

CONFORMED COPY

LOAN NUMBER 3561 AL

Loan Agreement

(Housing Completion and Sector Development Project)

between

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 17, 1993

LOAN NUMBER 3561 AL

LOAN AGREEMENT

AGREEMENT, dated March 17, 1993, between DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Banking Legislation" means the Borrower's Money and Credit Law (Loi Relative la Monnaie et au Credit) No. 90-10, dated April 14, 1990, as the same may be amended from time to time;

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

(c) "Budget Legislation" means, in connection with every Fiscal Year (as this term is hereafter defined), the Legislative Decree to be issued by the President of the Supreme Council of State of the Borrower containing the Borrower's budget for such Year;

(d) "CNEP" means the Borrower's National Savings and Contingency Fund (Caisse Nationale d'Epargne et de Prevoyance), established and operating pursuant to the Borrower's Law No. 64-227, dated August 19, 1964, as the same may be amended from time to time;

(e) "CNL" means the Borrower's National Housing Fund (Caisse Nationale du Logement), established and operating pursuant to the Borrower's Decree No. 91-144, dated May 12, 1991, as the same may be amended from time to time;

(f) "EPLF" means, collectively, the Borrower's Promotion and Family Housing Enterprises (Entreprises de Promotion et de Logement Familial) set forth in Schedule 7 to this Agreement, established and operating pursuant to the Borrower's Ministerial Decisions also set forth in Schedule 7 to this Agreement, as the same may be amended from time to time;

(g) "Fiscal Year" means the fiscal year of the Borrower commencing on January 1 and ending on December 31;

(h) "MOE" means the Borrower's Ministry of Economy;

(i) "MOH" means the Borrower's Ministry of Housing;

(j) "OPGIs" means the Borrower's Promotion and Land Management Enterprises (Offices de Promotion et de Gestion Immobiliere), established and operating pursuant to the Borrower's Executive Decree No. 91-147, dated May 12, 1991, as the same may be amended from time to time;

(k) "PCC" means the Project Coordination Committee to be established pursuant to the provisions of Section A.2 of Schedule 5 to this Agreement;

(l) "SHPR" means the Borrower's Social Housing Program for Rent managed by the OPGIs;

(m) "SHPS" means the Borrower's Social Housing Program for Sale managed by the EPLF and the OPGIs;

(n) "Sector Development Program" means the Borrower's program of actions, objectives and policies designed to further the efficient development of the Borrower's housing sector and described in a letter to the Bank dated January 22, 1993; and

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

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 two hundred million dollars (\$200,000,000), 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 and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special 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 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 semi-annually 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.

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 through MOH with due diligence and efficiency and in conformity with appropriate financial, administrative and housing sector 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 Sector Development Program and 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 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. Without limitation or restriction upon the provisions of Section 9.01 of the General Conditions, the Borrower and the Bank shall, not later than October 31, 1994, carry out a joint review to assess overall progress achieved in carrying out the Project and the Sector Development Program, including the measures set forth in Section C of Schedule 5 to this Agreement.

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 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Additional Events of Suspension

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

- (a) that the Borrower has not issued implementing regulations satisfactory to the Bank to put into effect the procedures referred to in paragraph (a) (ii) of Section C.3 of Schedule 5 to this Agreement by March 31, 1994; and
- (b) that the progress achieved by the Borrower in carrying out the Project, including the measures set forth in Section C of Schedule 5 to this Agreement, and the Sector Development Program shall not have been satisfactory to the Bank in light of the review referred to in Section 3.03 of this Agreement, and that the Borrower and the Bank shall have failed to agree on a new timetable for the carrying out of the Borrower's obligations set forth in this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) that the Borrower has established PCC in accordance with the provisions of Section A.2 of Schedule 5 to this Agreement; and
- (b) that the Borrower has entered into such agreements as shall be necessary to on-lend the equivalent of at least forty million dollars (\$40,000,000) out of the proceeds of the Loan allocated to Part B of the Project to importers pursuant to the provisions of Sections B.2 and B.3 of Schedule 5 to this Agreement.

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

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

For the Borrower:

Ministry of Economy
Palais du Gouvernement
Algiers
Democratic and Popular Republic of Algeria

Cable address:

FINPLAN
Algiers

Telex:

67073

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA)
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.

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

By /s/ Nourredine Y. Zerhouni

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) Goods under Part A of the Project	130,000,000	100% of foreign expenditures
(2) Goods under Part B of the Project	65,000,000	100% of foreign expenditures
(3) Vehicles, equipment and materials under Part C of the Project	300,000	100% of foreign expenditures and 80% of local expenditures for other items procured locally

(4) Consultants' services and training under Part C of the Project	4,700,000	100%
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TOTAL	200,000,000	
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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 and 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 to exceed twenty million dollars (\$20,000,000), may be made in respect of Categories (1) and (2) on account of payments made for expenditures before the date of this Agreement but after January 1, 1993.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in (a) accelerating completion of the SHPS and the private sector housing stock under construction; and (b) implementing the policies specified in the Sector Development Program and designed to increase the economic efficiency of the Borrower's housing sector.

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: SHPS

Import of critical building materials including cement, wood, steel rods, small construction equipment, spare parts and finishing products required for the completion of at least fifty one thousand three hundred (51,300) SHPS units under construction.

Part B: Private Sector

Import of critical building materials including cement, wood and steel rods required for the completion of part of the private sector's housing stock under construction.

Part C: Technical Assistance

1. Provision of consultants' services to assist the Borrower in carrying out various studies with a view to implementing key housing policy objectives in the following critical areas: (a) housing supply incentives; (b) creation of an enabling environment for the development of a housing finance market; and (c) defining a new housing subsidy system.

2. Provision of consultants' services to assist the Borrower in mitigating the environmental impact of construction-related activities through the strengthening of MOH's environmental management capacity and the increase in the level of cooperation between the Borrower's ministries and agencies.

3. Provision of vehicles, equipment and software materials to MOH to improve its capacity to monitor the completion of the Borrower's construction programs.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 1, 1997	4,700,000.00
June 1, 1998	4,870,000.00
December 1, 1998	5,055,000.00
June 1, 1999	5,240,000.00
December 1, 1999	5,435,000.00
June 1, 2000	5,640,000.00
December 1, 2000	5,845,000.00
June, 1 2001	6,065,000.00
December 1, 2001	6,290,000.00
June 1, 2002	6,525,000.00
December 1, 2002	6,765,000.00
June 1, 2003	7,015,000.00
December 1, 2003	7,280,000.00
June 1, 2004	7,550,000.00
December 1, 2004	7,830,000.00
June 1, 2005	8,120,000.00
December 1, 2005	8,420,000.00
June 1, 2006	8,735,000.00
December 1, 2006	9,060,000.00
June 1, 2007	9,395,000.00
December 1, 2007	9,745,000.00
June 1, 2008	10,105,000.00
December 1, 2008	10,480,000.00
June 1, 2009	10,870,000.00
December 1, 2009	11,275,000.00
June 1, 2010	11,690,000.00

* 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 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

1. Except as provided in Part B 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 1992 (the Guidelines), subject, for purposes of this Agreement, to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Business;
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by a predisclosed correction factor acceptable to the Bank to be applied to the bid price. Such an increase shall not be taken into account in the bid evaluation.

Part B: Other Procurement Procedures

1. Goods estimated to cost the equivalent of \$1,000,000 or less per contract, up to an aggregate amount equivalent to \$24,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Contracts for spare parts estimated to cost \$15,000,000 in total which the Bank agrees (i) are of proprietary nature; (ii) need to be compatible with other installed equipment; or (iii) the timely supply thereof is critical to the efficient Project execution may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

Part C: 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, 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 6 to this Agreement. Notwithstanding the foregoing provisions of this paragraph, bidding documents for contracts awarded in accordance with the

procedures set forth in Part A hereof shall conform to model bidding documents agreed upon between the Borrower and the Bank.

(b) The provisions of the preceding subparagraph (a) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

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

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out Part C of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants 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 (the Consultant Guidelines).

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than fifty thousand dollars (\$50,000) equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to one hundred thousand dollars (\$100,000) equivalent or above.

SCHEDULE 5

Implementation Program

A. Project Management, Administration and Coordination

1. The Borrower shall vest in MOH the overall responsibility for the management and administration of the Project. MOH shall coordinate with the appropriate ministries and agencies of the Borrower to ensure timely and effective Project implementation and shall be responsible for (i) monitoring completion of the SHPS; (ii) selecting importers for purposes of Parts A and B of the Project and ensuring procurement and delivery of imported goods to the SHPS construction contractors, under Part A of the Project, and to the private housing construction contractors, under Part B of the Project; and (iii) administering Part C of the Project.

2. In order to ensure proper Project coordination, the Borrower shall establish PCC within MOH with a permanent technical secretariat whose staffing and terms of reference shall be satisfactory to the Bank. The functions of PCC shall include, without limitation, and in conjunction with the appropriate ministries and agencies of the Borrower, responsibility for (i) monitoring the procurement of goods; (ii) coordinating implementation of activities under Part C of the Project; (iii) furnishing the Bank with quarterly progress reports on Project implementation, such reports to contain, inter alia, detailed descriptions of progress made toward completing construction of the SHPS housing units; (iv) following-up on the preparation and maintenance of the Project accounts; (v) preparing terms of reference for the auditors referred to under Section 4.01 (b) (i) of this Agreement; and (vi) not later than fifteen (15) days following Project completion, commencing preparation of a Project completion report.

B. Selection of Importers and On-Lending Agreements

1. In order to achieve the objectives of Parts A and B of the Project, the Borrower shall take all measures necessary on its part to ensure that the prequalification and selection of importers shall be carried out in accordance with criteria acceptable to the Bank.

2. Without prejudice to the provisions of paragraph 1 above and in order to achieve the objectives of Part B of the Project, the Borrower shall on-lend the proceeds of the Loan allocated to the import of goods under Part B of the Project to importers selected pursuant to paragraph 1 above under on-lending agreements to be entered into between the Borrower and said importers pursuant to terms and conditions which shall

include those set forth in paragraph 3 below.

3. The principal amount in foreign exchange to be on-lent to each importer shall: (a) be the equivalent in dollars of said amount (determined as of the date or respective dates of withdrawal by the importer); (b) have a maturity of three hundred and sixty (360) days; (c) be charged, on the portions thereof withdrawn and outstanding from time to time, interest at a rate per annum equal to the dollar 360-day London Interbank Offered Rate; and (d) repayable in two equal installments.

C. Measures Referred to in Sections 3.03 and 5.01 of this Agreement

1. SHPS

Completing, through EPLF, the construction of (a) thirteen thousand (13,000) housing units by December 31, 1993; (b) thirty thousand (30,000) housing units (on a cumulative basis) by December 31, 1994; and (c) fifty one thousand three hundred (51,300) housing units (on a cumulative basis) by December 31, 1995.

2. CNEP

(a) Preparation and furnishing to the Bank for its review and comments, not later than June 1, 1994, of audit reports reflecting CNEP's financial and institutional position as of December 31, 1992.

(b) On the basis of the preliminary findings of the institutional audit reports referred to in paragraph (a) above, establishment, not later than November 1, 1993, of a committee, or such other competent body, with responsibility for (i) the reorganization of CNEP, in whole or in part, into a commercial bank; and (ii) reforming the housing savings system.

(c) Not later than June 30, 1994, commencing implementation of regulatory measures requiring CNEP to introduce adjustable interest rates in its housing lending operations, all in accordance with a plan agreed upon with the Bank on the basis of the reports referred to in paragraph (a) above.

(d) Without delay, and in order to facilitate the carrying out of the measure referred to in paragraph (c) above, taking all measures necessary to introduce in CNEP's new housing loan contracts a clause authorizing CNEP to revise the terms of a loan whenever an adjustment to CNEP's standard rate of interest has occurred.

(e) Based on the measures referred to in paragraphs (a), (b), (c) and (d) of this Section, submission to the Bank for its review and comments, not later than December 31, 1994, of draft legislation providing for the reorganization of CNEP, in whole or in part, into a commercial bank, and adoption of said legislation, not later than September 30, 1995, taking into account the Bank's comments thereon.

3. Housing Subsidy Program

(a) Carrying out, not later than October 31, 1993, of the first phase of a study to identify the source and application of funds in the housing sector, including, without limitation, the flow of funds linked to subsidies, and, based on the findings of said study, furnishing to the Bank for its review and comments (i) the projected level of budgetary allocations for the housing sector for Fiscal Year 1994; and (ii) the management and targeting procedures relative to those subsidies which shall, in part, substitute for the implicit subsidies linked to the difference, if any, between the commercial financing terms and the concessional financing terms of sector imports.

(b) On the basis of the findings of the second phase of the study referred to in paragraph (a) above, submission to the Bank for its review and comments, not later than October 31, 1994, of a proposed multi-year subsidy program to be prepared in light of the measures referred to in paragraphs (c) and (d) below.

(c) Completion, not later than June 30, 1994, of the financial restructuring of the OPGIs and, thereafter, submission to the Bank for its review and comments, not later than December 31, 1994, of draft regulations requiring the establishment of a rent system designed to achieve full recovery of SHPR costs.

(d) Submission to the Bank for its review and comments, not later than October 31, 1994, of draft legislation modifying the current social housing purchase subsidy system.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (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 Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to seven million dollars (\$7,000,000) to be withdrawn from the Loan Account and deposited in 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 paid out of the Special Account for eligible expenditures.

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

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

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; 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 7

EPLF

1. The Promotion and Family Housing Enterprise of Batna, established and operating pursuant to the Borrower's Ministerial Decision No. 523, dated January 16, 1985.
2. The Promotion and Family Housing Enterprise of Bejaia, established and operating pursuant to the Borrower's Ministerial Decision No. 521, dated January 16, 1985.
3. The Promotion and Family Housing Enterprise of Blida, established and operating pursuant to the Borrower's Ministerial Decision No. 3055, dated April 15, 1985.
4. The Promotion and Family Housing Enterprise of Tebessa, established and operating pursuant to the Borrower's Ministerial Decision No. 1262, dated May 31, 1986.
5. The Promotion and Family Housing Enterprise of Tlemcen, established and operating pursuant to the Borrower's Ministerial Decision No. 727, dated December 14, 1985.
6. The Promotion and Family Housing Enterprise of Tiaret, established and operating pursuant to the Borrower's Ministerial Decision No. 3056, dated April 15, 1985.
7. The Promotion and Family Housing Enterprise of Mascara, established and operating pursuant to the Borrower's Ministerial Decision, dated September 19, 1990.
8. The Promotion and Family Housing Enterprise of Tizi-Ouzou, established and operating pursuant to the Borrower's Ministerial Decision No. 518, dated January 16, 1985.
9. The Promotion and Family Housing Enterprise of Alger, established and operating pursuant to the Borrower's Ministerial Decision No. 525, dated January 16, 1985.
10. The Promotion and Family Housing Enterprise of Jijel, established and operating pursuant to the Borrower's Ministerial Decision No. 866, dated April 7, 1985.
11. The Promotion and Family Housing Enterprise of Skikda, established and operating pursuant to the Borrower's Ministerial Decision No. 516, dated January 16, 1985.
12. The Promotion and Family Housing Enterprise of Sidi-Bel-Abbes, established and operating pursuant to the Borrower's Ministerial Decision No. 1310, dated June 11, 1986.
13. The Promotion and Family Housing Enterprise of Annaba, established and operating

pursuant to the Borrower's Ministerial Decision No. 3054, dated April 15, 1985.

14. The Promotion and Family Housing Enterprise of Oum El Bouaghi, established and operating pursuant to the Borrower's Ministerial Decision No. 485, dated December 11, 1985.

15. The Promotion and Family Housing Enterprise of M'Sila, established and operating pursuant to the Borrower's Ministerial Decision No. 2562, dated December 30, 1986.

16. The Promotion and Family Housing Enterprise of Oran, established and operating pursuant to the Borrower's Ministerial Decision No. 1403, dated February 14, 1985.

17. The Promotion and Family Housing Enterprise of Bordj-Bou-Arrej'Idj, established and operating pursuant to the Borrower's Ministerial Decision No. 520, dated January 16, 1985.

18. The Promotion and Family Housing Enterprise of Boumerdes, established and operating pursuant to the Borrower's Ministerial Decision No. 517, dated January 16, 1985.

19. The Promotion and Family Housing Enterprise of Ain-Defla, established and operating pursuant to the Borrower's Ministerial Decision No. 280 dated February 1, 1986.

20. The Promotion and Family Housing Enterprise of Relizane, established and operating pursuant to the Borrower's Ministerial Decision No. 859, dated April 7, 1986.

21. The Promotion and Family Housing Enterprise of El Tarf, established and operating pursuant to the Borrower's Ministerial Decision No. 65, dated December 6, 1987.

22. The Promotion and Family Housing Enterprise of Tipaza, established and operating pursuant to the Borrower's Ministerial Decision No. 526, dated January 16, 1985.

23. The Promotion and Family Housing Enterprise of Medea, established and operating pursuant to the Borrower's Ministerial Decision No. 2367, dated November 30, 1986.

