

**CONFORMED COPY**

**LOAN NUMBER 7885-TU**

# **Loan Agreement**

**(Additional Loan for the  
Municipal Services Project)**

**between**

**İLLER BANKASI**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated June 29, 2010**

**LOAN AGREEMENT**

Agreement dated June 29, 2010, between İLLER BANKASI (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement the amount of one hundred seventy eight million two hundred thousand Euro (EUR178,200,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are June 15 and December 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — TERMINATION**

- 4.01. The Effectiveness Deadline is the date one-hundred twenty (120) days after the date of this Agreement.

### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower’s Representative is the Director General of Iller Bankasi.

5.02. The Borrower's Address is:

İller Bankası  
Atatürk Bulvarı No: 21  
Opera Ulus, 06053  
Ankara  
Republic of Turkey

Facsimile:

(312) 508 7898

5.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423(MCI) or  
64145(MCI)

1-202-477-6391

AGREED at Ankara, Republic of Turkey, as of the day and year first above written.

İLLER BANKASI

By /s/ Hidayet Atasoy

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ulrich Zachau

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to support sustainable environmental services in selected municipalities.

The Project consists of the Original Project.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements.**

1. The Borrower, through the PMU, shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual, the EF, and the LARPF, and shall not assign, amend, abrogate or waive any provisions of the Operational Manual, the EF, or the LARPF without prior approval of the Bank.
2. The Borrower shall maintain the PMU, until the completion of the Project, and ensure that the PMU functions at all times in a manner and with staffing, budgetary resources and authority necessary and appropriate for Project implementation, and acceptable to the Bank.
3. The Borrower shall carry out the institutional strengthening under Part C of the Original Project with terms and conditions acceptable to the Bank as set forth in the Operational Manual, and provide adequate resources from its own sources for the implementation of such activities.
4. The Borrower shall, except as the Bank and the Borrower may otherwise agree: (a) open and thereafter maintain on its books, in accordance with its normal financial practices acceptable to the Bank, a separate escrow account to which it shall credit each payment of interest or other charges on, or repayment of principal payments under, any Sub-loan; and (b) utilize all amounts so credited to said separate escrow account to meet the Borrower's payment or repayment obligations to the Bank under this Agreement.
5. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines issued by the Bank on October 15, 2006, which are applicable to all IBRD loans and IDA credits and grants.

##### **B. Sub-projects.**

1. The Borrower shall make Sub-loans to Sub-borrowers on the basis of an appraisal, carried out in accordance with the eligibility criteria and procedures set forth in the Operational Manual, the EF and the LARPF, as satisfactory to the Bank, and including the following terms and conditions:
  - (a) Each Sub-loan shall be approved on the basis of evaluation guidelines adopted by the Borrower and acceptable to the Bank.
  - (b) Sub-projects shall be technically, economically and financially viable and environmentally beneficial and supported by an operational improvement plan.
  - (c) Sub-projects shall support water, waste water and solid waste investments.

- (d) Sub-projects shall have projected household bills at socially affordable levels for the services provided under the Sub-project.
- (e) The Borrower shall obtain the Bank's approval of each Sub-Loan and each Sub-project prior to execution of a Sub-loan Agreement with a Sub-borrower.
- (f) The Borrower shall ensure that each Sub-borrower shall take all necessary measures, including, but not limited, to adjustments of the structure or levels of its tariffs to cover its: (i) operating expenses; (ii) debt service obligations; and (iii) internal financing contribution required for the Sub-project and other investments.
- (g) The Borrower shall ensure that each Sub-project shall comply with the environmental review and land acquisition procedures set forth in the Operational Manual, the EF and the LARPF and require each Sub-borrower applying for a Sub-loan to furnish evidence acceptable to the Bank showing that the Sub-project in respect of which the application has been prepared is in accordance with such procedures, such evidence to include *inter alia* an EIA, EMP and LARP for such Sub-project, as required by the EF and LARPF, respectively.
- (h) The Borrower shall ensure that for Sub-projects which require an EIA and EMP, the Sub-borrower shall carry out such EIA and EMP in a timely manner, requiring such EIA and EMP to be in compliance with: (i) environmental standards acceptable to the Bank; and (ii) the applicable laws and regulations of the Guarantor relating to health, safety and environmental protection, and shall include adequate information on the carrying out of such EIAs and EMPs in the progress reports referred to in Section II.A of this Schedule.
- (i) The Borrower shall ensure that for Sub-projects which require an LARP the Sub-borrower shall carry out: (i) such LARP in a timely manner, requiring such LARP to be in compliance with the Bank's policy on involuntary resettlement; and (ii) the applicable laws and regulations of the Guarantor relating to land acquisition and involuntary resettlement and shall include, *inter alia*, adequate information on the procedures for consultation with people affected by land acquisition resulting in Resettlement as well as disclosure of Sub-project information in the progress reports referred to Section II.A of this Schedule.
- (j) The Borrower shall ensure that for each Sub-project which is located on or otherwise affects trans-boundary waters: (A) the Sub-project does not affect adversely the quality and quantity of water flow and is in compliance with the Guarantor's commitments under the Bucharest and Barcelona Conventions; and (B) the Sub-project includes only rehabilitation works of on-going schemes.
- (k) The Borrower shall supervise, monitor and report on the carrying out by the Sub-borrowers of Sub-projects, in accordance with the Operational Manual, the EF, and the LARPF, and for Sub-projects that require an EIA, EMP or LARP, pursuant to the EF and LARPF, respectively, in accordance with such EIA, EMP or LARP.

- (l) When presenting a Sub-loan to the Bank for approval, the Borrower shall furnish to the Bank an application, in form acceptable to the Bank, together with:
  - (i) a description of the Sub-borrower and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan;
  - (ii) the proposed terms and conditions of the Sub-loan; and
  - (iii) such other information as the Bank or the Borrower shall reasonably request.
  
- (m) Sub-Loans shall be made to Sub-borrowers which each shall have established and maintained during the duration of its respective Sub-loan to the satisfaction of the Borrower that:
  - (i) it has no overdue payments to the Undersecretariat of Treasury of the Guarantor;
  - (ii) a reasonable forecast of its revenues and expenditures shows that its estimated net revenues for each sector for each fiscal year during the term of the debt to be incurred shall be at least 1.2 times its estimated sectoral debt service requirements in such year on all its debt, including the debt to be incurred;
  - (iii) it has a satisfactory financial structure and the organization, management, staff and financial and other resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project;
  - (iv) the respective Sub-borrower has provided evidence of compliance with the Operational Manual, the EF and the LARPF and specifically with the environmental review and land acquisition procedures set forth in the Operational Manual, the EF and the LARPF, including, as required an EIA, EMP and LARP, pursuant to the EF and LARPF, respectively; and
  - (v) the respective Sub-borrower has provided evidence that each Sub-project : (A) does not affect adversely the quality and quantity of water flow and is in compliance with the Guarantor's commitments under the Bucharest and Barcelona Conventions; and (B) includes only rehabilitation works of ongoing schemes for Sub-projects located on trans-boundary waters.
  
- (n) Three (3) months prior to the preliminary acceptance of works, each Sub-borrower shall prepare and adopt a draft operational plan, as satisfactory to the Bank, including financial, technical and institutional arrangements for operation of the assets.
  
- (o) For the purposes of this Section:



- (i) The term "debt" means any indebtedness of the Sub-borrower maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between:
  - (A) the sum of revenues from all sources related to operations and net non-operating income; and
  - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The term "net non-operating income" means the difference between:
  - (A) revenues from all sources other than those related to operations; and
  - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (vi) The term "reasonable forecast" means a forecast prepared by the Sub-borrower not earlier than twelve months prior to the incurrence of the debt in question, which both the Borrower and the Sub-borrower accept as reasonable and as to which the Borrower has notified the Sub-borrower of its acceptability.
- (vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

2. The Borrower shall make each Sub-loan under a Sub-loan Agreement with the respective Sub-Borrower on terms and conditions approved by the Bank, which shall include the following:

- (a) The Sub-loan shall be
  - (i) denominated and repayable in Euro; and to be the equivalent, in Euro, (determined as of the date of the respective dates of withdrawal from the Loan Account or payment out of the designated account) of the value of currency or so withdrawn or paid out of on account of goods, works, and services financed out of the proceeds of the Sub-loan for the Sub-project;
  - (ii) charged interest semi-annually on the principal amount withdrawn and outstanding from time to time at the rate payable under Section 2.04 of this Agreement plus one percent (1%) margin for the administrative costs of the Borrower, except as agreed between the Bank and the Borrower;
  - (iii) be charged a front-end fee of twenty five one-hundredths of one percent (0.25%) and a guarantee fee of ten one-hundredths of one percent (0.1%); and
  - (iv) repayable over a period not exceeding thirty (30) years from the date of the Sub-loan Agreement, inclusive of a grace period not exceeding five (5) years.
- (b) The Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to:
  - (i) suspend or terminate the right of the Sub-Borrower to use the proceeds of the Sub-loan, or declare to be immediately due and payable all or any part of the amount of the Sub-loan then withdrawn, upon the Sub-Borrower's failure to perform any of its obligations under the Sub-loan Agreement; and
  - (ii) require each Sub-Borrower to:
    - (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including:
      - (aa) in accordance with the provisions of the Anti-Corruption Guidelines issued by the Bank on October 15, 2006, which are applicable to all IBRD loans and IDA credits and grants and which are applicable to recipients of loan proceeds other than the Borrower;
      - (bb) for Sub-projects which require an EIA, EMP or a LARP, pursuant to the EF and LARPF, respectively, require the Sub-Borrower to carry out such EIA, EMP or LARP in a timely manner and in accordance with the provisions of

the EF, EIA, EMP, LARPF and LARP as the case may be; and

- (cc) provide evidence that the Sub-project:
  - (I) does not affect adversely the quality and quantity of water flow and is in compliance with the Guarantor's commitments under the Bucharest and Barcelona Conventions; and
  - (II) includes only rehabilitation works of ongoing schemes for Sub-projects located on trans-boundary waters;
- (B) provide, promptly as needed, the resources required for the purpose;
- (C) procure the goods, works and services to be financed out of the Sub-loan in accordance with the provisions of this Agreement;
- (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives;
- (E)
  - (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and
  - (2) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;
- (F) enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents;
- (G) require that:
  - (aa) the Sub-Borrower shall take out and maintain with responsible insurers such insurance, against risks and in such amounts, as shall be consistent with sound business practice; and

- (bb) without limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Sub-loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Sub-borrower to replace or repair such goods; and
  - (H) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.
- 3. The Borrower shall exercise its rights under each Sub-loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Sub-loan Agreement or any of its provisions.

## **Section II. Project Monitoring Reporting and Evaluation**

### **A. Project Reports**

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

### **B. Financial Management, Financial Reports and Audits**

- 1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
- 2. The Borrower shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
- 3. The Borrower shall have its Financial Statements and the Financial Statements for the Project audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

## **Section III. Procurement**

### **A. General**

- 1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set

forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Biddings.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) National Competitive Bidding subject to the additional provisions set forth in the Annex to this Schedule 2
(b) Shopping
(c) Direct Contracting

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Least Cost Selection
(b) Selection based on Consultants' Qualifications
(c) Single-source Selection
(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in EUR)</b>	<b>Percentage of Expenditures to be financed</b>
(1) Goods and Works	167,600,000	100%
(2) Consultants’ services and Training under Part B of the Project	9,100,000	100%
(3) Consultants’ services, audit, and Training under Part C of the Project	1,054,500	100%
(4) Front-end Fee	445,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Interest Rate Cap or Collar Premium	0	Amounts payable pursuant to Section 2.07(c) of this Agreement
<b>TOTAL AMOUNT</b>	<b>178,200,000</b>	

For the purposes of this Schedule: the term “Training” means expenditures incurred to finance the cost of workshops, the cost of related training materials, study tours and related travel expenditures, accommodation and per diem allowances provided to the participants in such training.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made under Categories (1) and (2) unless the Sub-loan has been made in accordance with the criteria and procedures set forth in the Operational Manual and on terms and conditions referred to in Section I.B of Schedule 2 to this Agreement.
2. The Closing Date is December 31, 2014.

## **Annex to**

### **SCHEDULE 2**

#### **Mandatory Provisions for Procurement under Bank-Financed Contracts Subject to National Competitive Bidding**

The Borrower shall use the Bank's Europe and Central Asia Region National Competitive Bidding documents template for goods and works and apply the following provisions in the carrying out of National Competitive Bidding procedures under the Project:

A. Eligibility

Bidding shall not be restricted to domestic bidders. No restriction shall be applied to foreign bidders who wish to submit a bid.

B. Procedures

Invitations to bid shall be advertised in the Official Gazette or in at least one widely circulated national daily newspaper or in an electronic portal of free access allowing a minimum of thirty (30) days for the preparation and submission of bids.

C. Assessment of Bidders' Qualifications

In the procurement of goods and works, where pre-qualification is not used, the qualifications of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying minimum experience, technical and financial requirements which shall be explicitly stated in the bidding documents and which shall be determined by a 'pass/fail' method, not through use of a merit point system.

D. Participation by Government-owned Enterprises

Government-owned enterprises in the Republic of Turkey shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Government. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

E. Bidding Documents

Procuring entities shall use the Bank's sample National Competitive Bidding documents for Europe and Central Asia Region for works and goods and shall draft contract and conditions of contract acceptable to the Bank.



F. Bid Evaluation

- (a) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents and a merit point system shall not be used.
- (b) Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be requested without the prior approval of the Bank.
- (c) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.
- (d) No preference shall apply under National Competitive Bidding.

G. Rejection of All Bids

All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.

### SCHEDULE 3

#### Amortization Schedule

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

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each June 15 and December 15  Beginning June 15, 2015 through December 15, 2039	2%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
  - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

## APPENDIX

### Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Barcelona Convention” means the “Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean” signed on February 16, 1976 and revised in Barcelona, Spain, on June 10, 1995.
3. “Bucharest Convention” means the “Convention on the Protection of the Black Sea Against Pollution” signed on April 21, 1992, in Bucharest, including a basic framework of agreement and three specific Protocols on: (i) the control of land-based sources of pollution; (ii) dumping of waste; and (iii) joint action in the case of accidents (such as oil spills).
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “EIA” or environmental impact assessment means a site-specific study, satisfactory to the Bank, to be prepared by a Sub-borrower pursuant to the EF, in respect of a Sub-project, consisting of, inter alia: (i) a description of the site where the Sub-project activities are to be carried out; (ii) the potential and actual adverse social and environmental impacts of the activities referred to under paragraph (i) above; and (iii) a site specific EMP describing the environmental mitigation, monitoring, and institutional measures required for the site pursuant to the EIA and the EF; and “EIAs” refers to more than one EIA.
7. “EMP” means an environmental management plan, satisfactory to the Bank, to be prepared by a Sub-borrower as part of the site-specific EIA, pursuant to the EF; and “EMPs” refers to more than one EMP.
8. “EF” means the environmental framework prepared by the Borrower, and satisfactory to the Bank, disclosed by the Borrower on April 6, 2009, and updated and re-disclosed at the Bank’s Infoshop on March 2, 2010, describing the rules, guidelines and procedures to assess environmental impacts and defining measures to reduce, mitigate or offset adverse environmental impacts associated with the implementation of activities under the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Bank’s prior written approval.

9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
10. “Land Acquisition and Resettlement Plan” or “LARP” means a site-specific document, including an abbreviated land acquisition and resettlement plan, where appropriate, as set out in the LARPF, to be prepared by a Sub-borrower, and satisfactory to the Bank, containing, *inter alia*, a program of actions, measures and policies for compensation of persons affected by land acquisition, including compensation arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for each Sub-project site; and “Land Acquisition and Resettlement Plans” or “LARPs” means more than one such Land Acquisition and Resettlement Plan.
11. “LARPF” means the Borrower’s land acquisition and resettlement policy framework, disclosed in the Bank’s Infoshop on March 2, 2010, providing procedures and guidelines for the preparation, adoption, implementation and monitoring of LAPs and referred to in paragraph 1 of Section IA of Schedule 2 to this Agreement, as said framework may be amended from time to time with the prior approval of the Bank.
12. “Operational Manual” means the updated manual prepared and endorsed by the Borrower on April 2, 2010, setting out the operational and administrative procedures in respect of the preparation, approval, processing, financing, implementation and supervision of Sub-loans.
13. “Original Loan Agreement” means the Loan Agreement for the Municipal Services Project between the Borrower and the Bank, dated February 8, 2006 (Loan 7312-TU).
14. “Original Project” means the Project described in the Original Loan Agreement.
15. “PMU” means the project management unit of the Borrower, established on April 29, 2005, and confirmed by a decision of the board of directors of the Borrower on January 25, 2006, or any successor to such unit.
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
17. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 2, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
18. “Resettlement” means (i) the involuntary taking of land, including anything growing on or permanently affixed to such land, such as buildings and crops, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the affected persons,

and encompassing restrictions on the use of resources imposed on people living outside a park or protected area, or on those who continue living inside the park or protected area during and after Project implementation.

19. “Sub-borrower” means a municipality or a municipal utility satisfying the appropriate criteria as set forth in Section I.B of Schedule 2 to this Agreement to which the Borrower proposes to make or has made a Sub-loan.
20. “Sub-loan” means a loan made or proposed to be made by the Borrower, out of the proceeds of the Loan for purposes of financing all or a portion of the expenditures incurred by a Sub-borrower for goods, works and consultants’ services under a Sub-Project.
21. “Sub-loan Agreement” means an agreement entered or to be entered into between the Borrower and a Sub-borrower pursuant to Section I.B of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Sub-loan Agreement.
22. “Sub-project” means a specific project, selected in accordance with Section I.B of Schedule 2, which is proposed to be carried out by a Sub-borrower, in whole or in part through the utilization of the proceeds of a Sub-loan.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

*“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

*“Section 7.02. Suspension by the Bank*

... (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in

part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

(b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”