

CONFORMED COPY

LOAN NUMBER 3176 AL

Loan Agreement

(Technical Assistance Project)

between

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 26, 1990

LOAN NUMBER 3176 AL

LOAN AGREEMENT

AGREEMENT, dated September 26, 1990, between DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective

meanings therein set forth, and the following additional terms have the following meanings:

(a) "Economic Reform Program" means the Borrower's program of actions, objectives and policies designed to achieve structural reform of the Borrower's economy, referred to in the Preamble to the Loan Agreement, dated October 17, 1989, entered into between the Borrower and the Bank for an Economic Reform Support Loan (Loan No. 3117-AL);

(b) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(c) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated December 17, 1989 and January 8, 1990 between the Borrower and the Bank;

(d) "MOE" means the Borrower's Ministry of Economy (Ministere de l'Economie);

(e) "Central Bank" means the Borrower's Central Bank (Banque Centrale d'Algerie), established pursuant to the Borrower's Law No. 62/144, dated December 13, 1962;

(f) "CRD" means the Center for Research and Development (Centre de Recherche et de Developpement) to be established and maintained by the Borrower pursuant to the provisions of Section 3.06 of this Agreement;

(g) "SIBF" means the Inter-Bank Training Company (Societe InterBancaire de Formation), established pursuant to the Borrower's Decree No. -, dated 1 19_;

(h) "Participating Financial Institutions" means the Borrower's following seven commercial/development banks: Banque Algerienne de Developpement, established pursuant to the Borrower's Ordonnance No. 71/47, dated June 30, 1971; Banque de l'Agriculture et du Developpement Rural, established pursuant to the Borrower's Notary Act of Algiers, dated February 19, 1989; Banque du Developpement Local., established pursuant to the Borrower's Notary Act of Cherchell, dated February 20, 1989; Banque Exterieur d'Algerie, established pursuant to the Borrower's Notary Act of El Harrach, dated February 5, 1989; Banque National d'Algerie, established pursuant to the Borrower's Notary Act of Algiers, dated February 14, 1989; Caisse Nationale d'Epargne et de Prevoyance, established pursuant to the Borrower's Law No. 64/227, dated August 10, 1964; and Credit Populaire d'Algerie, established pursuant to the Borrower's Notary Act of Algiers, dated February 22, 1989; and

(i) "Dinars" means the unit of currency of the Borrower.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, various currencies that shall have an aggregate value equivalent to the amount of twenty-six million dollars (\$26,000,000) as the sum of withdrawals of the proceeds of the Loan with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in the Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1993 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A, B (1), B (4), B (5), and C of the Project through the agencies or

entities listed in subparagraph (b) (i) of this Section, with due diligence and efficiency and in conformity with appropriate administrative, financial and accounting practices, and shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

- (b) (i) Without any limitation or restriction upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the following agencies or entities shall participate in the carrying out of the stated corresponding part or parts of the Project:

MOE: Parts A, B (4) and C of the Project;
Central Bank: Part B (1) of the Project; and
CRD: Part B (5) of the Project.

- (ii) The Borrower shall enter into agreements, or make arrangements, as the case may be, satisfactory to the Bank, with each of such agencies or entities providing for their respective obligations in the carrying out of such parts of the Project, and shall make available to such agencies and entities the part of the proceeds of the Loan allocated for the carrying out of such parts of the Project.

(c) The Borrower shall relend to SIBF the proceeds of the Loan required for carrying out Parts B (2) and B (3) of the Project under a subsidiary loan agreement (the SIBF Subsidiary Loan Agreement) to be entered into between the Borrower and SIBF, as follows: the Borrower shall relend part of said proceeds of the Loan to SIBF by means of a loan in an aggregate amount not to exceed the equivalent of one million five hundred thousand dollars (\$1,500,000), for purposes of carrying out Parts B (2) and B (3) of the Project under terms and conditions which shall have been approved by the Bank, including, inter alia:

- (i) said loan shall be denominated in dollars and repaid by SIBF to the Borrower in Dinars, at least semi-annually at the official rate of exchange as determined by the Central Bank on the respective dates on which the proceeds of the loan are repaid by SIBF;
- (ii) SIBF shall pay interest on the principal amount of said loan withdrawn and outstanding from time to time at a rate per annum, equal to at least the rate determined pursuant to Section 2.05 of this Agreement;
- (iii) SIBF shall pay to the Borrower the commitment charge set forth in Section 2.04 of this Agreement, allocable to the part of the proceeds of the Loan relent to but not withdrawn by SIBF; and
- (iv) SIBF shall repay said loan over a period not to exceed eight (8) years, including a grace period of three (3) years.

(d) The Borrower shall exercise its rights and comply with its obligations under the SIBF Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the SIBF Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out, or cause to be carried out, the Project in accordance with an implementation program mutually agreed upon and regularly updated by the Borrower and the Bank. Not later than June 30, 1990, and at least once annually thereafter, representatives of the Borrower and the Bank shall meet to review the progress achieved in carrying out the Project and to review and update the said implementation program.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods, services and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.04. (a) The Borrower shall ensure that the Director of Exterior Economic Relations (Directeur Charge des Relations Economiques Exterieures) of the MOE shall at all times have the overall responsibility for carrying out the Project, and shall be assisted by the Project Management Group, referred to in paragraph (b) of this Section.

(b) The Borrower shall establish and thereafter maintain, in a form and with functions and terms of reference all satisfactory to the Bank, a Project Management Group to assist the Director of Exterior Economic Relations of the MOE, referred to in paragraph (a) of this Section, in respect of the overall responsibility for carrying out the Project.

(c) The Borrower shall ensure, or cause to be ensured, that the said Director of Exterior Economic Relations shall prepare and submit to the Bank semi-annual reports, of such scope and in such detail as both the Borrower and the Bank shall agree, on the progress achieved in carrying out the Project.

Section 3.05. The Borrower shall ensure, or cause to be ensured, that the end beneficiaries of the audit training program activities under Part B (4) of the Project shall at all times bear the cost incurred by the Borrower in respect of such activities, said costs to be determined in accordance with a methodology and procedures satisfactory to the Bank.

Section 3.06 The Borrower shall establish and thereafter maintain, or shall cause to be established and thereafter maintained, in a form and with functions and terms of reference all satisfactory to the Bank, a Center for Research and Development (the CRD) for purposes of carrying out Part B (5) of the Project, and shall ensure, or cause to be ensured, that a Director, possessing the requisite qualifications and experience, is appointed to head the CRD.

Section 3.07. For purposes of promoting the viability of SIBF and supervising the carrying out of Parts B (2) and B (3) of the Project, the Borrower shall cause SIBF to appoint, not later than September 30, 1990, an Administrator possessing the requisite qualifications and experience.

Section 3.08. Not later than June 30, 1990, the Borrower shall ensure, or cause to be ensured, that the public enterprises referred to in Part B (5) of the Project shall have been selected.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the agencies or entities responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) Furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

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

- (ii) retain, until at least one (1) year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the MOE, or the Central Bank, or the CRD will be able to carry out any of its respective part or parts of the Project;

(b) Law No. 62/144, dated December 13, 1963, establishing the Central Bank, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Central Bank to carry out its respective part of the Project; and

(c) The Borrower, or any other authority having jurisdiction, shall have taken any action for the dissolution or disestablishment of the Central Bank or the CRD, or for the suspension of the operations of any one or both of them.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, any event specified in paragraphs (a), (b) and (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the SIBF Subsidiary Loan Agreement has been executed on behalf of the Borrower and SIBF.

Section 6.02. The following is specified as an additional matter, with-in the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the SIBF Subsidiary Loan Agreement has been duly authorized or ratified by, and is legally binding upon, the Borrower and SIBF in accordance with its terms and conditions.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy 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 Economy
Immeuble Mauretania
Place du Perou
Algiers
Democratic and Popular Republic
of Algeria

Cable address: Telex:

 FINPLAN 67073
 Algiers

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 197688 (TRT),
 Washington, D.C. 248423 (RCA),
 64145 (WUI) or
 82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

By /s/ Ghazi Hidoue

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ K. Dervis

Acting 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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Equipment and materials (including vehicles):		

(a)	under Parts B (2) and B(3) of the Project	170,000	
(b)	under Part B (4) of the Project	280,000	100% of foreign expenditures and 55% of local expenditures
(c)	under Part B (5) of the Project	150,000	
(d)	under Parts A, B (1) and C of the Project	11,200,000	
(2)	Consultants' services:		
(a)	under Parts B (2) and B (3) of the Project	1,200,000	
(b)	under Part B (4) of the Project	1,980,000	
(c)	under Part B (5) of the Project	4,600,000	100% of total expenditures
(d)	under Parts A, B (1), B (3) and C of the Project	4,970,000	
(3)	Refunding of Project Prepara- tion Advance	1,450,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
	TOTAL	26,000,000	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) expenditures under Categories (1) (c) and (2) (c) of the table in paragraph 1 above, unless the Borrower shall have complied with its obligations under Section 3.06 of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are, in general, to facilitate the implementation of the Economic Reform Program and, in particular, to: (i) strengthen the managerial, technical and administrative capabilities of the MOE and Central Bank; (ii) strengthen the technical capabilities of the Participating Financial Institutions in key areas (iii) strengthen the auditing and capabilities of the Borrower; and (iv) improve the Borrower's international finance management capabilities.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A:

(1) (i) Preparing and carrying out a training program for selected MOE personnel to strengthen their capabilities in, inter alia, the following areas: public finance; administrative, civil and commercial law, and related procedures; and accounting; and (ii) acquiring and installing technical equipment, and acquiring vehicles in connection with said training program.

(2) (i) Preparing and carrying out a computerization program in respect of MOE operations, principally in the following areas: fiscal administration; accounting; land administration; budgetary management; and expenditure control; and (ii) acquiring and installing data processing equipment and related material in connection therewith.

(3) (i) Preparing a study on the cadastral development of the Borrower's territory; (ii) acquiring and installing data processing and related computerized tracing equipment; and (iii) acquiring topographical survey equipment.

Part B:

(1) Providing technical assistance to the Central Bank for, inter alia: (i) improving its banking accounting systems; (ii) carrying out training programs for selected Central Bank managerial staff to strengthen their capabilities in, inter alia: money market management; foreign assets management; international finance management; and risk evaluation; (iii) carrying out a training program for selected personnel of the Central Bank and the Participating Financial Institutions, and other personnel, to strengthen their capabilities in the following areas: risk management; and international finance management; (iv) designing jointly a Central Bank computerization program and a financial sector information system; (v) acquiring and installing computer equipment and related material; and (vi) acquiring and installing money handling and control equipment, and acquiring money transport vehicles.

(2) Carrying out a banking training program for selected personnel of the Participating Financial Institutions, including providing workshops and seminars, and acquiring training equipment in connection therewith.

(3) Strengthening the capabilities of the SIBF in, inter alia, preparing and carrying out banking training activities, and acquiring material related to such strengthening.

(4) Carrying out an audit training program, including seminars, for about four hundred (400) external auditors, one thousand (1,000) internal auditors and sixty-five (65) audit trainers, including acquiring and installing training equipment in connection therewith, and providing internships abroad for external audit trainers.

(5) (i) Organizing and carrying out, or causing to be carried out, a pilot audit program for about twenty (20) or thirty (30) public enterprises and, based on the conclusions and recommendations of such audits, developing a procedural audit manual for public enterprises; and (ii) strengthening the capabilities of the CRD.

Part C:

(1) Preparing the following studies and statistical survey: (i) a study on the Borrower's price system; (ii) a study on promoting the Borrower's non-traditional exports; (iii) a study on the use of funds of insurance companies operating in the Borrower's territory; (iv) a study on the incidence of consumer subsidies in the Borrower's territory; and (v) a statistical survey measuring living standards in the

Borrower's territory.

(2) Preparing the following studies: (i) a study on local taxation; (ii) a study on local accounting; (iii) a study on land management; (iv) a study on the reorganization of local public services; and (v) other studies related to the Economic Reform Program, which studies shall be agreed upon jointly by the Borrower and the Bank.

* * *

The Project is expected to be completed by June 30, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each April 1 and October 1	
beginning October 1, 1995 through April 1, 2005	1,300,000

