

Conformed copy

LOAN NUMBER 4034 AL

Loan Agreement

(Industrial Pollution Control Project)

between

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 19, 1996

LOAN NUMBER 4034 AL

LOAN AGREEMENT

AGREEMENT, dated June 19, 1996, between DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) 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;

(B) Parts B and C of the Project will be carried out, respectively, by ASMIDAL and ENSIDER (as these terms are defined in Sections 1.02 of this Agreement), all with the Borrower's assistance and, as part of such assistance, the Borrower will relend an amount equivalent to thirty five million dollars (\$35,000,000) out of the proceeds of the Loan, as provided in this Agreement, to ASMIDAL and an amount equivalent to thirty two million five hundred thousand dollars (\$32,500,000) out of the proceeds of the Loan, as provided in this Agreement, to ENSIDER;

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, and in the ASMIDAL Project Agreement and the ENSIDER Project Agreement (as these terms are defined in Section 1.02 of this Agreement), both of which are of even date herewith;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Bank shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

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

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

(a) "ASMIDAL" means Entreprise Nationale des Engrais et des Produits Phytosanitaires, the Borrower's National Fertilizer Enterprise, an autonomous public enterprise established pursuant to Decree No. 84-258 of the Borrower, dated September 1, 1984, as the same may be amended from time to time;

(b) "ENSIDER" means Entreprise Nationale de Sidurgie, the Borrower's National Iron and Steel Enterprise, an autonomous public enterprise established pursuant to Decree No. 83-628 of the Borrower, dated November 5, 1983, as the same may be amended from time to time;

(c) "Enterprises" means, collectively, ASMIDAL and ENSIDER; and "Enterprise" means, individually, either one of the Enterprises;

(d) "Basic Legislation" means the Decrees referred to in paragraphs (a) and (b) of this Section, as the same may be amended from time to time;

(e) "respective Part of the Project" means, in the case of: (i) DGE (as this term is hereafter defined), Part A of the Project; (ii) ASMIDAL, Part B of the Project; and (iii) ENSIDER, Part C of the Project;

(f) "ASMIDAL Project Agreement" means the agreement between the Bank and ASMIDAL of even date herewith, as the same may be amended from time to time, and such term shall include all schedules and agreements supplemental to the ASMIDAL Project Agreement;

(g) "ENSIDER Project Agreement" means the agreement between the Bank and ENSIDER of even date herewith, as the same may be amended from time to time, and such term shall include all schedules and agreements supplemental to the ENSIDER Project Agreement;

(h) "Project Agreements" means, collectively, the ASMIDAL Project Agreement and the ENSIDER Project Agreement; and "Project Agreement" means, individually, either one of the Project Agreements;

(i) "ASMIDAL Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ASMIDAL pursuant to the provisions of Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term shall include all schedules to the Subsidiary Loan Agreement;

(j) "ENSIDER Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ENSIDER pursuant to the provisions of Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term shall include all schedules to the Subsidiary Loan Agreement;

(k) "Subsidiary Loan Agreements" means, collectively, the ASMIDAL Subsidiary Loan Agreement and the ENSIDER Subsidiary Loan Agreement; and "Subsidiary Loan Agreement" means, individually, either one of the Subsidiary Loan Agreements;

(l) "Subsidiary Loans" means the loans provided for under the Subsidiary Loan Agreements;

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

(n) "MICLE" means Ministre de l'Intrieur, des Collectivits Locales et de l'Environnement, the Borrower's Ministry of Interior, Local Authorities and Environment, which comprises the State Secretariat responsible for the Environment;

(o) "DGE" means Direction Gnrale de l'Environnement, the Borrower's General Directorate for the Environment within MICLE;

(p) "PIU" means the Project Implementation Unit established within DGE;

(q) "NEF" means Fonds National de l'Environnement, the Borrower's National Environment Fund established pursuant to Section 189 of the Budget Law of the Borrower for Fiscal Year 1992, as the same may be amended from time to time;

(r) "Banque d'Algrie" means the Bank of Algeria, the Borrower's central bank, operating pursuant to the Borrower's Law No. 90-10, dated April 14, 1990, as the same may be amended from time to time;

(s) "Fiscal Year" means the fiscal year of the Borrower covering the twelve (12) month period commencing on January 1 and ending on December 31;

(t) "Category" means a category of items to be financed out of the proceeds of the Loan as set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and

(u) "Wilaya" means an administrative division of the Borrower organized pursuant to the Borrower's Wilaya Law (Loi Relative la Wilaya), No. 90-09, dated April 7, 1990, as the same may be amended from time to time.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of seventy-eight million dollars (\$78,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in Banque d'Algrie 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.

Section 2.03. The Closing Date shall be June 30, 2005, 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 (6) months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six (6) 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 semi-annually on May 15 and November 15 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:

(i) shall carry out Part A of the Project through DGE with due diligence and efficiency and in conformity with appropriate administrative, economic, financial and environmental practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and

(ii) without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause each of ASMIDAL and ENSIDER to perform, in accordance with the provisions of its respective Project Agreement, all the obligations of ASMIDAL and ENSIDER therein set forth, shall cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each of ASMIDAL and ENSIDER to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) (i) of this Section, and in order to facilitate the efficient carrying out of the Project, the Borrower shall maintain PIU, within DGE, with competent staff in adequate numbers, to

perform the day-to-day management functions of Part A of the Project, and to coordinate and report on the execution of Parts B and C of the Project.

(c) The Borrower shall relend: (i) to ASMIDAL, out of the proceeds of the Loan an amount equivalent to thirty five million dollars (\$35,000,000), or such other amount as may be allocated from time to time to Categories (1), (2) (b), (2) (c) and (3) (b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and (ii) to ENSIDER, out of the proceeds of the Loan an amount equivalent to thirty two million five hundred thousand dollars (\$32,500,000), or such other amount as may be allocated from time to time to Categories (2) (d) and (3) (c) set forth in the table in paragraph 1 of Schedule 1 to this Agreement, in each case under a subsidiary loan agreement to be entered into between the Borrower and the Enterprise, under terms and conditions which shall be acceptable to the Bank including those agreed and stipulated in Schedule 6 to this Agreement.

(d) The Borrower shall exercise its rights under each 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 any Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Part A of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts B and C of the Project shall be carried out, respectively, by ASMIDAL pursuant to Section 2.03 of the ASMIDAL Project Agreement and ENSIDER pursuant to Section 2.03 of the ENSIDER Project Agreement.

Section 3.04. For the purposes of Section 9.08 of the General Conditions, and without limitation thereto, the Borrower shall:

(a) prepare on the basis of guidelines acceptable to the Bank and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

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

Section 3.05. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare and furnish to the Bank (i) on a quarterly basis, commencing not later than July 1, 1997, a report on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and (ii) not later than February 1, 2001, or such later date as the Bank shall request, a mid-term report, integrating the results of the monitoring activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said mid-term report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Enterprises and the Bank, not later than July 1, 2001, or such later date as the Bank shall request, the mid-term report referred to in paragraph (b) (ii) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said mid-term report and the Bank's views on the matter.

Financial and Other Covenants

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

(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 nine (9) months after the end of each Fiscal 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 sound accounting practices, 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

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

Section 4.02. In order to achieve the objectives of Part A.4 of the Project, the Borrower shall, not later than January 1, 1999, take all action necessary on its part to expand the powers of NEF to include the authority to finance investments in the areas of pollution control and environmental protection.

Section 4.03. The Borrower shall cause to be taken all measures to enable ASMIDAL to carry out those obligations of ASMIDAL provided for under Sections 2.06 and 2.07 of the ASMIDAL Project Agreement.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) Either Enterprise shall have failed to perform any of its obligations under its respective Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that either Enterprise will be able to perform its obligations under its respective Project Agreement.

(c) The Basic Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of either Enterprise to perform any of its obligations under its respective Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of either Enterprise or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) 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; and

(b) any event specified in paragraphs (c) or (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Subsidiary Loan Agreements shall have been executed on behalf of each of the parties thereto.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the ASMIDAL Project Agreement has been duly authorized or ratified by ASMIDAL and is legally binding upon ASMIDAL in accordance with its terms;

(b) that the ENSIDER Project Agreement has been duly authorized or ratified by ENSIDER and is legally binding upon ENSIDER in accordance with its terms;

(c) that the ASMIDAL Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and ASMIDAL, and is legally binding upon the Borrower and ASMIDAL in accordance with its terms; and

(d) that the ENSIDER Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and ENSIDER, and is legally binding upon the Borrower and ENSIDER in accordance with its terms.

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

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Immeuble Maurtania
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:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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/ Ramtane Lamamra

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Daniel Ritchie

Acting Regional Vice President
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) Civil works under Part B of the Project	1,900,000	80%
(2) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(a) Under Part A of the Project	4,300,000	
(b) Under Part B of the Project, except for goods	25,000,000	

	financed under Category (2) (c)	
(c)	Other goods under Part B of the Project	3,800,000
(d)	Under Part C of the Project	31,000,000
(3)	Consultants' services and training	100%
(a)	Under Part A of the Project	6,200,000
(b)	Under Part B of the Project	4,300,000
(c)	Under Part C of the Project	1,500,000
	TOTAL	78,000,000

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, works 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, works 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 payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditures for expenditures under contracts for: (i) goods and works not exceeding \$300,000 equivalent; (ii) services of consulting firms not exceeding \$100,000 equivalent; and (iii) services of individual consultants not exceeding \$50,000 equivalent, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in reducing hazardous pollution by: (i) strengthening the Borrower's institutional capabilities in the area of environmental protection and management; (ii) strengthening the legal framework governing the protection and management of the environment; and (iii) initiating an investment program aimed at mitigating the adverse impact of industrial pollution on health and the environment.

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: Strengthening of the Institutional and Legal Framework

1. Strengthening the technical and administrative capabilities of the Borrower's national and local administrations in the area of environmental protection and management, through the provision of training and the acquisition of pollution monitoring equipment, office equipment and vehicles.

2. Strengthening the legal framework for the protection and management of the environment through the carrying out of a study on environmental liability, and the development and implementation of suitable regulations to: (a) govern the carrying out of environmental impact assessments of public and private investments; (b) govern the reduction, re-use, handling, transportation and disposal of hazardous waste; and (c) establish an integrated pollution control system designed to mitigate air emissions

and solid and liquid effluents from specific installations through the granting of permits for the operation of said installations.

3. Development of a suitable design for the permit system referred to under Part A. 2 (c) of the Project, and implementation thereof, on a pilot basis, in the Wilaya of Annaba.

4. Strengthening the environmental finance system through the carrying out of studies aimed at: (a) expanding the mandate of NEF to include the authority to finance investments in the areas of pollution control and environmental protection; (b) identifying suitable economic instruments; and (c) identifying and adopting clean technologies.

Part B: ASMIDAL

1. Dismantling and decontamination of the sulfuric and phosphoric acid plants of ASMIDAL.

2. Provision of phosphoric acid and/or mono-ammonium phosphate to compensate for losses in production attributed to the activities referred to under Part B.1 of the Project.

3. Rehabilitation of the gas treatment system in the nitric acid plant and the granulation units used in fertilizer production.

4. Installation of a scrubber or a granulator in the ammonium nitrate plant.

5. Rehabilitation of the harbor reception facility in the port of Annaba.

6. Provision of spare parts and materials for the phosphate and nitrogen fertilizers production lines.

7. Support in the areas of plant operation and management, and workers' health and safety standards, through technical and management training.

Part C: ENSIDER

1. Installation of dust removal systems for the electric and blast furnaces and sintering plants, and installation of a suitable door cleaning system in the coke ovens and a boiler for ammonium distillation.

2. Provision of equipment for the construction of two (2) wastewater treatment plants and the renovation of the existing biological wastewater treatment plant.

3. Provision of laboratory equipment to monitor pollution.

4. Provision of spare parts and materials for the plants referred to under Part C.1 of the Project.

5. Support in the areas of plant operation and management, and workers' health and safety standards, through technical and management training.

* * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15 beginning November 15, 2001 through May 15, 2013	3,250,000

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

Premiums on Prepayment

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

Time of Prepayment	Premium
prepayment	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2

thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost \$300,000 equivalent or less per contract and \$500,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost \$100,000 equivalent or less per contract and \$300,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for Part A of the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

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

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) (a), (2) (b), (2) (c), (2) (d), (3) (a), (3) (b) and (3) (c) as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$4,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$20,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account, shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

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

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

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

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

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

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the

Loan pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the aggregate amount of the Authorized Allocation.

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

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

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

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

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Principal Terms of the Subsidiary Loan Agreements

The principal terms set forth in this Schedule shall apply for the purposes of Section 3.01 (c) of this Agreement.

1. The principal amount of each Subsidiary Loan repayable by the Enterprise to the Borrower shall be the equivalent in terms of the currency of the Borrower (determined on the date or respective dates of withdrawal from the Loan Account or payment out of a Special Account) of the value of the currency or currencies withdrawn from the Loan Account or paid out of a Special Account on account of the cost of goods, works and services required by an Enterprise to carry out its respective Part of the Project, and to be financed out of the proceeds of the Loan allocated from time to time to Categories (1), (2) (b), (2) (c) and (3) (b), in the case of ASMIDAL, and (2) (d) and (3) (c), in the case of ENSIDER, set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

2. The principal amount of each Subsidiary Loan shall be repaid over a period not exceeding ten (10) years, inclusive of a grace period not exceeding three (3) years.

3. Interest shall be charged on the principal amount of each Subsidiary Loan withdrawn and outstanding from time to time at a rate per annum equal to the rate referred to under Section 2.05 of this Agreement.

