treatment plant.

Section 7.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The General Manager of the Borrower is designated as the representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

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:

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

For the Borrower:

ASAT Genel Mudurlugu
Kazim Ozalp Cad., No: 170
Antalya
Turkey

Cable address:

ASAT Genel Mudurlugu
Antalya

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By / s / Rachel Lomax
Acting Regional Vice President
Europe and Central Asia

ANTALYA WATER SUPPLY AND SEWERAGE
AUTHORITY

By / s / Mahfi Egilmez
Authorized Representative

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:

Amount of the Loan Allocated	% of
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Category	(Expressed in Dollar Equivalent)	Expenditures to be Financed
(1) Civil works	57,800,000	54%
(2) Goods	4,700,000	55%
(3) Consultants' services:		100%
(a) under Part D (1) of the Project	18,700,000	
(b) under Part D (2) of the Project	4,900,000	
(4) Incremental recurrent costs:		
(a) for the Sirket under Part (D) (1) of the Project	200,000	100% of expenditures through August 31, 1996
(b) for the PMU under Part (D) (2) of the Project	200,000	100% of expenditures through November 30, 1996
(5) Unallocated	13,500,000	
	<hr/>	
TOTAL	100,000,000 =====	

2. For the purposes of this Schedule, the term "incremental recurrent costs" means, in connection with costs incurred under Parts D (1) and D (2) of the Project, the costs of salaries, communications, utilities and other consumables.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$600,000, may be made in respect of Category 3 (b) on account of payments made for expenditures before that date but after March 31, 1995.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures (a) for goods and works under contracts not exceeding \$1,000,000 equivalent, (b) for consulting firms under contracts not exceeding \$100,000 equivalent, and (c) for individual consultants under contracts not exceeding \$50,000 equivalent, 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: (a) to meet in Antalya, at least cost, the demand for water supply, sewerage and stormwater drainage; (b) to develop new institutional arrangements for management of such services and to introduce private sector participation in the operation thereof; (c) to implement appropriate cost recovery policies to enhance self-financing of municipal services in Antalya; (d) to improve the efficiency of utilization of existing sources and of water

usage in Antalya; and (e) to improve and sustain environmental conditions and reduce health hazards in Antalya.

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 Supply Works

- (1) Rehabilitation of existing distribution networks by replacing unsatisfactory sections.
- (2) Construction of about 24 new wells and replacement of about eight pumps at pumping stations to increase the production of three well fields.
- (3) Construction of about 40,000 m³ capacity distribution reservoirs to provide storage capacity to meet water demand.
- (4) Replacement and extension of about 500 km of existing distribution networks to supply consumers, including construction of two new pumping stations, replacement of pumps and replacement of water meters.

Part B: Sewerage Works

- (1) Construction of a collection network of about 10 km including a small temporary wastewater treatment plant in the old part of Antalya and rehabilitation of the existing network and septic tank at the small-scale industrial area.
- (2) Construction of new collectors and collection networks of about 380 km to serve about 1,660 ha in the western part of Antalya.
- (3) Construction of a preliminary wastewater treatment plant with a capacity of about 90,000 m³/d at the west end of Antalya, including a sea outfall.

Part C: Stormwater Drainage Works

Construction of missing sections on the networks, such as culverts, curbs and channels, and removal of debris from existing rivers, channels and ditches.

Part D: Technical Assistance

Provision of consultants' services for:

- (1) Project Implementation:
 - (a) Detailed design and construction supervision for the water supply, sewerage and stormwater drainage works.
 - (b) Hydrogeological survey development of groundwater facilities.
 - (c) Site survey and investigations for mapping of the water supply systems.
 - (d) Preparation of a comprehensive stormwater master plan.
- (2) Institutional Development:
 - (a) Strengthening the PMU to assist the Borrower, the Antalya Metropolitan Municipality, the district municipalities and the Sirket in initiating, coordinating and supervising Project activities.
 - (b) Preparation of bidding documents, bid evaluation

and contract negotiations for the private operation of water supply, sewerage and stormwater systems.

- (c) Assistance to the Sirket through a twinning arrangement or contract with a water supply and sewerage operator for the management of services, planning and administration of contracts and the implementation of a training program.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 1 and November 1 beginning November 1, 2000 through November 1, 2011	4,165,000
And on May 1, 2012	4,205,000

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

Premiums on Prepayment

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

Time of Prepayment

Premium

The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:

Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: 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 (the Guidelines) and the following provisions of this Section, as applicable.

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. Bidders for works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Civil works estimated to cost the equivalent of \$3,000,000 or less per contract and \$7,000,000 equivalent or less in the aggregate, and (b) furniture estimated to cost \$125,000 or less in the aggregate, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. International Shopping

Water meters and computer software estimated to cost \$250,000 equivalent or less per contract and \$1,000,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Computer accessories estimated to cost \$50,000 equivalent or less per contract and \$300,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 procured under the provisions of Part B of this Schedule and each contract, estimated to cost the equivalent of \$1,000,000 or more, procured under the provisions of Part C.1 of this Schedule, 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

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Bank review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Implementation Program

1. Responsibilities of the PMU and the Sirket

The Borrower shall maintain the PMU with the responsibilities set forth hereinafter until the Sirket has been established and has demonstrated to the satisfaction of the Bank that it has the capacity to perform the following functions. The Sirket shall be responsible for consolidating the administrative and financial management of water supply and sewerage services provision for the Borrower. It shall have overall management responsibility for the development of the services, including physical and financial planning and construction contract management. The Sirket shall be responsible for issuing bidding documents for civil works and administering the proposed evaluation and award of civil works contracts and for the preparation of terms of reference, administration of proposal evaluation and award of contracts for consultants' services and training and the supervision of said contracts. It shall coordinate with the Private Operators on developing and administering the information systems for managing the operational and commercial activities and reporting on overall financial results. The Sirket shall evaluate the operational and financial performance of the Private Operators on the basis of indicators specified in lease and/or management contracts. The Sirket shall provide billing, accounting and contractors payment services and shall be responsible for the preparation of withdrawal applications under the Loan, monitoring Project implementation and preparing and furnishing to the Bank reports on Project implementation. The Sirket shall have its accounts audited on an annual basis, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank. For the foregoing purposes, the Sirket shall employ, not later than November 30, 1995, said staff and provide facilities as shall be required for it to perform on behalf of the Borrower its technical and administrative responsibilities under the Project, including the employment of not more than ten (10) professional persons whose qualifications and experience shall be satisfactory to the Bank.

2. Management of Water Supply and Sewerage Services

The Borrower shall, through the Sirket: (a) not later than October 31, 1995, issue the invitations for bids by Private Operators to manage the operation of the water supply, sewerage and stormwater drainage system; and (b) not later than May 31, 1996 enter into lease and/or management contracts for such purpose satisfactory to the Bank.

3. Management Assistance and Training

The Borrower shall, through the Sirket, not later than April 30, 1996, enter into contracts satisfactory to the Bank for the purpose of providing to the Sirket technical assistance for management and training.

4. Annual Review

The Borrower shall, through the Sirket, not later than September 30 of each year, review with the Bank the technical and financial progress in implementing the Project, including the cost recovery of the services. Following such review, the Borrower shall take such action as agreed with the Bank with respect to Project implementation, the investment program for the following year and the projected tariffs and other financial requirements to maintain self-sufficiency of the services.

5. Reporting Requirements

The Borrower shall, through the Sirket, prepare and furnish to the Guarantor and the Bank not later than 60 days after each calendar quarter ending March 31, June 30, September 30 and December 31, a consolidated report on Project implementation for the preceding quarter covering the physical progress

measured against construction and procurement schedules and monitoring indicators satisfactory to the Bank.

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 \$4,000,000 to be withdrawn from the Loan Account and deposited in 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 \$1,000,000 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 \$10,000,000.

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 a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

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

said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 5.01 (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; or

(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, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a),

(b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

