

CONFORMED COPY

LOAN NUMBER 3813 AL

Loan Agreement

(Mascara Emergency Reconstruction Project)

between

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated December 20, 1994

LOAN NUMBER 3813 AL

LOAN AGREEMENT

AGREEMENT, dated December 20, 1994, between DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; 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, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

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

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

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

(b) "BDL" means the Borrower's Local Development Bank (Banque de Developpement Local), an economic public entreprise (Entreprise Publique Economique) established as such on February 20, 1989, pursuant to the Borrower's Law No. 88-03, dated January 12, 1988, as the same may be amended from time to time;

(c) "BAD" means the Borrower's Algerian Development Bank (Banque Algerienne de Developpement), established and operating pursuant to the Borrower's Ordinance No. 71-47, dated June 30, 1971, as the same may be amended from time to time;

(d) "DHW" means the Directorate of Hydraulic Resources within the Wilaya of Mascara (Direction de l'Hydraulique de la Wilaya de Mascara);

(e) "DTP" means the Directorate of Public Works within the Wilaya of Mascara (Direction des Travaux Publics de la Wilaya de Mascara);

(f) "DSA" means the Directorate of Agricultural Services within the Wilaya of Mascara (Direction des Services Agricoles de la Wilaya de Mascara);

(g) "DUC" means the Directorate of Urban Planning and Construction within the Wilaya of Mascara (Direction de l'Urbanisme et de la Construction de la Wilaya de Mascara);

(h) "Implementing Agencies" means, collectively, DHW, DTP, DSA and DUC;

(i) "Sub-loan" means a loan made, or proposed to be made, by BDL to a Beneficiary (as this term is hereafter defined) out of the proceeds of the Loan allocated to Part B.4 of the Project for a Sub-project (as this term is hereafter defined), the principal of which shall not exceed the equivalent in dinars of four thousand four hundred seventy dollars (\$4,470);

(j) "Beneficiary" means the owner of a dwelling, destroyed or damaged in the Earthquake (as this term is hereafter defined), to whom the Borrower, through BDL, proposes to make or has made a Sub-loan;

(k) "Sub-project" means a specific sub-project under Part B.4 of the Project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan;

(l) "MICLERA" means the Borrower's Ministry of Interior, Local Authorities, Environment and Administrative Reforms (Ministere de l'Interieur, des Collectivites Locales, de l'Environnement et de la Reforme Administrative);

(m) "PU" means the Project Unit to be established pursuant to the provisions of Section A.2 of Schedule 5 to this Agreement;

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

(o) "Subsidiary Agreement" means the agreement referred to in Section 3.01 (c) of this Agreement;

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

(q) "Wali" means the representative of the Borrower in a Wilaya;

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

(s) "Project Area" means the Dairas of Mascara, Bou-Hanifia and Sig in the Wilaya of Mascara, all of which were struck by an earthquake on August 18, 1994;

(t) "Earthquake" means the earthquake referred to under paragraph (s) above;  
and

(u) "Dinar" means the currency of the Borrower.

## 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-one million dollars (\$51,000,000), 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 may, for the purposes of the Project, open and maintain in dollars a special deposit account in the 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 7 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1998 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 May 15 and November 15 in each year.

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

Section 2.08. BAD is designated as representative of the Borrower 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. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, construction, health, engineering and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) The Borrower shall make available to BDL an amount equivalent to four million eight hundred thousand dollars (\$4,800,000) out of the proceeds of the Loan under a subsidiary agreement, entered into in accordance with terms and conditions which shall have been approved by the Bank, pursuant to which BDL shall, on behalf of the Borrower, manage the proceeds of the Loan allocated to Part B.4 of the Project.

(d) The Borrower shall exercise its rights under the Subsidiary Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of Part B.4 of the Project, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

(e) Without limitation upon the provisions of paragraphs (c) and (d) above, the Borrower shall cause BDL to (i) make Sub-loans to Beneficiaries for Sub-projects, on the basis of the procedures and principal terms and conditions set forth or referred to in Schedule 6 to this Agreement; and (ii) exercise its rights in relation to each Sub-project in such a manner as to protect the interests of the Bank, the Borrower and BDL, and achieve the purposes of the Project.

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

Section 3.03. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare and furnish to the Bank not later than six (6) months after the Closing Date, or such later date as may be agreed between the Borrower and the Bank, a plan, of such scope and in such detail as the Bank shall reasonably request, for the future operation of the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

#### 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 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. (a) Without prejudice to the provisions of Section 4.01 (a) of this Agreement, the Borrower shall cause BDL to maintain procedures, records and accounts to monitor and record the progress of Part B.4 of the Project and of each Sub-project, all in accordance with consistently maintained sound accounting practices.

(b) The Borrower shall have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank and furnish to the Bank, not later than March 31 of such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested.

#### ARTICLE V

##### Termination

Section 5.01. 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 VI

##### Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Zighout Youssef Palace  
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:

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

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/ Mouloud Belkadi

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Daniel G. Ritchie

Acting Regional Vice President  
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works:		
(a) under Part B.1 of the Project	11,800,000	70%
(b) under Parts A, B.2, B.6 and D of the Project	14,200,000	70%
(c) under Parts B.3 and B.5 of the Project	1,800,000	70%
(d) under Parts C, E and F of the Project	6,800,000	50%
(2) Goods	4,600,000	100% of foreign expenditures and 80% of local expenditures
(3) Sub-loans under Part B.4 of the Project	4,300,000	50% of amounts disbursed by BDL
(4) Consultants' services and studies	2,400,000	80%
(5) Unallocated	5,100,000	
TOTAL	51,000,000	

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 (a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed ten million two hundred thousand dollars (\$10,200,000) may be made in respect of Category (1) (a) on account of payments made before that date but after September 1, 1994; and (b) under Category (3), unless the Borrower has entered into the Subsidiary Agreement with BDL in accordance with the provisions of Section 3.01 (c) of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for such expenditures for goods, works and services under contracts not exceeding \$300,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in rebuilding the economic, social and physical assets in the Project Area with a view to restoring essential facilities and services in the shortest possible time.

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: Education Sector

Repair of ten (10) schools and construction of two schools, and the provision of school materials and equipment therefor.

#### Part B: Housing Sector

1. Development of fourteen (14) housing sites in the Project Area and installation of steel structures thereon to house local people made homeless as a result of the Earthquake.
2. Carrying out structural works for about one thousand nine hundred twenty (1920) agglomerated residential units, each with a living area of about thirty (30) square meters, to be located on the sites referred to under Part B.1 of the Project.
3. Carrying out structural works for about two hundred ten (210) scattered residential units located in the Project Area.
4. Carrying out finishing works on the residential units referred to under Parts B.2 and B.3 of the Project, such works to include, without limitation, plumbing, electrical, painting and carpentry works.
5. Repair of about three hundred eighty five (385) damaged residential units in the Project Area.
6. Reconstruction of three town halls, a telephone and post office, and a fire station in the Project Area.

#### Part C: Agriculture Sector

1. Repair of the damaged part of the existing irrigation system, including the provision of equipment therefor.
2. Construction of about six (6) holding basins.
3. Carrying out a reforestation program in the Wilaya of Mascara.

#### Part D: Health Sector

1. Reconstruction of two (2) health centers and a maternity in the village of Hacine, and health centers in the villages of Khrouf, Sehaldia, Sig, Ouled Sidi Aissa and Sidi Ali Cherif, and the provision of materials and equipment therefor.
2. Repair of a damaged health center in the village of Hacine, and another such center in the village of El-Guetna.

#### Part E: Road Sector

Carrying out of road construction and repair works in the Project Area, and rehabilitation of twenty three (23) kilometers on Road 17.

#### Part F: Water Supply and Sewerage Sector

1. Reconstruction of the water supply and sewer network, and the main transmission



pipe, in the village of Hacine.

2. Construction of five (5) new boreholes to increase water production in the village of Hacine.

3. Provision of about ten (10) trucks and operational equipment.

4. Construction of artificial lagoons in the villages of Hacine and Bou-Hanifia to treat wastewater.

Part G: Studies

Carrying out studies designed to assist the Borrower in (i) preparing a microzoning map for the Mascara area; (ii) detecting potential landslides in the Mascara area; (iii) performing a seismic zoning of selected cities and areas to better assess seismic risks; and (iv) assessing the Borrower's building codes.

Part H: Public Awareness Program and Social Survey

1. Carrying out (a) a public awareness campaign aimed at explaining seism-related risks and protection measures to the local population; and (b) a social survey to evaluate the economic impact of the Earthquake on the local population, particularly women and children, and the financial capability of the local population to repay Sub-loans to be made under Part B.4 of the Project.

2. Provision of vehicles and miscellaneous equipment necessary (a) for the PU to perform its functions; and (b) to carry out the campaign and survey referred to under Parts H.1 (a) and H.1 (b) of the Project, respectively.

\* \* \*

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15	
beginning May 15, 2000 through November 15, 2011	2,125,000

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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 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. 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) and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D.1 (a) of this Section, the Bank's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

###### 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 territory of the Borrower may be granted a margin of preference in accordance with, and subject to, the provisions of paragraph 2.55 and 2.56 of the Guidelines and paragraph 1 through 4 of Appendix 2 thereto.

###### Part C: Other Procurement Procedures

1. Except as provided in paragraph 2 of this Part C, civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Civil works under Parts B.1 and B.5 of the Project, estimated to cost the equivalent of \$11,800,000 in total, may be procured after direct negotiations with contractors, 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 civil works estimated to cost the equivalent of \$1,000,000 or more, and each contract for goods estimated to cost the equivalent of \$300,000 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 7 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account 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 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). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$120,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$60,000 equivalent or above.

#### SCHEDULE 5

##### Implementation Program

A. Project Implementation

1. MICLERA shall have overall responsibility for the implementation of the Project.

2. MICLERA shall establish, not later than January 31, 1995, and thereafter maintain, a Project unit, with staffing whose qualifications and experience shall be acceptable to the Bank, to assist MICLERA in carrying out its Project functions. PU shall be headed by a Project manager (the Project Manager) and shall be responsible, inter alia, for supervising the preparation of technical designs and construction works, carrying out the procurement process and preparing applications for the withdrawal of Loan proceeds.

3. Supervision of PU's work shall be the responsibility of a Coordination Committee, to be established and maintained within the Wilaya of Mascara, consisting of representatives from all sectors covered under the Project and headed by the Wali of Mascara.

4. The Borrower shall cause the Wilaya of Mascara to establish, and thereafter maintain, an advisory committee consisting of a civil engineer, an earthquake expert, a sociologist and an urban planner (the Advisory Committee), whose main function shall be to ensure that the needs of the local population are taken into consideration at the different stages of Project implementation. The Advisory Committee shall also provide guidance to the Implementing Agencies, in connection with seismic risk assessment and protection, and advice to individual dwelling owners on dwelling repairs.

5. MICLERA shall, through PU, carry out Parts B.3, B.5, G and H of the Project, and shall cause DUC to carry out Parts A, B.1, B.2, B.6 and D of the Project, DSA to carry out Part C of the Project, DTP to carry out Part E of the Project and DHW to carry out Part F of the Project, all with due diligence and efficiency and in conformity with appropriate practices.

6. In order to achieve the objectives of Part F.4 of the Project, and of each Part of the Project requiring the carrying out of works, the Borrower shall, through the Implementing Agency concerned, prepare and furnish to the Bank, in respect of each such Part of the Project, a study describing the impact on the environment of the works under implementation. Said study shall set out the measures necessary to be taken in order to mitigate the works' adverse impact on the environment, if any.

#### B. Consultants' Services

The Borrower shall (i) not later than January 31, 1995, employ consultants, pursuant to the provisions of Section II of Schedule 4 to this Agreement, to carry out the studies referred to under Part G of the Project and to assist in supervising construction works under the Project; and (ii) not later than December 31, 1995, or such other date as may be mutually agreed between the Borrower and the Bank, carry out the study referred to under Part H.1 (b) of the Project.

#### C. Progress Reports

Without prejudice to the provisions of Section 9.07 of the General Conditions, the Borrower, through MICLERA, shall, not later than January 31, April 30, July 31 and October 31 of each year until completion of the Project, commencing April 30, 1995, prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, describing the progress achieved in the implementation of the Project and the impact on the environment of works carried out under the Project.

### SCHEDULE 6

#### Sub-Loans: Procedures and Principal Terms and Conditions

Except as the Borrower and the Bank shall otherwise agree, the terms and conditions referred to in this Schedule shall apply for the purposes of Section 3.01 (e) of this Agreement.

#### A. Procedures

1. Each request by a Beneficiary to BDL for a Sub-loan shall contain information, to be prepared by PU, including, without limitation (i) a summary description of the Beneficiary, including his or her name and address, the amount of the Sub-loan, the nature of the works to be carried out under the Sub-project and the Beneficiary's income determined in accordance with the findings of the survey referred to under Part H.1 (b) of the Project; (ii) a description of the expenditures proposed to be financed out of the proceeds of the Sub-loan, including the schedule of amortization thereof; and (iii) such other information as BDL shall reasonably request.

2. The Borrower shall cause BDL, upon making a Sub-loan to a Beneficiary, to forward, without delay, two copies of the contract between BDL and the Beneficiary pertaining to the Sub-loan to PU for submission to the Bank. MICLERA shall, through PU, provide a summary of all Sub-loans as part of the progress reports referred to under Section C of Schedule 5 to this Agreement.

3. Withdrawals of Loan proceeds on account of Sub-loans shall be made only after the Borrower has furnished to the Bank documentary evidence satisfactory to the Bank of the disbursement by the Borrower to BDL of funds for the carrying out of Part B.4 of the Project.

#### B. Principal Terms and Conditions

Sub-loans shall be made on the following principal terms and conditions:

1. The Borrower shall cause BDL to obtain, by written contract with the Beneficiary, or by other appropriate legal means, rights adequate to protect the interests of the Bank, the Borrower and BDL, including, where applicable the right to (a) require the Beneficiary to carry out the Sub-project with due diligence and efficiency and in accordance with sound technical, architectural and engineering standards; (b) require the Beneficiary to maintain adequate records; (c) require that the goods, works and services to be financed out of the proceeds of the Loan be purchased at a reasonable price; (d) require that such goods be used exclusively in the carrying out of the Sub-project; (e) require the Beneficiary to enable the Bank, the Borrower and BDL to inspect the sites, works and construction included in the Sub-project, and any relevant records and documents; and (f) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Loan upon failure by the Beneficiary to perform its obligations under its contract with BDL.

2. Without prejudice to the provisions of paragraph 1 of this Section B, each Sub-loan shall be denominated in Dinars and shall be made to a Beneficiary that shall have established his or her creditworthiness to the satisfaction of BDL, pursuant to criteria established by the Borrower and approved by the Bank, and on terms whereby BDL shall (a) obtain collateral on the Beneficiary's land and the improvements thereon, or other forms of collateral; and (b) not finance the purchase price of land.

3. The principal of each Sub-loan shall consist of two equal parts, one made at an interest rate per annum equal to seven and one half percent (7.5%) repayable over a period of seventeen years, including a four year grace period, the other made at an interest rate per annum equal to one percent (1%) repayable over a period of twenty five (25) years, including a four year grace period.

4. The amount of monthly repayments by a Beneficiary of the principal of, and/or the interest on, a Sub-loan shall not exceed thirty percent (30%) of the Beneficiary's monthly income, such income to be determined in accordance with the findings of the survey referred to under Part H.1 (b) of the Project and to be subject to further verification by BDL.

#### SCHEDULE 7

##### 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, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$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 into the Special Account of an amount or amounts determined by the Bank to be required to pay for eligible expenditures during the four months following the date of each such request, which amount shall not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Bank shall have determined to be so required.

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

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

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

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

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

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

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

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

