Loan Agreement

(Fruit and Vegetable Export Project)

between

REPUBLIC OF CYPRUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 15, 1981
LOAN AGREEMENT

AGREEMENT, dated May 15, 1981, between REPUBLIC OF CYPRUS (hereinafter called the Borrower) 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 October 27, 1980, 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) "MCI" means the Borrower's Ministry of Commerce and Industry;

(b) "DOT" means the Department of Trade within MCI;

(c) "MANR" means the Borrower's Ministry of Agriculture and Natural Resources;

(d) "DOA" means the Department of Agriculture within MANR;

(e) "LC" means the Loan Commissioners of the Borrower responsible, inter alia, for the provision of credit for agricultural and agro-industrial investments as provided for by the Borrower's Public Loans Law, Chapter 208;

(f) "CCB" means the Borrower's Cooperative Central Bank;

(g) "HEDACC" means the Horticultural Export Development Advisory and Coordinating Committee to be established pursuant to Section 5.01 (b) of this Agreement;
(h) "Project Area" means the area located in the southern part of the Borrower's territory, extending from south of Famagusta, in the east, to areas beyond Paphos in the west and including the agroeconomic regions of Paphos Vines, Paphos Coastal, Limassol Vines, Limassol Coastal, Pissouri, Larnaca Coastal and Paralimni; and

(i) "Sub-loan" means a loan made or proposed to be made by LC utilizing part of the proceeds of the Loan made available to LC pursuant to Section 3.02 of this Agreement for purposes of carrying out Parts A and B of the Project.

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 fourteen million dollars ($14,000,000).

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, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for disbursements made by LC for Sub-loans and 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) No withdrawals shall be made in respect of any Sub-loan exceeding the equivalent of $100,000 unless the Sub-loan shall have been approved by the Bank.

Section 2.03. Except as the Bank shall otherwise agree, procurement by the Borrower of the goods and civil works 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 June 30, 1986 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%)
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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 nine and three-fifths per cent (9-3/5%) 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 May 1 and November 1 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. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with appropriate agricultural, engineering, administrative, economic and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. Without any limitation or restriction upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) make available to LC, under arrangements satisfactory to the Bank, all such proceeds of the Loan which shall from time to time have been withdrawn from the Loan Account on account of Sub-loans under Parts A and B of the Project and all such other amounts out of its own resources as shall be required for the carrying out of Parts A and B of the Project; and

(b) cause LC to ensure that all Sub-loans under Parts A and B of the Project are made pursuant to terms and conditions and under arrangements satisfactory to the Bank, including the principal terms, conditions and arrangements set forth in Schedule 5 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 3.03. In order to assist the Borrower in carrying out Part E (1) of the Project, the Borrower shall employ an
export marketing advisor whose qualifications, experience and
terms and conditions of employment shall be satisfactory to the
Bank.

Section 3.04. The Borrower shall enable and cause MCI to:

(a) (i) maintain and operate HEDACC in accordance with
sound administrative and business practices, (ii) make available
to HEDACC all such office and other facilities, including suitable
support staff, as shall be required to permit HEDACC effectively
to carry out its activities under the Project, and (iii) assign
to HEDACC a suitably qualified officer as HEDACC's permanent
secretary on a full-time basis; and

(b) provide or cause to be provided for export promotion
under Part E of the Project an aggregate amount of not less than
$500,000, in approximately equal installments for fiscal years

Section 3.05. The Borrower shall take, or cause to be taken,
all action necessary to ensure that:

(a) interest on the financing of on-farm development shall
be charged at the rate of not less than 7% per annum; and

(b) appropriate reviews and adjustments of applicable
interest rates for the financing of on-farm development shall be
undertaken at least every two years, or whenever the official
agricultural wholesale output price index has increased by 5% or
more during any twelve-month period or the maximum statutory
interest rate of 9% per annum is increased.

Section 3.06. (a) The Borrower undertakes to ensure, 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 3.07. (a) The Borrower shall furnish to the Bank,
promptly upon their preparation, the plans, specifications,
reports, contract documents and work 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 furnish to the Bank at regular intervals all such information as the Bank shall reasonably request concerning the Project, 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) Upon the award by the Borrower of any contract for goods, works or services to be financed out of the proceeds of the Loan, the Bank may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) Promptly after completion of the Project, but in any event not later than six 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 prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, 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 3.08. (a) 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 carrying out 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.

(b) The location of the wineries under Part B (1) of the Project shall be jointly determined by MANR and MCI in consultation with the manufacturers.
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 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) (i) The Borrower shall maintain or cause to be maintained separate accounts and records adequate to reflect in
accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, including, without limitation to the foregoing, separate accounts reflecting all expenditures for Parts A and B of the Project described in Categories (1), (2) and (3) of the table in paragraph 1 of Schedule 1 to this Agreement on account of which withdrawals are requested from the Loan Account on the basis of certificates of expenditure; and (ii) the Borrower shall retain, or cause to be retained 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 examine such records.

(b) The Borrower shall: (i) have all accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of said accounts 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, including, without limitation to the foregoing, a separate opinion by said auditors in respect of the expenditures and records referred to in paragraph (a) of this Section as to 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 (iii) furnish to the Bank such other information concerning such accounts and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.03. The Borrower shall ensure that all facilities, including buildings, equipment and vehicles, acquired under the Project are at all times adequately operated and maintained and all necessary renewals and repairs thereof are made, in accordance with appropriate technical and engineering practices.

ARTICLE V
Effective Date; Termination

Section 5.01. 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) that the Borrower has completed all action necessary to give full force and effect to the provisions of Section 3.05 (a) of this Agreement relating to interest rates charged on all funds except those provided under Law No. 56 of 1962; and

(b) that the Borrower has established an horticultural export development advisory and coordinating committee under arrangements satisfactory to the Borrower and the Bank.

Section 5.02. The date August 24, 1981, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. 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:       Telex:

INTBAFRAD              440098 (ITT)
Washington, D.C.       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/ Andreas Jacovides  
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Roger Chaufournier  
Regional Vice President  
Europe, Middle East and North Africa
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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) Sub-loans under Part A of the Project</td>
<td>8,114,000</td>
<td>35% of amounts disbursed</td>
</tr>
<tr>
<td>(2) Bulldozers and vehicles under Part A (4) of the Project</td>
<td>1,436,000</td>
<td>100% of foreign expenditures and 85% of local expenditures</td>
</tr>
<tr>
<td>(3) Sub-loans under Part B of the Project</td>
<td>1,900,000</td>
<td>35% of amounts disbursed under Parts B (1) and (2) of the Project and 90% of amounts disbursed on account of Sub-loans under Part B (3) of the Project</td>
</tr>
<tr>
<td>(4) Other vehicles and office equipment required for Project administration by MANR</td>
<td>134,000</td>
<td>100% of foreign expenditures and 85% of local expenditures</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>(5) Consultants' services</td>
<td>436,000</td>
<td>100% of foreign expenditures or 90% if procured locally</td>
</tr>
<tr>
<td>(6) Training abroad</td>
<td>120,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(7) Export promotion services under Part E (3) of the Project</td>
<td>460,000</td>
<td>50%</td>
</tr>
<tr>
<td>(8) Unallocated</td>
<td>1,400,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>14,000,000</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 or 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 any Sub-loan or 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 Project is designed to assist the Borrower in implementing its policy of increasing agricultural productivity and expanding agricultural exports through: (i) the provision of appropriate investments in on-farm development; (ii) upgrading of agricultural processing and marketing facilities; (iii) expansion of agricultural extension services and horticultural and viticultural research; and (iv) the development of suitable arrangements to promote agricultural exports. The Project consists of the following Parts:

Part A: On-Farm Development

The provision of credit facilities by LC through CCB to farmers in the Project Area to finance investments in: (1) protective structures for out-of-season vegetable and flower production; (2) greenhouses for table grape production; (3) fruit tree planting; (4) vine replanting; and (5) water use improvements.

Part B: Processing and Marketing Facilities

The provision of credit facilities by LC to exporters and wine manufacturers in order to finance:

(1) the construction and equipping of three vintage wineries with a crushing capacity of about 3,750 tons of grapes each;

(2) the construction and equipping of two grading and packing facilities for vegetables, of five small rural packing stations, and of packing facilities in the vicinity of Larnaca Airport; and

(3) the procurement of 3 tractor-trucks and 5 semi-trailers with a capacity of about 15 to 25 tons each to be utilized in consolidating and expanding the fruit and vegetable export trade.

Part C: Agricultural Extension

(1) Implementation of a staffing program to increase the number of DOA's qualified extension staff in the Project Area by one viticulturist, one soils and plant nutrition and three plant protection specialists, as well as two beat officers and two agricultural assistants.
(2) The provision of about 24 man-months of specialized overseas training for DOA's extension staff, emphasizing strawberry production.

(3) The provision of vehicles to be utilized in the delivery of extension services in the Project Area.

Part D: Horticultural and Viticultural Research

(1) The provision of about 54 man-months of overseas training for the staff of MANR to enable MANR to provide the expertise required for the carrying out of the Project.

(2) The provision of a mobile soil sterilization unit, chemicals and two fertilizer injection systems for MANR, to be utilized in carrying out research activities for the Project.

(3) Expansion and equipping of DOA's model winery at Limassol, including the provision of a temperature-controlled wine cellar for trial aging of high quality wines, additional laboratory space for analytical and microbiological oenology work and a gas vapor chromatograph and other laboratory equipment.

Part E: Export Promotion

(1) The development and implementation of suitable arrangements to promote cooperation, coordination and integration of the activities of all participants in the horticultural export trade.

(2) The strengthening of MCI to enable it more effectively to carry out its horticultural export promotion activities through the addition to its staff of about: (a) one senior commercial officer and two junior assistant officers for the agricultural section of DOT; (b) two inspectors for its Produce Inspection Service in Larnaca; and (c) two officers for its existing European trade centers.

(3) The establishment and operation by HEDACC of a national export promotion facility with an initial working capital of $1,000,000 equivalent to promote Cyprus as a source of high quality horticultural and viticultural products.

*       *       *

The Project is expected to be completed by December 31, 1985.
SCHEDULE 3
Amortization Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Payment Due</th>
<th>Payment of Principal (expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 1 and November 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>beginning November 1, 1984</td>
<td></td>
<td>585,000</td>
</tr>
<tr>
<td>through November 1, 1995</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On May 1, 1996</td>
<td></td>
<td>545,000</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 4.04), 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 3.04 (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>1.90%</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>3.85%</td>
</tr>
<tr>
<td>More than six years but not more than eleven years before maturity</td>
<td>7.05%</td>
</tr>
<tr>
<td>More than eleven years but not more than thirteen years before maturity</td>
<td>8.30%</td>
</tr>
<tr>
<td>More than thirteen years before maturity</td>
<td>9.60%</td>
</tr>
</tbody>
</table>
SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Part B hereof, goods 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. 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 the imported goods, or the ex-factory price or off-the-shelf price of other goods, offered in such bid; and (ii) customs duties and other import taxes levied in connection with the importation, or the sales and similar taxes levied in connection with the sale or delivery, pursuant to the bid, of the goods shall not be taken into account in the evaluation of the bids.

B. Other Procurement Procedures

Office equipment required for the administration of the Project by MANR may be procured through local shopping.
C. Review of Procurement Decisions by the Bank

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

With respect to all contracts estimated to cost the equivalent of $100,000 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 on the evaluation and comparison of the bids received, 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 submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

2. 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 contract, together with the analysis of the respective bids, recommendations 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.

3. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension 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.
**SCHEDULE 5**

**Principal Terms and Conditions of Sub-loans Under Parts A and B of the Project**

1. **Terms, amount and number of Sub-loans**

<table>
<thead>
<tr>
<th>Sub-loans under the following Parts of the Project</th>
<th>Approximate number of Sub-loans expected to be made</th>
<th>Minimum interest rate per annum</th>
<th>Total Life of Sub-loans including grace period (Years)</th>
<th>Grace period (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part A (1) of the Project</td>
<td>300</td>
<td>7%</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Part A (2) of the Project</td>
<td>112</td>
<td>7%</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Part A (3) of the Project</td>
<td>865</td>
<td>7%</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Part A (4) of the Project</td>
<td>3,000</td>
<td>7%</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Part A (5) of the Project</td>
<td>1,000</td>
<td>7%</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Part B (1) of the Project</td>
<td>3</td>
<td>9%</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Part B (2) of the Project</td>
<td>n.a.</td>
<td>9%</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Part B (3) of the Project</td>
<td>n.a.</td>
<td>9%</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>
2. **Other terms and conditions of Sub-loans**

   (a) All Sub-loans will be secured by appropriate mortgages on the property of sub-borrowers under such Sub-loans or by Government guarantees in the case of displaced sub-borrowers.

   (b) Sub-borrowers under Sub-loans made under Parts A and B of the Project shall be required to procure equipment and works, at a reasonable price after having obtained, in the case of contracts whose price is estimated to exceed the equivalent of $100,000, price quotations from at least three suppliers. Bulldozers required for Part A of the Project procured by the Borrower will be made available to sub-borrowers in accordance with the Borrower's usual charges.

3. **Arrangements under which Sub-loans shall be made**

   (a) All Sub-loans shall be approved and made by LC under adequate contractual arrangements between LC and the sub-borrowers under Sub-loans. CCB will be charged with the administration of disbursements, collection of principal repayments and payments of interest and other charges and with the evaluation of the security to be obtained from sub-borrowers under Sub-loans in Part A of the Project, all on behalf of LC. Sub-loans under Part B of the Project will be made directly to sub-borrowers by LC.

   (b) The Borrower shall, prior to the granting by LC of any Sub-loans under Parts B (1) and (2) of the Project, furnish to the Bank for its approval the detailed designs of the facilities to be financed by said Sub-loans.

   (c) The Borrower shall, in respect of Sub-loans referred to in Section 2.02 (b) of the Loan Agreement, furnish to the Bank an application, in form satisfactory to the Bank, together with an appropriate feasibility study of the proposed investments.