

CONFORMED COPY

LOAN NUMBER 3064 TUN

(Fifth Urban Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated June 30, 1989

LOAN NUMBER 3064 TUN

LOAN AGREEMENT

AGREEMENT, dated June 30, 1989, between REPUBLIC OF TUNISIA (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 and B.2 of the Project will be carried out by Banque de l'Habitat (BH), with the Borrower's assistance and, as part of such assistance, the Borrower will make available to BH a part of the proceeds of the Loan as provided in this Agreement; and

(C) the Borrower has contracted from external sources of funds (the Cofinanciers) loans (the Cofinance) in an aggregate amount equivalent to at least fifteen million dollars (\$15,000,000), to assist in financing part of the Project on the

terms and conditions set forth in agreements (the Cofinancing Agreements) entered into between the Borrower and the Cofinanciers; 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 and in the Project Agreement of even date herewith between the Bank and BH;

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 in Schedule 6 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

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

(a) "BH" means Banque de l'Habitat, a housing bank established and operating pursuant to Law No. 89-18 of February 22, 1989, and to Statutes of BH adopted by BH's shareholders on April 28, 1989;

(b) "MEH" means Ministere de l'Equipement et de l'Habitat, the Borrower's Ministry of Public Works and Housing;

(c) "AFH" means Agence Fonciere d'Habitation, the Borrower's Land Development Agency, established and operating pursuant to Law No. 73-21 of April 14, 1973;

(d) "SNIT" means Societe Nationale Immobiliere de Tunisie, the Borrower's housing company, established and operating pursuant to Law No. 57/19 of September 10, 1957;

(e) "Sub-project" means a specific sub-project under Part A of the Project to be carried out utilizing the proceeds of a Sub-loan;

(f) "Sub-loan" means a loan to be made by BH in part out of the proceeds of the Loan for the financing of a Sub-project;

(g) "Low Cost Dwelling" means a housing unit whose selling price is estimated, pursuant to the provisions of the Schedule to the Project Agreement, not to exceed 20,000 Dinars;

(h) "Moderate Cost Dwelling" means a housing unit whose selling price is estimated, pursuant to the provisions of the Schedule to the Project Agreement, to be greater than 20,000 Dinars, but not more than 30,000 Dinars;

(i) "Low Cost Lot" means a lot of land whose selling price per housing unit to be constructed thereon, upon completion of its preparation, is estimated, pursuant to the provisions of the Schedule to the Project Agreement, not to exceed 3,500 Dinars;

(j) "Moderate Cost Lot" means a lot of land whose selling price per housing unit to be constructed thereon, upon completion of its preparation, is estimated, pursuant to the provisions of the Schedule to the Project Agreement, to be greater than 3,500 Dinars, but not more 7,000 Dinars;

(k) "Beneficiary" means an individual or a developer to whom BH has made or proposes to make a Sub-loan;

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

(m) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BH pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and the term "Subsidiary Loan" means the loan provided under the Subsidiary Loan Agreement;

(n) "OTC" means Office de la Topographie et de la Cartographie, the Borrower's Office of Topography and Cartography, established and operating pursuant to Law No. 74/100 of December 25, 1974;

(o) "Contrat Programme" means a document setting forth the policies to be followed and the objectives to be achieved by AFH, SNIT and OTC and the undertakings of the Borrower in connection with the achievement of such objectives, and to be executed between MEH, AFH, SNIT and OTC, respectively;

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

(q) "Dinars" or "TD" mean the Borrower's currency;

(r) "Fiscal Year" means the Borrower's fiscal year which runs from January 1 to December 31; and

(s) "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.

## 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 fifty-eight million dollars (\$58,000,000), 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: (i) amounts paid (or, if the Bank shall so agree, amounts to be paid) by BH on account of withdrawals made by a Beneficiary under a Sub-Loan for a Sub-project under Part A of the Project to meet the reasonable cost of the goods and services or housing unit required for the Sub-project in respect of which the withdrawal from the Loan Account is requested; and (ii) expenditures made (or if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts B and C of the Project and to be financed out of the proceeds of the Loan.

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

Section 2.03. The Closing Date shall be June 30, 1995, 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 per cent ( $3/4$  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 per annum for each Interest Period equal to one-half of one per cent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of 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 for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts B.1, B.3 and C of the Project with due diligence and efficiency and in accordance with appropriate administrative, financial, engineering, urban development and planning practices, and provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause BH to perform in accordance with the provisions of the Project Agreement all the obligations of BH 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 BH to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) For the purpose of carrying out Parts A and B.2 of the Project, the Borrower shall relend to BH the proceeds of the Loan allocated from time to time to Categories (1), (2) and (3) required for the carrying out of Parts A and B.2 under a subsidiary loan agreement to be entered into between the Borrower and BH, under terms and conditions which shall have been approved by the Bank including the principal terms and conditions set forth in Schedule 7 to this Agreement.

(d) The Borrower shall exercise its rights under the Subsidiary Loan 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 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 Parts B.1, B.3 and C 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 9.05, 9.06 and 9.07, of the General Conditions (relating to use of goods and services, plans and schedules, records and reports, respectively) in respect of Parts A and B.2 of the Project shall be carried out by BH pursuant to Section 2.04 of the Project Agreement.

Section 3.04. The Borrower shall: (a) furnish to the Bank an action plan satisfactory to the Bank with a timetable for the carrying out of Part C.1 of the Project;

(b) not later than June 30 each year, review with the Bank the progress achieved in carrying out such action plan; and

(c) based on such review, take all measures which may be deemed necessary to improve its performance in relation to land registration and management activities during the following year.

Section 3.05. Under Parts B.1, B.3 and C of the Project, the Borrower shall: (a) not later than June 30 each year, review with the Bank the progress achieved in carrying out: (i) the program to simplify the regulatory system applicable to its urban planning activities; and (ii) AFH's, SNIT's and OTC's Contrats Programmes; and (b) thereafter, based on such review, take all measures which may be deemed necessary to adjust such program or to amend such Contrats Programmes.

#### ARTICLE IV

##### 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 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 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.

Section 4.02. The Borrower shall introduce, not later than December 30, 1990, or such later date as the Borrower and the Bank shall agree, a system, satisfactory to the Bank, for the proper regulation of real estate and land development activities in the Borrower's territory.

#### ARTICLE V

##### Remedies of the Bank

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

(a) BH shall have failed to perform any of its obligations under the 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 BH will be able to perform its obligations under the Project Agreement.

(c) The Law or Statutes referred to in Section 1.02 (a) of this Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of BH to perform any of its obligations under the Project Agreement.

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

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of the Cofinance or any other loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.

(B) Any such loan shall have become payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obli-

gations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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 days after notice thereof shall have been given by the Bank to the Borrower;

(b) any of the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

#### 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 Agreement has been executed on behalf of the Borrower and BH.

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 Project Agreement has been duly authorized or ratified by BH, and is legally binding upon BH in accordance with its terms; and

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

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of Planning 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:

Ministere du Plan  
7 Place Ali Zouaoui  
Tunis  
Republic of Tunisia

Cable address:

Telex:

MINISTERE DU PLAN

MIPLAN  
1517

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:

440098 (ITT),  
248423 (RCA) or  
64145 (WUI)

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.

REPUBLIC OF TUNISIA

By /s/ Abdelaziz Hamzaoui  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kemal Dervis  
Acting Regional Vice President  
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Sub-loans under:		
(a) Part A (1) (a), A (2) (a), A (3) (a) and A (4) (a) of the Project	33,000,000	60% of amounts disbursed by BH
(b) Part A (1) (b), A (2) (b), A (3) (b), and A (4) (b) of the Project	17,000,000	40% of amounts disbursed by BH
(c) Part A (5) of the Project	1,000,000	70% of amounts disbursed by BH
(2) Training and consultants' services	1,000,000	100% of foreign expenditures and 80% of local expenditures



Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Materials and equipment:		
(a) under Parts B and C.2 of the Project	500,000 )	100% of foreign expenditures and 80% of local expenditures for items procured locally
	) )	
	) )	
	) )	
	) )	
(b) under Part C.1 of the Project	3,000,000 )	
	) )	
(4) Unallocated	2,500,000	
	<hr style="width: 10%; margin: 0 auto;"/>	
TOTAL	58,000,000	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) expenditures under Category (3) (b), unless the Bank has received the action plan referred to in Section 3.04 (a) of this Agreement.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist the Borrower in: (i) increasing private sector participation in land development and housing construction activities; (ii) mobilizing domestic private savings and promoting a more market oriented housing finance system; (iii) simplifying its regulatory framework for land and housing development activities; and (iv) strengthening its land information management system.

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 Land Development

The provision of Sub-loans by BH for Sub-projects for:

- (1) development by developers of (a) Low Cost Lots and (b) Moderate Cost Lots;
- (2) construction by developers of (a) Low Cost Dwellings and (b) Moderate Cost Dwellings;

- (3) acquisition by individuals of new (a) Low Cost Dwellings and (b) Moderate Cost Dwellings;
- (4) construction by individuals of (a) Low Cost Dwellings and (b) Moderate Cost Dwellings; and
- (5) extension and rehabilitation by individuals of housing units.

Part B: Technical Assistance

1. Strengthening of MEH through:

(a) the carrying out of a review of the regulatory system applicable to urban planning activities and the development and carrying out of a program to simplify such system;

(b) the carrying out of studies on the rental housing sector;

(c) the carrying out of a program to improve institutional capabilities in the management of urban development, consisting of: (i) a study to restructure planning procedures; (ii) design and introduction of an information system for land development; (iii) preparation of a master plan for the metropolitan area of Tunis; and (iv) design and introduction on a pilot basis for an urban area to be selected by the Borrower in agreement with the Bank of an information system for urban development;

(d) the provision of computer hardware and software, materials and equipment; and

(e) the carrying out of a training program for MEH's staff.

2. Strengthening of BH through:

(a) the provision of technical assistance to BH for: (i) setting up BH's internal organization, including, inter alia, the creation of a marketing department and the strengthening of its appraisal capabilities; and (ii) introducing and managing new savings instruments;

(b) the design and introduction of a management information system;

(c) the development and execution of a training program for BH's staff; and

(d) the provision of computer hardware and software, materials and equipment.

3. Strengthening of AFH and SNIT through the finalization and implementation of AFH's and SNIT's Contrats Programmes, including:

(i) the development and carrying out of training programs for AFH and SNIT staff;

(ii) the design and introduction of a management information system for each of AFH and SNIT; and

(iii) the provision of computer hardware and software, materials and equipment.

Part C: Land Information Management

1. Land Registration:

(a) Carrying out of a program to strengthen the Borrower's land registration and management system, and provision of computer hardware and software, materials and equipment therefor; and

(b) (i) Strengthening of OTC's capabilities in the carrying out of topographical surveys and preparation of cadastral maps, and provision to OTC's regional offices of computer hardware and software, materials and equipment therefor. (ii) Finalization and implementation of OTC's Contrat Programme.

2. Production of maps.

\* \* \*

The Project is expected to be completed by December 31, 1994.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each April 1 and October 1 beginning October 1, 1994 through October 1, 2005	2,415,000
On April 1, 2006	2,455,000
* 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

Time of Prepayment	Premium
	The interest rate (expressed as 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 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: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent

with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Republic of Tunisia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Goods estimated to cost less than the equivalent of \$150,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

Consultants' services shall be procured under contracts awarded to consultants: (a) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (b) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis 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.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (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 \$5,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 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 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 made 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; 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 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

##### Modifications of the General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

1. The last sentence of Section 3.02 is deleted.
2. The words "the Bank may by notice to the Borrower or the Guarantor terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount to the Loan shall be cancelled." set forth in the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified Part V (d) of the Schedule to the Project Agreement, no applications or requests permitted under said Schedule shall have been received by the Bank in respect of any portion of the Loan, or having been so received, shall have been denied, the Bank, may by notice to the Borrower terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

SCHEDULE 7

Principal Terms and Conditions  
of the Subsidiary Loan Agreement

The following are the principal terms and conditions of the Subsidiary Loan Agreement to be entered into between the Borrower and BH pursuant to Section 3.01 (c) of this Agreement:

(1) The principal amount of the Subsidiary Loan repayable by BH shall be the equivalent in Dinars (determined as of the date, or the respective dates, of withdrawal from the Loan Account or the Special Account, as the case may be) of the currency or currencies so withdrawn on account of expenditures for Parts A and B.2 of the Project financed under Categories (1), (2) and (3) of the table set forth in paragraph 1 of Schedule 1 to this Agreement.

(2) The Subsidiary Loan shall be repaid by BH over a period of seventeen years, including a grace period of five years.

(3) BH shall pay interest on the amounts of the Subsidiary Loan withdrawn and outstanding from time to time at a rate equal at least to the greater of (a) the rate applicable to the Loan pursuant to Section 2.05 of this Agreement on the date of the Subsidiary Loan Agreement plus one half of one percentage point and (b) the rate applicable on said date to loans with a maturity of one week made by the Borrower's Central Bank to financial institutions to enable said institutions to meet their liquidity requirements.

