Loan Agreement

(Vasilikos-Pendaskinos Project for Water Resources Development)

between

REPUBLIC OF CYPRUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated February 12, 1979
LOAN AGREEMENT

AGREEMENT, dated February 12, 1979, between REPUBLIC OF CYPRUS (hereinafter called the Borrower or Cyprus) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

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

(a) "Project law" means any of the laws of the Borrower listed below, and any regulations issued thereunder, as such laws or regulations may have been amended at the date hereof or may, hereafter, be amended:

(i) Agricultural Consolidation Law No. 24 of 1969;

(ii) Government Waterworks Law of 1928;

(iii) Water Development and Distribution Law of 1955;

(iv) Public Rivers Protection Law of 1930;

(v) Wells Law of 1946;

(vi) Irrigation (Private Water) Association Law of 1949;

(vii) Soil Conservation Law of 1952;

(viii) Water Supply (Municipal and Other Areas) Law of 1951;
(ix) Irrigation Divisions (Villages) Law of 1938;
(x) Agricultural Credits Law No. 56 of 1962;
(xi) Water Supply (Special Measures) Law No. 32/64 of 1964; and

(b) "MANR" means the Borrower's ministry responsible for agriculture and natural resources.

(c) "LCA" means the Borrower's Land Consolidation Authority, or any successor thereto.

(d) "WDD" means the Borrower's department responsible for water development.

(e) "DA" means the Borrower's department responsible for agriculture.

(f) "PPCC" means the Project Policy and Coordination Committee to be established pursuant to Section 3.01 (a) (A) hereof.

(g) "PAC" means the Project Advisory Committee to be established pursuant to Section 3.01 (a) (B) hereof.

(h) "CCB" means the Cooperative Central Bank Ltd., a cooperative bank organized and existing pursuant to the Borrower's law of 1938.

(i) "ARI" means the Borrower's Agricultural Research Institute.

(j) "Project area" means the area referred to in the Preamble of Schedule 2 hereto.

(k) "Project Manager" means the person to be employed pursuant to Section 3.01 (a) (C) hereof.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth
or referred to, an amount in various currencies equivalent to eleven million dollars ($11,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, procurement of the goods and civil works 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 2.04. The Closing Date shall be December 31, 1985 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven per cent (7.00%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.08. 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 shall cause the Project to be carried out under the overall responsibility of MANR, with due diligence and efficiency and in conformity with appropriate agricultural, engineering, technical, administrative and financial practices, as follows:
(A) The Borrower shall on or before May 31, 1979 (or such other date as the Bank may agree) establish, and, thereafter, operate a Project Policy and Coordination Committee (PPCC) composed of the Borrower's minister responsible for agriculture and natural resources (who shall be the PPCC's chairperson), the Directors General of MANR, the Ministry of Commerce and Industry, the Ministry of Interior and the Planning Bureau, the Commissioner of Cooperatives, and the Director of WDD (who shall be the PPCC's secretary); it being specified that the PPCC, which shall meet as and when needed but not less than once a year, shall be responsible (1) for coordinating the activities of the Borrower's departments and agencies concerned with the Project, and (2) for laying down the policies to be followed by such departments and agencies as regards inter alia (i) the land acquisition for Project works, (ii) the agricultural supporting services in the Project area, (iii) the recovery of Project costs, (iv) the credit to be extended to farmers in the Project area, (v) the annual work programs of said departments and agencies, (vi) the Project personnel requirements for said departments and agencies and (vii) the amount of funds needed by said departments and agencies for the Project.

(B) The Borrower shall on or before May 31, 1979 (or such other date as the Bank may agree) establish and, thereafter, operate a Project Advisory Committee composed of (1) the district officer in Larnaca of the Borrower's ministry responsible for interior (who shall be the PAC's chairperson), (2) the WDD's, DA's and LCA's district officers in Larnaca, (3) the Project Manager, (4) the managers of the water boards concerned with the Project and (5) two representatives of the farming community in the Project area; it being specified that the PAC shall be responsible for advising the Project Manager on local matters affecting the Project and shall serve as a forum for exchanging views between the farming community in the Project area and the Borrower's departments and agencies concerned with the Project.
(C) The planning, design and construction of dams, canals, pipelines, water distribution networks and buildings shall be entrusted to the director of WDD; it being specified that the Project Manager, who shall report directly to the director of WDD, shall be appointed and entrusted with the supervision of such Project activities, such project manager to be assisted by an engineer for the technical and civil works features of the Project and an agricultural officer for the agricultural aspects of the Project and all three such persons to be duly qualified and experienced and to discharge their duties under terms and conditions satisfactory to the Borrower and the Bank.

(D) The groundwater development shall be carried out by WDD with the assistance of the Borrower's department responsible for geological survey.

(E) The land consolidation shall be entrusted to LCA.

(F) The on-farm irrigation systems for each farm included in the Project area shall be designed by DA which shall also supervise the farmers' construction of the systems.

(G) ARI shall be responsible for carrying out the necessary agricultural research in the Project area and for constructing and operating the small agriculture research substation referred to in Part I (a) of the Project.

(b) The Borrower shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. In order to assist the Borrower in carrying out the investigations required for the design and construction of the dams and the irrigation systems included in the Project, preparing the specifications and tender documents for the construction and supply contracts and supervising the execution of those contracts, the Borrower shall on or before July 31, 1979 (or such other date as the Bank may agree) employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Borrower and the Bank.
Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.04. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Loan, and to disclose their use in the Project; (ii) shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall, through the Project Manager, furnish to the Bank at regular intervals (such intervals to be of not more than three months during the first two years of Project implementation and of not more than six months thereafter), all such information as the Bank shall reasonably request concerning the Project (including a summary of the Project accounts referred to in Section 4.02 hereof), its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

(c) Promptly after completion of the Project, but in any event not later than three months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall, through the Project Manager, prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request (such report to include inter alia an ex-post economic and technical evaluation of
the Project), on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.

Section 3.05. The Borrower shall take or cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for the construction (and operation) of the facilities included in the Project and shall furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Project.

Section 3.06. In order to assist the Borrower in the review of the design and construction of the dams included in the Project, the Borrower shall, on or before December 31, 1979 (or such other date as the Bank may agree), appoint a panel of independent experts, whose qualifications, experience and terms of reference shall be satisfactory to the Borrower and the Bank, such terms of reference to provide inter alia for advice to the Borrower by said experts in the event of any unforeseen problems arising during construction of the facilities included in the Project.

Section 3.07. The Borrower shall ensure that the capabilities of the agricultural personnel of DA in the district of Larnaca who are responsible for providing the farmers of the Project area with all necessary extension services be strengthened by the addition, on a full-time basis, of at least seven experienced and qualified personnel, one such additional personnel (to be a beat officer) to be assigned to the office of such district on or before December 31, 1979 (or such other date as the Bank may agree) and the other six personnel to be assigned on or before December 31, 1981 (or such other date as the Bank may agree).

Section 3.08. The Borrower undertakes to take all appropriate steps to ensure that, on or before December 31, 1982 (or such other date as the Bank may agree), a new treatment plant at Kornos and a pumping station for the supply of water from either the Lefkara or the Dhypotamos reservoirs through the pipeline to Nicosia currently under construction, together with a pumping station, a pipeline and a storage reservoir to convey the domestic water from the Kalavasos reservoir to the Khirokitia treatment
plant, be constructed for the purpose of supplementing the water supply to the Larnaca-Famagusta area.

Section 3.09. The Borrower shall, on or before May 31, 1979 (or such other date as the Bank may agree), take all appropriate action to initiate in the Project area and to the extent that is technically feasible, a land consolidation program on about 1,055 hectares to be irrigated under the Project, such program to be carried out under terms and conditions (including a timetable) acceptable to the Bank and with all appropriate resources required therefor (including the assignment of at least two full field crews to the area concerned in order to enable land consolidation to precede the installation of the necessary irrigation distribution networks and on-farm irrigation systems).

Section 3.10. The Borrower shall ensure that CCB and DA will meet in a timely manner the needs for short- and medium-term credit, respectively, of farmers in the Project area from their own respective resources or those of the Loan Commissioners.

Section 3.11. (a) The Borrower shall, within the framework of its Government Water Works Law of 1928, as amended, and as from the start of operation of the tubewells system included in the Project, collect for the water flowing from the Gypsum aquifer an irrigation water charge sufficient to recover, over a period of 40 years and at an interest rate of at least 9% per annum, the full investment cost of such system, and to recover the full operation and maintenance costs pertaining to such system; it being specified that the level of such water charge may be adjusted to take into account the quality of such water.

(b) The Borrower shall, within the framework of its Government Water Works Law of 1928, as amended, and as from the start of operation of the major irrigation facilities included in the Project, set not later than one year prior to such start of operation and thereafter collect, for the irrigation water flowing from such facilities, an irrigation water charge to be collected from the Project beneficiaries at such levels as shall be sufficient to recover (i) the full operation and maintenance costs of such Project facilities; and (ii) over a period of 40 years and at an interest rate of at least 9% per annum, not less than 50% of the weighted average of the unit costs of all investments in major irrigation projects, including the Project, as such costs are calculated under the above Law; it being specified that the Borrower shall review such water charge levels periodically, but
not less than once every five years, in order to ensure that the costs of any additional irrigation investments and any change in operation and maintenance costs shall be reflected in the adjustments made to such water charge levels.

Section 3.12. The Borrower shall, after the start of operation of the facilities included in the Project, take all appropriate steps, through WDD, to ensure that the sale price of domestic water provided under the Project shall be sufficient to ensure the recovery of (i) over a period of 40 years and at an interest rate of at least 9% per annum, the investment cost of such facilities pertinent to the supply of such water, in addition to the investment costs of all complementary facilities for the supply of such water; (ii) the full operation and maintenance costs pertaining to all such facilities; and (iii) a reasonable contribution to future annual investments required for domestic water supply, it being further understood that the Borrower shall review such prices periodically, but not less than once every five years, and that any changes in said operation and maintenance costs shall be reflected in such prices.

ARTICLE IV

Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of,
and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

Section 4.02. (a) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations, resources and expenditures, in respect of the several Parts of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) Without any limitation upon the generality of the foregoing paragraph, the Borrower shall retain until one year after the Closing Date, all records (orders, invoices, bills, receipts and other documents) evidencing the expenditures on account of which withdrawals are requested from the Loan Account on the basis of certificates of expenditure, and shall enable the Bank's accredited representatives to inspect such records.

(c) To that end the Borrower (i) shall, on or before June 30, 1979 (or such other date as the Bank may agree) cause the Project Manager to establish and, thereafter, maintain a special Project account and (ii) shall cause: (1) such account and its records supporting certificates of expenditure referred to in the foregoing paragraph for each fiscal year to be audited, in accordance with appropriate auditing principles consistently applied, by the Auditor General of Cyprus; (2) to be furnished to the Bank, as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said Auditor General, of such scope and in such detail as the Bank
shall have reasonably requested, including a separate opinion by said Auditor General in respect of such certificates of expenditure related to civil works carried out by force account, showing whether the proceeds of the Loan withdrawn from the Loan Account, on the basis of certificates of expenditure, have been used for the purpose for which they were provided; and (3) to be furnished to the Bank such other information concerning such account and the audit thereof, as the Bank may from time to time reasonably request.

Section 4.03. (a) The Borrower shall cause all facilities, roads and works included in the Project to be, at all times, operated and maintained in accordance with appropriate agricultural, technical, dam, irrigation and highway practices and shall cause all necessary safety inspections, renewals and repairs thereof to be made from time to time, shall provide, promptly as needed, the funds, facilities, services and other resources required therefor. To that end, the Borrower shall, on or before June 30, 1985 (or such other date as the Bank may agree), establish and, thereafter, operate a unit within WDD, such unit to be entrusted with the operation and maintenance of the facilities, works and roads included in the Project and to be granted all appropriate authority (administrative or otherwise) required for the purpose.

(b) Without limiting the generality of the provisions of the preceding paragraph (a) of this Section, the Borrower shall: (i) with the assistance of the experts referred to in Section 3.06 hereof, cause the dams, waterways, earthworks and reservoir banks and their appurtenant structures constructed under the Project to be periodically inspected, annually within the first five years following the commissioning of such works and, thereafter, at intervals of not more than five years and in accordance with appropriate engineering practice, in order to determine whether there are any deficiencies in the condition of such structures and earthworks, or in the quality and adequacy of maintenance or methods of operation of such structures and earthworks which may endanger the safety of such structures and earthworks, the first of such inspections to start no later than December 31, 1983, (or such other date as the Bank may agree); (ii) submit to the Bank, promptly after each such inspection, the conclusion of such experts; (iii) to make, promptly after each such inspection, all necessary repairs of such structure and earthworks; and (iv) make all necessary modifications in the quality and adequacy of maintenance or methods of operations of
such structures and earthworks, all to be in accordance with appropriate engineering practice and in accordance with the recommendations of said inspection.

Section 4.04. The Borrower shall ensure that, at all times, its department responsible for health monitor the Project area to detect any incidence of malaria and, if necessary, to promptly take any necessary remedial measures.

Section 4.05. The Borrower shall ensure that, at all times, the extraction of water from the Gypsum aquifer pumpwells be carefully monitored to prevent overextraction of such water.

ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified pursuant to paragraph (k) thereof, namely, that any Project law shall have been amended, suspended, abrogated, rescinded, repealed or waived in such a way as to affect materially and adversely the carrying out of the Project or the operation or maintenance of the facilities, works and roads included in the Project.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified pursuant to paragraph (h) thereof, namely, that the event specified in paragraph Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Project Manager, the engineer and the agricultural officer referred to in Section 3.01 (a) (C) hereof shall have been appointed, as provided in such Section.

Section 6.02. The date May 14, 1979, 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 Finance 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 Finance
Nicosia,
Cyprus

Cable address:
MINFINANCE
Nicosia

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:
440098 (ITT)
248423 (RCA) or 64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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 CYPRUS

By /s/ Nicos Dimitriou
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Munir P. Benjenk
Regional Vice President
Europe, Middle East and North Africa
SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Equipment, Vehicles and Other Supplies</td>
<td>900,000</td>
<td>100% of foreign expenditures and 85% of local expenditures</td>
</tr>
<tr>
<td>(2) Civil Works</td>
<td></td>
<td>35%</td>
</tr>
<tr>
<td>(a) under contracts</td>
<td>8,100,000</td>
<td></td>
</tr>
<tr>
<td>(b) certificates of expenditures (force account)</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>(3) Administration and Engineering Consultants' Services for Civil Works</td>
<td>800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>1,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>11,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower; and
(b) the term "local expenditures" means expenditures in the currency of the Borrower and for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. 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.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.
SCHEDULE 2

Description of the Project

The objective of the Project, which is to be carried out in the area between the Tremithinos and Vasilikos River Basins, is to provide Cyprus with an additional annual water supply of about 7.2 million m³ for domestic use and about 9.6 million m³ for the irrigation of about 1,160 ha.

The Project consists of the following Parts:

Part A: Kalavasos Dam

Construction of a multipurpose dam on the Vasilikos River which will be an earth and rockfill structure with a height of about 57m and which will form a reservoir with an initial capacity of about 17 million m³.

Part B: Dhypotamos Dam

Construction of a multipurpose dam on the Pendaskinos River which will be an earth and rockfill structure with a height of about 49m and which will form a reservoir with an initial capacity of about 15 million m³.

Part C: Maroni Diversion

Construction of a diversion system to convey excess flows of the Maroni River to the Dhypotamos reservoir, such system to consist of (i) a diversion dam across the Maroni River with a length of about 26m and a diversion capacity of about 1m³ per second and (ii) a conveyance canal, with a length of about 10.3km, which will include a 550m long tunnel, several syphons and a drop structure into the Dhypotamos reservoir.

Part D: Vasilikos Main Canal and Tokhni Nightstorage Balancing Reservoir

Construction of a canal, with a length of about 10km and a capacity of about 650 liters per second, to run from the Kalavasos Dam to a site above the Vasilikos land area for the purpose of delivering irrigation water to about 830 ha of land in such area, such canal to terminate in a small regulating reservoir with a capacity of about 0.02 million m³.
Part E: Pendaskinos Main Pipeline

Construction, along the Pendaskinos River, of a pipeline, with a length of about 19km, such pipeline to deliver irrigation water from the Dhyopotamos Dam to about 225 ha of land in the Pendaskinos Valley.

Part F: Groundwater Development

Development of two tubewells (equipped with pumps) to extract groundwater from the Gypsum aquifer for irrigation of about 105 ha of land in the Project area.

Part G: Irrigation Distribution Systems

Construction of individual pipe distribution systems up to the farm level for each of the Vasilikos and Pendaskinos areas and the Gypsum aquifer groundwater area, each of such areas to cover about 830, 225 and 105 ha, respectively.

Part H: Land Consolidation and Farm Roads

(a) Land consolidation, on about 1,055 ha in the Vasilikos-Pendaskinos area, to facilitate construction of the optimum irrigation distribution system and provide better access to plots.

(b) Construction of farm roads within the area concerned to ensure access to each farm unit.

Part I: Buildings and Equipment

(a) Construction of an operation and maintenance headquarers building and workshops near Khirkitia and an agriculture research substation in the Project area, such substation to conduct research on problems of importance to said area.

(b) Provision of vehicles and equipment needed by the Project staff for the operation and maintenance of the Project facilities.

*        *        *

The Project is expected to be completed by June 30, 1985.
SCHEDULE 3

Amortization Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>beginning August 15, 1982</td>
<td>460,000</td>
</tr>
<tr>
<td>through August 15, 1993</td>
<td></td>
</tr>
<tr>
<td>On February 15, 1994</td>
<td>420,000</td>
</tr>
</tbody>
</table>

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.
Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>1.40%</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>2.80%</td>
</tr>
<tr>
<td>More than six years but not more than eleven years before maturity</td>
<td>5.15%</td>
</tr>
<tr>
<td>More than eleven years but not more than thirteen years before maturity</td>
<td>6.05%</td>
</tr>
<tr>
<td>More than thirteen years before maturity</td>
<td>7.00%</td>
</tr>
</tbody>
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SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Part C or E hereof, goods and civil works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods and works to be procured on the basis of international competitive bidding, in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Bank as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Bank shall reasonably request; the Bank will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

3. Bidders for the works included in the Project shall be prequalified as described in paragraph 1.3 of Part A of the Guidelines.

4. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding, (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically supplied goods, shall be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.
B. Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A of this Schedule, goods manufactured in Cyprus may be granted a margin of preference in accordance with, and subject to, the following provisions:

1. All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

2. After evaluation, responsive bids will be classified in one of the following three groups:

(1) **Group A**: bids offering goods manufactured in Cyprus if the bidder shall have established to the satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in Cyprus equal to at least 20% of the ex-factory bid price of such goods.

(2) **Group B**: all other bids offering goods manufactured in Cyprus.

(3) **Group C**: bids offering any other goods.

3. All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

4. If, as a result of the comparison under paragraph 3 above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the evaluated bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to: (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such
group C bid; or (ii) 15% of the c.i.f. bid price of such goods
if said customs duties and taxes exceed 15% of such price. If
the group A bid in such further comparison is the lowest, it
shall be selected for the award; if not, the bid from group
C which as a result of the comparison under paragraph 3 is the
lowest evaluated bid shall be selected.

C. Other Procurement Procedures

1. The buildings included in Part I (a) of the Project may be
procured under local procurement procedures acceptable to the
Bank.

2. Small miscellaneous items of equipment included in the
Project may be procured by obtaining quotations from at least
three suppliers; provided, however, that the total cost of such
goods shall not exceed $600,000 equivalent (including taxes) and
that each contract for the purchase of such equipment shall not
exceed $100,000 equivalent (including taxes).

D. Review of Procurement Decisions by the Bank

1. Review of prequalification. The Borrower shall, before
qualification is invited, inform the Bank in detail of the
procedure to be followed, and shall introduce such modifications
in said procedure as the Bank shall reasonably request. The
list of prequalified bidders, together with a statement of their
qualifications and of the reasons for the exclusion of any appli-
cant for prequalification shall be furnished by the Borrower to
the Bank for its comments before the applicants are notified of
the Borrower's decision, and the Borrower shall make such
additions to, deletions from, or modifications in, the said list
as the Bank shall reasonably request.

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

With respect to all contracts for the Project financed out of
the proceeds of the Loan and estimated to cost the equivalent of
$250,000 or more:

(a) Before bids are invited, the Borrower shall furnish
to the Bank, for its comments, the text of the invitations to
bid and the specifications and other bidding documents, together
with a description of the advertising procedures to be followed
for the bidding, and shall make such modifications in the said
documents or procedures as the Bank shall reasonably request.
Any further modification to the bidding documents shall require
the Bank's concurrence before it is issued to the prospective
bidders.

(b) After bids have been received and evaluated, the
Borrower shall, before a final decision on the award is made,
inform the Bank of the name of the bidder to which it intends to
award the contract and shall furnish to the Bank, in sufficient
time for its review, a detailed report, by the consultants
referred to in Section 3.02 of this Agreement, on the evaluation
and comparison of the bids received, together with the recommenda-
tions for award of the said consultants and such other information
as the Bank shall reasonably request. The Bank shall, if it
determines that the intended award would be inconsistent with the
Guidelines or this Schedule, promptly inform the Borrower and
state the reasons for such determination.

(c) The terms and conditions of the contract shall not,
without the Bank's concurrence, materially differ from those
on which bids were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished
to the Bank promptly after its execution and prior to the submis-
sion to the Bank of the first application for withdrawal of
funds from the Loan Account in respect of such contract.

3. With respect to each contract not governed by the preceding
paragraph, the Borrower shall furnish to the Bank, promptly after
its execution and prior to the submission to the Bank of the
first application for withdrawal of funds from the Loan Account
in respect of such contract, two conformed copies of such con-
tract, together with the analysis of the respective bids, recom-
mandations for award and such other information as the Bank shall
reasonably request. The Bank shall, if it determines that the
award of the contract was not consistent with the Guidelines or
this Schedule, promptly inform the Borrower and state the reasons
for such determination.

4. Before agreeing to any material modification or waiver
of the terms and conditions of a contract, or granting an exten-
sion of the stipulated time for performance of such contract, or
issuing any change order under such contract (except in cases of
extreme urgency) which would increase the cost of the contract by
more than 20% of the original price, the Borrower shall inform the Bank of the proposed modification, waiver, extension or change order and the reasons therefor. The Bank, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.

E. Procurement Without Contracting

1. Construction of the Pendaskinos Main Pipeline, together with the installation of the pipes and fittings appurtenant thereto, shall be carried out under force account by the Borrower.

2. Construction of the two tubewells included in Part F of the Project, together with the installation of the equipment appurtenant thereto, shall be carried out under force account by the Borrower through WDD and its department responsible for geological survey.

3. The Borrower shall cause the land consolidation works required under Part H of the Project to be carried out under force account by LCA.