

CONFORMED COPY

LOAN NUMBER 4361-AL

Loan Agreement

(Low-Income Housing Project)

between

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated July 9, 1998

LOAN NUMBER 4361-AL

LOAN AGREEMENT

AGREEMENT, dated July 9, 1998, between DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated May 23, 1998, from the Borrower describing a program of actions, objectives and policies designed to further develop the Borrower's low-income housing sector (the Program), and declaring the Borrower's commitment to the execution of the Program;

(B) 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 for Single Currency Loans" of the Bank, dated May 30, 1995, as amended through December 2, 1997 (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "CNL" means the Borrower's National Housing Fund (Caisse Nationale du Logement), a public enterprise established and operating under the supervision of MOH (as this term is hereinafter defined) pursuant to the Borrower's Decree No. 91-144, dated May 12, 1991, as the same may be amended from time to time;

(c) "Developer" means an entity, selected by the local directorates of MOH pursuant to criteria agreed upon with the Bank, which MOH, through CNL, shall entrust with the management and execution of a Sub-Project (as this term is hereinafter defined) under Part A of the Project in accordance with the provisions of a Site Development Agreement (as this term is hereinafter defined);

(d) "FONAL" means the Borrower's National Assistance Housing Fund (Fonds National au Logement), established and operating pursuant to Decree No. 94-218, dated July 23, 1994, as the same may be amended from time to time;

(e) "MOH" means the Ministry of Housing of the Borrower, or any successor thereto;

(f) "Process Guidance Framework" means the policy framework acceptable to the Bank, prepared by the Borrower and transmitted to the Bank on April 4, 1998, for environmental and social impact assessment of Sub-projects (as this term is hereinafter defined) to be carried out under Part A of the Project which, inter alia, outlines the procedures to be followed for purposes of conducting an environmental impact assessment, and sets out a resettlement and rehabilitation framework and a public consultation process;

(g) "Project Area" means the Wilayas (as this term is hereinafter defined) of Algiers, Oran, Constantine, Annaba, Blida and Tipaza, and such other Wilayas as may be agreed between the Borrower and the Bank;

(h) "Site Development Agreement" means a tripartite agreement, acceptable to the Bank, entered into among CNL, the local directorates of MOH and a Developer in accordance with the provisions of paragraph II.B of Schedule 5 to this Agreement for the purposes of carrying-out a Sub-Project (as this term is hereinafter defined) under Part A of the Project;

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

(j) "SU" means the Support Unit to be established in accordance with the provisions of paragraph I of Schedule 5 to this Agreement;

(k) "Sub-project" means a specific project to be carried out under Part A of the Project whose objective shall be (i) the rehabilitation of service infrastructure and dwellings in an urban slum; (ii) the provision of service infrastructure to a non-serviced low-income neighborhood; or (iii) the development of a new site through the provision of service infrastructure, including water and power, and the construction of roads, sewerage systems and drainage systems; and

(l) "Wilaya" means an administrative division of the Borrower organized pursuant to the Borrower's Wilaya Law (Loi Relative a 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, an amount equal to one hundred fifty million Dollars (\$150,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works 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 may, for the purposes of the Project, open and maintain in Dollars a special deposit account in Banque d'Algerie 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 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2003, 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. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time in accordance with the provisions of Schedule 3 to this Agreement.

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 provisions of Schedule 3 to this Agreement.

Section 2.08. CNL is designated as representative of the Borrower for the purpose of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### 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 the Project with due diligence and efficiency and in conformity with appropriate financial, economic, engineering, social and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works 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 3.03. 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 continued achievement of the objectives of the Project; and

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

### ARTICLE IV

#### Financial 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 the Project of the departments or agencies of the Borrower 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 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 (p) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or any significant part thereof, will be carried out.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as an additional condition of effectiveness of the Loan Agreement within the meaning of Section 12.01 of the General Conditions, namely, that the Borrower shall have published in its official gazette a Decree, satisfactory to the Bank, amending Decree No. 95/175 of June 24, 1995, and providing FONAL with the capacity to finance the development of low-income housing sites.

Section 6.02. 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. Except as provided in Section 2.08 of this Agreement, 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:



and 80% of local expenditures for other items procured locally

(3)	Consultants' services and training		
	(a) under Part B.1 of the Project	1,400,000	100%
	(b) under Part B.2 of the Project	1,600,000	100%
(4)	Unallocated	4,200,000	
	TOTAL	150,000,000	=====

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 payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$15,000,000 may be made in respect of Categories (1) and (3) (a) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after May 1, 1998.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for (i) works under contracts costing less than \$750,000 equivalent each; (ii) goods under contracts costing less than \$350,000 equivalent each; (iii) services of consulting firms under contracts costing less than \$100,000 equivalent each; and (iv) services of individual consultants under contracts costing less than \$50,000 equivalent each, 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 improving the living conditions of residents of urban slums and non-serviced neighborhoods in the Project Area.

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: Housing and Infrastructure

Carrying out a program in the Project Area to provide affordable housing and service infrastructure to households in urban slums and non-serviced informal neighborhoods, and develop sites and services for low-income households construction.

#### Part B: Institutional Strengthening

1. Support to CNL, through the provision of goods, expert services and training, to upgrade the human resource functions and management capacities at CNL.

2. Support to MOH, through the provision of (i) training to the staff of MOH's local directorates in Sub-project preparation and management, and environmental assessment and monitoring; (ii) expert services to prepare a study into the fiscal resources of local governments; (iii) expert services to assist MOH in managing the Project and coordinating its implementation; and (iv) expert services for assisting

MOH in setting-up a housing database.

\* \* \*

The Project is expected to be completed by December 31, 2002.

### SCHEDULE 3

#### Interest and Principal Repayment Provisions

##### A. General Definitions

For purposes of Section 2.05 of this Agreement, the following terms have the following meanings:

(a) "Disbursed Amount" means, in respect of each Interest Period, the aggregate principal amount of the Loan withdrawn from the Loan Account in such Interest Period.

(b) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment date to, but excluding, the next following Interest Payment Date.

(c) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(d) "Rate Fixing Date" means, for each Disbursed Amount, the first day of the Interest Period next following the Interest Period in which such Disbursed Amount is withdrawn.

##### B. Interest

1. The principal amount of the Loan shall be divided into Disbursed Amounts. Interest shall accrue on each Disbursed Amount outstanding from time to time at a rate based on a floating rate index prior to its Rate Fixing Date and at a fixed rate from its Rate Fixing Date, as described in paragraph 2 of this Part B.

2. (a) From the date of withdrawal of each amount of each Disbursed Amount withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on each such amount shall accrue, at a rate equal to the applicable:

(i) LIBOR Base Rate; plus

(ii) LIBOR Total Spread.

(b) From the Rate Fixing Date for each Disbursed Amount until final repayment thereof, interest on such Disbursed Amount shall accrue, at a rate equal to the applicable:

(i) Fixed Base Rate; plus

(ii) Fixed Total Spread.

3. For purposes of paragraph 2 of this Part B, the following terms have the following meanings:

(a) "LIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount is withdrawn, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(b) "LIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount is withdrawn:

(i) one half of one percent (1/2 of 1%);

(ii) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or

other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include such Disbursed Amount for such Interest Period; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) "Fixed Base Rate" means, for each Disbursed Amount, the equivalent of the London interbank offered rate for six-month deposits in dollars for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage per annum.

(d) "Fixed Total Spread" means, for each Disbursed Amount:

- (i) one-half of one percent (1/2 of 1%);
- (ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus
- (iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount; as reasonably determined by the Bank and expressed as a percentage per annum.

4. The Bank shall notify the Borrower of LIBOR Base Rate, LIBOR Total Spread, Fixed Base Rate and Fixed Total Spread applicable to each Disbursed Amount, promptly upon the determination thereof.

5. Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Schedule, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in this Schedule, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

#### C. Repayment

1. Subject to the provisions of paragraph 2 of this Part C, the Borrower shall repay each Disbursed Amount of the Loan in semi-annual installments payable on each May 15 and November 15, the first such installment to be payable on the seventh (7th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount and the last such installment to be payable on the eighteenth (18th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount. Each installment shall be one-twelfth (1/12) of such Disbursed Amount.

2. Notwithstanding the provisions of paragraph 1 of this Part C, if any installment of principal of each Disbursed Amount would, pursuant to the provisions of said paragraph 1, be payable after November, 15, 2013, the Borrower shall also pay on said date the aggregate amount of all such installments.

3. After each Disbursed Amount shall have been withdrawn, the Bank shall promptly notify the Borrower of the amortization schedule for such Disbursed Amount.

### SCHEDULE 4

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

###### Part A: General

Goods and works 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 and August 1996 and September 1997 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: Procurement

Procedures for Goods under Part B of the Project and Works under Part A of the Project

1. National Competitive Bidding

Except as provided for under paragraphs 2 and 3 of this Part B, respectively, goods and works shall 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 less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, 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.

3. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$50,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part C: 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 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 and works 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: (i) each contract for goods estimated to cost the equivalent of \$350,000 or more; and (ii) each contract for works estimated to cost the equivalent of \$750,000 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

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to

quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for training under Part B.2 of the Project, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services under Parts B.1, B.2 (i) and B.2 (iii) of the Project shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

I. Project Implementation, Management and Coordination

The Borrower shall vest MOH with the overall responsibility for the implementation of the Project. In order to ensure proper management and coordination of the Project, the Borrower shall establish SU, not later than December 31, 1998, with professional staffing in adequate number, whose qualifications and experience shall be acceptable to the Bank, for purposes, inter alia, of assisting MOH in the preparation of Sub-project documentation and monitoring of Sub-projects' execution.

II. Part A of the Project

A. Sub-Project Eligibility Criteria

1. In order to achieve the objectives of Part A of the Project, the Borrower shall maintain arrangements satisfactory to the Bank pursuant to which MOH shall (a) select,

through the different Directorates of Urban Development within MOH, sites in the Project Area to be developed under Part A of the Project; and, in connection with each such selected site (b) furnish, for the Bank's approval, a Sub-project summary which shall, inter alia (i) describe the site's perimeter, the quality of housing construction thereon, if any, the condition of the site's infrastructure and the prevailing environmental conditions on the site; (ii) certify that a census of the population living on the site has been carried out; (iii) provide a descriptive analysis of the Sub-project's beneficiaries; (iv) articulate the social objectives of the Sub-project; and (v) provide an estimate of the Sub-project's financing requirements.

2. Sub-projects for which initial approval by the Bank shall have been granted in accordance with the criteria described in paragraph A.1 above shall be eligible to be financed under Part A of the Project (a) upon the provision to the Bank by MOH, in connection with a Sub-project approved as described above, of a preliminary plan detailing, inter alia, the Sub-project's infrastructure construction costs, the Sub-project's housing construction costs (for those Sub-projects requiring housing construction) and the Sub-project's engineering designs, together with appropriate maps; and (b) provided each of the following additional criteria has been met to the satisfaction of the Bank:

- (i) that the implementation of the Sub-project be carried out in accordance with the environmental standards and conditions set forth in the Process Guidance Framework. To that end, MOH shall furnish evidence, satisfactory to the Bank and the Borrower, showing that the carrying out of the Sub-project in respect of which financing under Part A of the Project is requested shall comply with the standards and conditions provided for in the Process Guidance Framework, such evidence to include, inter alia, an environmental impact assessment, a public consultation process and, where applicable, a resettlement and rehabilitation plan for affected persons, all on the basis of the principles and procedures specified in the Process Guidance Framework;
- (ii) that the Bank receive from MOH an economic assessment of the Sub-project, together with a cost-benefit analysis therefor, demonstrating, in accordance with a methodology acceptable to the Bank, the economic benefits of the Sub-project; and
- (iii) that the Bank receive a Site Development Agreement, in draft form, containing the principal terms and conditions provided for under paragraph II.B of this Schedule and setting out a detailed financing plan for the Sub-project, together with proposed cost recovery arrangements therefor.

#### B. Site Development Agreements: Principal Terms and Conditions

1. A Site Development Agreement shall establish the Developer's obligation (a) to carry out the Sub-project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices; (b) to procure works required for the carrying out of the Sub-project in accordance with the provisions of paragraphs 1 and 3 of Part B of Schedule 4 to this Agreement; (c) to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practices.

2. A Site Development Agreement shall (a) set out procedures, satisfactory to the Bank, to monitor, against specific outcome indicators, the carrying out by Developers of Sub-projects and the achievement of the objectives of Part A of the Project; (b) describe the steps and measures necessary to ensure that, upon completion of a Sub-project involving housing construction, appropriate land titles shall be delivered to beneficiaries pre-identified pursuant to the provisions of paragraph II. A. 1 of this Schedule; and (c) provide for MOH or its representatives' right to (i) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, the works and construction carried out under the Sub-project, the operation thereof and any relevant records and documents; (ii) obtain from the Developer all such information as the Bank, through the Borrower, or the Borrower shall reasonably request relating to the foregoing provisions of the Site Development Agreement, and to the administration, operations and financial condition of the Developer and to any relevant records and equipment; and (iii) suspend or terminate the rights of the Developer under the Site Development Agreement upon failure by such Developer to perform its obligations under the Site Development Agreement.

C. Procedures

1. No expenditures for works required for a Sub-project shall be eligible for financing under Part A of the Project unless said Sub-project shall have been approved by the Bank in accordance with the eligibility criteria provided for under paragraph II.A of this Schedule.

2. When presenting a Sub-project to the Bank for approval, MOH, through CNL, shall furnish to the Bank an application, in form satisfactory to the Bank, together with (a) a description of the Developer; (b) an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (c) a copy of the Site Development Agreement, including annexes thereto, signed by all three parties thereto; and (d) such other information as the Bank shall reasonably request.

3. Applications made pursuant to the provisions of paragraphs C.1 and C.2 above shall be presented to the Bank on or before June 30, 2001.

III. Part B.1 of the Project

The Borrower shall cause CNL (a) not later than December 31, 1998, to prepare and furnish to the Bank for its review and comments, a draft recruitment plan, together with a draft plan to strengthen CNL's internal audit function and a draft training program to strengthen the capabilities of CNL's staff in financial and project management, and shall, following an exchange of views with the Bank with respect to said plans and program, adopt such plans and program, not later than June 30, 1999, taking into account the Bank's comments thereon; and (b) not later than June 30, 1999, ensure that (i) a suitable electronic database identifying the households beneficiaries of the Borrower's housing assistance program is installed and operating; and (ii) a suitable computerized information system is installed and operating in CNL's offices in each of Algiers, Annaba, Oran and Constantine, not later than June 30, 2000.

IV. Mid-Term Review

The Borrower shall: (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof; (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about December 31, 1999, a report integrating the results of the monitoring and evaluation 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 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 Bank, by June 30, 2000, or such later date as the Bank shall request, the report referred to in paragraph (b) 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 report and the Bank views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

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

(b) the term "eligible expenditures" means expenditures made or to be made 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 \$15,000,000 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 \$10,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of outstanding special commitments entered into by

the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed \$40,000,000.

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 into 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 eligible Categories, and in the 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 for the Special Account, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the 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 any 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.

