

CONFORMED COPY

LOAN NUMBER 3562 LE

Loan Agreement

(Emergency Reconstruction and Rehabilitation Project)

between

LEBANESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated March 8, 1993

LOAN NUMBER 3562 LE

LOAN AGREEMENT

AGREEMENT, dated March 8, 1993, between LEBANESE REPUBLIC (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 A, B, C, D and F of the Project will be carried out by the Council for Development and Reconstruction (CDR) and Part E of the Project will be carried out by Banque du Liban (BdL), all with the Borrower's assistance and, as part of such assistance, the Borrower will make available to CDR and BdL the proceeds of the Loan as provided in this Agreement; 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, in the CDR Project Agreement (as this term is hereafter defined) and in the BdL Project Agreement (as this term is hereafter defined), both 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) 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 and expression have the following meanings:

(a) "BdL" means Banque du Liban, the Borrower's central bank, established and operating pursuant to the Money and Credit Law promulgated by Decree No. 13513 of the Borrower, dated August 1, 1963, as the same may be amended from time to time;

(b) "BdL Administration Agreement" means the agreement to be entered into between the Borrower and BdL pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time;

(c) "BdL Legislation" means the Money and Credit Law promulgated by Decree No. 13513 of the Borrower, dated August 1, 1963, as the same may be amended from time to time;

(d) "BdL Lending Rate" means a rate not to exceed one half of one percent per annum (0.5%) above the Cost of Pooled Resources (as this term is hereafter defined);

(e) "BdL Project Agreement" means the agreement between the Bank and BdL of even date herewith, as the same may be amended from time to time;

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

(g) "Beneficiary" means a household to which a Participating Bank (as this term is hereafter defined) proposes to make or has made a Sub-loan (as this term is hereafter defined) to carry out a Housing Project (as this term is hereafter defined);

(h) "CDR" means Council for Development and Reconstruction, a public authority established and operating pursuant to Decree No. 5 of the Borrower, dated January 31, 1977, as the same may be amended from time to time;

(i) "CDR Legislation" means Decree No. 5 of the Borrower, dated January 31, 1977, as the same may be amended from time to time, Decree No. 433 of the Borrower, dated September 19, 1977, as the same may be amended from time to time; and Decree No. 2981 of the Borrower, dated May 9, 1980, as the same may be amended from time to time;

(j) "CDR Project Agreement" means the agreement between the Bank and CDR of even date herewith, as the same may be amended from time to time;

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

(l) "CDR Subsidiary Agreement" means the agreement to be entered into between the Borrower and CDR pursuant to Section 3.01 (b) of this Agreement;

(m) "Cost of Pooled Resources" means a fluctuating interest rate per annum not to exceed seventy percent (70%) of the rate at which the Borrower shall pay interest under the Loan pursuant to the provisions of Section 2.05 of this Agreement;

(n) "EdL" means Electricite du Liban, a public authority established and operating pursuant to a Law promulgated by Decree No. 16878 of the Borrower, dated July 10, 1964, as the same may be amended from time to time;

(o) "Fiscal Year" means the Borrower's fiscal year commencing on January 1 and ending on December 31;

(p) "Housing Project" means a specific project for the repair or reconstruction of an existing dwelling or the construction of a new dwelling;

(q) "MOE" means the Borrower's Ministry of Environment;

(r) "MOF" means the Borrower's Ministry of Finance;

(s) "MOHER" means the Borrower's Ministry of Hydraulic and Electric Resources;

(t) "MOPT" means the Borrower's Ministry of Post and Telecommunications;

(u) "MOPW" means the Borrower's Ministry of Public Works;

(v) "MOT EVT" means the Borrower's Ministry of Technical Education and Vocational Training;

(w) "NERP" means the National Emergency Reconstruction Program of the Borrower;

(x) "PMU" means the Program Management Unit to be established pursuant to the provisions of Section 3.04 (a) of this Agreement;

(y) "Participating Agreements" means the agreements to be entered into between BdL and the Participating Banks (as this term is hereafter defined) pursuant to the provisions of Section 2.02 of the BdL Project Agreement; and "Participating Agreement" means any such Agreement;

(z) "Participating Banks" means such commercial banks, established and operating in the territory of the Borrower pursuant to the BdL Legislation, as may be agreed between the Borrower and the Bank from time to time; and "Participating Bank" means any such Bank;

(aa) "Participating Loan" means a loan made by BdL to a Participating Bank in accordance with the provisions of Part A of the Schedule to the BdL Project Agreement;

(bb) "SIUs" means, collectively, the Sectoral Implementation Units to be established pursuant to the provisions of Section 3.04 (b) of this Agreement; and "SIU" means any such Unit;

(cc) "Special Accounts" means, collectively, the CDR Special Account and the BdL Special Account;

(dd) "Sub-loan" means a loan made or proposed to be made by a Participating Bank out of the proceeds of the Loan allocated to Part E of the Project to a Beneficiary to finance a Housing Project;

and

(ee) "Sub-Loan Lending Rate" means a rate per annum not to exceed five percent per annum (5%) above the BdL Lending Rate.

## 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 one hundred seventy five million dollars (\$175,000,000), 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.

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 shall, for the purposes of Parts A, B, C, D and F of the Project, open and maintain in dollars a special deposit account in BdL 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 4 to this Agreement.

(c) The Borrower shall, for the purposes of Part E of the Project, open and maintain in dollars a special deposit account in BdL 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 December 31, 1996, 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 June 1 and December 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.

Section 2.08. CDR is hereby designated as representative of the Borrower in respect of Parts A, B, C, D and F of the Project for the purposes 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.

Section 2.09. BdL is hereby designated as representative of the Borrower in respect of Part E of the Project for the purposes 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause each of CDR and BdL to perform, in accordance with the provisions of its respective Project Agreement, all the obligations of CDR and BdL therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CDR and BdL to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make available as a grant an amount

equivalent to one hundred fifty million dollars (\$150,000,000) out of the proceeds of the Loan to CDR under the CDR Subsidiary Agreement in accordance with terms and conditions which shall have been approved by the Bank.

(c) The Borrower shall exercise its rights under the CDR Subsidiary Agreement in such 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 CDR Subsidiary Agreement or any provision thereof.

(d) The Borrower shall make available twenty five million dollars (\$25,000,000) out of the proceeds of the Loan to BdL under the BdL Administration Agreement in accordance with terms and conditions which shall have been approved by the Bank.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A, B, C, D and F of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to the CDR Project 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: (a) Parts A, B, C, D and F of the Project shall be carried out by CDR pursuant to Section 2.03 of the CDR Project Agreement; and (b) Part E of the Project shall be carried out by BdL pursuant to Section 2.04 of the BdL Project Agreement.

Section 3.04. In order to ensure proper implementation of Parts A, B, C, D and F of the Project, the Borrower shall:

(a) Establish PMU within CDR with staffing whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. The functions of PMU shall include, inter alia, responsibility for (i) overall planning, programming and budgeting for NERP; (ii) coordinating sectoral planning proposals submitted by ministries of the Borrower; (iii) allocating Loan proceeds among sectors and identifying priority activities under Parts A, B, C and D of the Project; (iv) preparing and awarding contracts under Parts A, B, C, D and F of the Project; (v) carrying out disbursement activities under Parts A, B, C, D and F of the Project; and (vi) liaising with ministries and agencies of the Borrower to secure effective Project implementation.

(b) Establish two SIUs within MOHER, one to assist in the implementation of Part A of the Project and the other to assist in the implementation of Part B of the Project, an SIU within MOE to assist in the implementation of Part C of the Project and an SIU within MOPW to assist in the implementation of Part D of the Project, all with staffing whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. The functions of the SIUs shall include, inter alia, responsibility for (i) carrying out sector planning, including master plans, feasibility studies and the preparatory work for the employment of consultants; (ii) supervising the preparation of engineering and tender documents and the packaging of contracts; (iii) employing and supervising consultants; (iv) providing technical support in procurement matters; (v) supervising Project implementation; (vi) periodical reporting to CDR on progress in Project implementation; and (vii) assisting in carrying out the studies referred to under Part F of the Project and the action plan referred to under Section 4.03 of this Agreement, provided, however, that the provisions of the preceding Sub-section (vii) shall not apply to the SIU to be established within MOPW.

Section 3.05. Without limitation or restriction upon the provisions of Section 9.01 of the General Conditions, the Borrower

and the Bank shall, not later than September 30 of each year until completion of the Project, commencing in calendar year 1994, jointly carry out an annual review to assess overall progress toward achieving Project objectives.

#### ARTICLE IV

##### Financial and Other Covenants

Section 4.01. (a) 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) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

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

Section 4.02. Without limitation or restriction upon the provisions of Section 3.01 of this Agreement, and for purposes of ensuring adequate funding for recurrent costs under Parts A, B, C, and D of the Project, the Borrower shall, for each Fiscal Year until completion of the Project, take all measures necessary on its part to make budgetary allocations in such amounts as shall be satisfactory to the Bank.

Section 4.03. The Borrower shall, not later than December 31, 1993, prepare and furnish to the Bank for its review and comments an action plan designed to improve cost recovery in the Borrower's water supply and waste water, power and solid waste sectors through the generation of revenues sufficient to fund sector operations, maintenance and recurrent costs.

Section 4.04. The Borrower shall cause operation and maintenance services under Parts A, B and C of the Project to be performed by private sector contractors whenever ministries or

agencies of the Borrower are unable to adequately carry out such services.

Section 4.05. The Borrower shall take such steps satisfactory to the Bank as shall be necessary to protect itself against risks of loss resulting from the rate of exchange between the currencies used in its operations.

#### 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 CDR or BdL shall have failed to perform any of its obligations under its respective Project Agreement.

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

(c) Either the CDR Legislation or the BdL Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CDR or BdL, as the case may be, 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 CDR or BdL or for the suspension of either of CDR or BdL's 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 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 CDR Project Agreement has been duly authorized or ratified by CDR, and is legally binding upon CDR in accordance with its terms;

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

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

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

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

##### Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Sections 2.08 and 2.09 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:

Minister of Finance  
Ministry of Finance  
Beirut, Lebanese Republic

Telex:

923.235.13

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

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.

LEBANESE REPUBLIC

By /s/ Simon Karam  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caio Koch-Weser  
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:		
(a) under Part A of the Project	5,000,000) )	90% prior to July 1, 1994; 60% from July 1, 1994 to June 30, 1995 and 30% thereafter
(b) under Part B of the Project	- ) )	
(c) under Part C of the Project	9,000,000) )	
(d) under Part D of the Project	8,000,000) )	
(2) Equipment and materials:		
(a) under Part A of the Project	43,000,000) )	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items pro- cured locally
(b) under Part B of the Project	29,000,000) )	
(c) under Part C of the Project	16,000,000) )	
(d) under Part D of the Project	6,000,000) )	
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Consultants' services under Parts D.2, D.3 and F of the Project	16,000,000	100%
(4) Sub-loans under Part E of the Project	25,000,000	100%
(5) Unallocated	18,000,000	
TOTAL	175,000,000 =====	

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:

(a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed thirteen million dollars (\$13,000,000), may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after January 1, 1993;

(b) under Categories (1), (2) and (3), unless PMU has been established in accordance with the provisions of Section 3.04 (a) of this Agreement;

(c) under Categories (1) (a) and (2) (a), unless the SIU to assist in the implementation of Part A of the Project has been established in accordance with the provisions of Section 3.04 (b) of this Agreement or unless the Borrower has made other arrangements satisfactory to the Bank to implement Part A of the Project;

(d) under Categories (1) (b) and (2) (b), unless the SIU to assist in the implementation of Part B of the Project has been established in accordance with the provisions of Section 3.04 (b) of this Agreement or unless the Borrower has made other arrangements satisfactory to the Bank to implement Part B of the Project;

(e) under Categories (1) (c) and (2) (c), unless the SIU to assist in the implementation of Part C of the Project has been established in accordance with the provisions of Section 3.04 (b) of this Agreement or unless the Borrower has made other arrangements satisfactory to the Bank to implement Part C of the Project;

(f) under Categories (1) (d) and (2) (d), unless the SIU to assist in the implementation of Part D of the Project has been established in accordance with the provisions of Section 3.04 (b) of this Agreement or unless the Borrower has made other arrangements satisfactory to the Bank to implement Part D of the Project; and

(g) under Category (4), unless (i) the Borrower has established to the satisfaction of the Bank the availability to the Borrower of concessional funds for Part E of the Project which shall, when pooled with the proceeds of the Loan allocated to Part E of the Project, result in a cost of funds to the Borrower equal to the Cost of Pooled Resources; and (ii) BdL has entered into Participating Agreements with at least three (3) Participating Banks.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower, within the framework of the NERP, to: (a) implement a program to rehabilitate, repair and reconstruct damaged physical and social infrastructure facilities and housing; and (b) strengthen the Borrower's institutional capabilities in implementing the NERP.

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: Water Supply and Waste Water

Provision of equipment, materials and civil works to: (i) protect water sources; (ii) rehabilitate treatment, disinfection, pumping, transmission and distribution facilities; and (iii) rehabilitate sewerage systems.

Part B: Power

Provision of equipment, materials and civil works to reconstruct and rehabilitate damaged distribution facilities and networks and to upgrade existing facilities.

Part C: Solid Waste

Provision of equipment, materials and civil works to: (i) prevent further environmental degradation caused by the dumping of solid waste; (ii) replace damaged and obsolete collection equipment; and (iii) create and operate suitable disposal sites.

Part D: Education

1. Provision of equipment, materials and civil works to rehabilitate technical and vocational public schools, including repair and replacement of equipment.
2. Provision of materials and consultants' services to develop curricula and prepare and produce new student textbooks and teacher guides.
3. Provision of consultants' services to strengthen the institutional capabilities of MOTEVT and assist it in carrying out personnel training seminars.

Part E: Housing

Provision, through BdL and Participating Banks, of Sub-loans to Beneficiaries to finance Housing Projects.

Part F: Institutional Strengthening

1. Provision of consultants' services:
  - (a) to MOPT to carry out a study to identify and recommend suitable measures to restructure the Borrower's telecommunications sector to facilitate the participation of the private sector in the provision of telecommunications services;
  - (b) to MOHER to carry out a study to define a long-term strategy for the efficient development of the Borrower's power sector, identify and recommend suitable options to restructure said sector, define a suitable regulatory framework and recommend measures to mitigate the environmental impact of sector-related activities; and
  - (c) to MOE to carry out a study designed to recommend a long-term solid waste management strategy and identify suitable measures for the efficient development of solid waste services.
2. Provision of consultants' services to:
  - (a) to MOF to assist in enhancing its revenue collection and strengthening its economic and financial management;
  - (b) MOPT to improve sector management, facilitate the rehabilitation of existing assets, improve operations and maintenance and help introduce private sector participation;
  - (c) MOHER to assist in the rehabilitation, restructuring and development of the Borrower's power sector and in the reorganization and restructuring of the Borrower's water and waste water sector;
  - (d) MOHER and EdL to improve sector management, develop improved management information systems as well as financial, accounting, billing, collection, human resource development and training procedures; and
  - (e) CDR to prepare engineering designs and tender documents and supervise construction work under Parts A, B, C and D of the Project.

\* \* \*

The Project is expected to be completed by June 30, 1996.

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 1, 1997	4,110,000.00
June 1, 1998	4,265,000.00
December 1, 1998	4,420,000.00
June 1, 1999	4,585,000.00
December 1, 1999	4,755,000.00
June 1, 2000	4,935,000.00
December 1, 2000	5,115,000.00
June 1, 2001	5,305,000.00
December 1, 2001	5,505,000.00
June 1, 2002	5,710,000.00
December 1, 2002	5,920,000.00
June 1, 2003	6,140,000.00
December 1, 2003	6,370,000.00
June 1, 2004	6,605,000.00
December 1, 2004	6,850,000.00
June 1, 2005	7,105,000.00
December 1, 2005	7,370,000.00
June 1, 2006	7,640,000.00
December 1, 2006	7,925,000.00
June 1, 2007	8,220,000.00
December 1, 2007	8,525,000.00
June 1, 2008	8,845,000.00
December 1, 2008	9,170,000.00
June 1, 2009	9,510,000.00
December 1, 2009	9,865,000.00
June 1, 2010	10,235,000.00

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\* 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
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment 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 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

CDR Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 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 thirteen million dollars (\$13,000,000) to be withdrawn from the Loan Account and deposited in the CDR Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the CDR 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 CDR Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the CDR 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 a deposit or deposits 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 CDR Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the CDR Special Account, the Borrower shall furnish to the Bank requests for deposits into the CDR 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 CDR 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 CDR 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 CDR 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 CDR 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; or

(b) 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 Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 CDR 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 CDR 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 CDR 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 CDR 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 CDR 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 CDR 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 5

##### BdL Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (4) 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 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 Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to two million dollars (\$2,000,000) to be withdrawn from the Loan Account and deposited in the BdL Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the BdL 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 BdL Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the BdL 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 a deposit or deposits 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 BdL Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the BdL Special Account, the Borrower shall furnish to the Bank requests for deposits into the BdL 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 BdL 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 BdL Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the eligible Category, and in the equivalent amount, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the BdL 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 BdL 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Category, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 Category 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 BdL 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 BdL 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 BdL 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 BdL 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 BdL 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 BdL 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.

