

CONFORMED COPY

LOAN NUMBER 7073-AL

Loan Agreement

(Transport Technical Assistance Project)

between

PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated February 12, 2002

LOAN NUMBER 7073-AL

LOAN AGREEMENT

AGREEMENT, dated February 12, 2002, between PEOPLE'S DEMOCRATIC 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 (the Project), has requested the Bank to assist in the financing of the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (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) "Algiers Wilaya" means the administrative division of the Borrower relating to Algiers, organized pursuant to the Borrower's Wilaya Law (Loi relative à la Wilaya) No. 90-09, dated April 7, 1990 and Law No. 01-03, dated May 9, 2001, as the same may be amended from time to time;

(b) "BAD" means the Borrower's Algerian Development Bank (Banque Algérienne de Développement), 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;

(c) "Banque d'Algérie" means 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;

(d) “CAMD” means the civil aviation and meteorology directorate within MOT (as this term is hereinafter defined);

(e) “Coordination and Monitoring Committee” means the coordination and monitoring committee to be established by the Borrower in accordance with Section 5.01 (b) of this Agreement;

(f) “Disbursed Amount” means in respect of each Interest Period, the aggregate principal amount of the Loan withdrawn from the Loan Account in said Interest Period;

(g) “Environmental Audit” means the environmental audit, acceptable to the Bank, to be prepared by the Borrower under Part A.4 of the Project, with a view to: (i) determine the nature and extent of all areas pertaining to any existing facility of the Port of Djen-Djen which, from an environmental point of view, are or may constitute a source of concern; and (ii) identify and justify appropriate mitigating measures with respect to the areas referred to in sub-paragraph (i) above, including an estimate of the cost of said measures and recommendations regarding the timetable for the implementation of said measures;

(h) “Environmental Impact Assessment” means the environmental impact assessment, acceptable to the Bank, to be prepared by the Borrower under Part E.3 (a) of the Project, aiming at, inter alia: (i) identifying and assessing the actual or potential environmental impact of construction activities to be carried out for the Algiers subway system; (ii) evaluating alternatives; and (iii) defining and recommending suitable mitigating, management and monitoring measures with regard to the construction activities referred to in sub-paragraph (i) above, with a view to ensuring compliance of such activities with said measures and to limiting any actual or potential adverse environmental impact;

(i) “Environmental Management Plan” means the environmental management plan for the implementation of the Project, dated December 26, 2001, acceptable to the Bank and incorporated in the Project Implementation Plan (as this term is hereinafter defined), which, inter alia: (i) details the measures to be taken by the Borrower to eliminate or offset the adverse environmental impacts resulting from the carrying out of activities under the Project, or to reduce such impacts to acceptable levels; and (ii) defines the actions to be taken by the Borrower to implement the measures referred to in sub-paragraph (i) above, as such plan may be updated from time to time by agreement between the Borrower and the Bank;

(j) “Maturity Fixing Date” means for each Disbursed Amount, the date on which the amortization schedule for said Disbursed Amount is established, such date being the first day of the Interest Period next following the Interest Period in which said Disbursed Amount is withdrawn;

(k) “MPCR” means the ministry of participation and coordination of reforms of the Borrower (ministère de la participation et de la coordination des réformes);

(l) “MOF” means the ministry of finance of the Borrower;

(m) “MOILC” means the ministry of interior and local collectivities of the Borrower (ministère de l’intérieur et des collectivités locales);

(n) “MOT” means the ministry of transport of the Borrower;

(o) “Project Implementation Plan” means the project implementation plan to be prepared by the Borrower in accordance with Section 5.01 (a) of this Agreement, which, inter alia: (i) defines the respective roles and responsibilities for the implementation of the Project; (ii) details the institutional arrangements for the coordination of the Project; (iii) sets forth the timetable of actions required under the Project; (iv) details the financial management procedures for the Project, including, inter alia, the auditing, accounting and financial reporting arrangements for the Project; (v) includes the Environmental Management Plan; and (vi) describes the procedures to be used for monitoring and evaluating progress towards the achievement of the objectives of the Project; and includes all other relevant provisions, as such plan may be reviewed from time to time by agreement between the Borrower and the Bank;

(p) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(q) “Project Management Unit” means the project management unit established by the Borrower pursuant to decision No. 359-Cab-M of the Minister of Transport dated July 3, 2001;

(r) “SNTF” means the Borrower’s national railway company (Société nationale des transports ferroviaires);

(s) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(t) “Task Force” means the task force referred to in paragraph 2 (b) of Schedule 1 to this Agreement, to be established by the Borrower, under terms of reference satisfactory to the Bank, comprising representatives of MOT, MOF, MOILC and the Algiers Wilaya, to identify and handle the technical and financial aspects involved in the creation of the Urban Transport Management Authority (as this term is hereinafter defined) and to issue recommendations to the Borrower on the measures required for the creation of said Authority; and

(u) “Urban Transport Management Authority” or “UTMA” means the autonomous management and regulatory authority in charge of urban transport of the greater Algiers to be established by the Borrower under Part E.2 of the Project.

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 this Agreement, an amount equal to eight million seven hundred twenty thousand Dollars (\$8,720,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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 services required for the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement.

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

Section 2.03. The Closing Date shall be December 31, 2005, 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 front-end fee in an amount equal to eighty six thousand two hundred sixty Dollars (\$87,200). The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one percent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions, to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one percent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the variable rate; provided, that upon a conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the conversion period, pay interest on

such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.08. (a) Subject to the provisions of paragraph (b) of this Section, the Borrower shall repay each Disbursed Amount of the Loan in semiannual installments payable on each April 15 and October 15, the first such installment to be payable on the eleventh (11th) Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount and the last such installment to be payable on the twenty-ninth (29th) Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount. Each installment except for the last one shall be equal to one nineteenth (1/19th) of said Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of said Disbursed Amount.

(b) Notwithstanding the provisions of paragraph (a) of this Section, if any one or more installments of principal of any Disbursed Amount would, pursuant to the provisions of such paragraph (a), be payable after October 15, 2018, the Borrower shall also pay on such date the aggregate amount of all such installments.

(c) The Bank shall notify the Borrower of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for said Disbursed Amount.

(d) Notwithstanding the provisions of paragraphs (a) through (c) of this Section, in the event of a Currency Conversion of all or any portion of a Disbursed Amount to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; and
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower and the Bank hereby agree that unless otherwise notified by the Borrower in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

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 economic, financial, technical, administrative, environmental and transport 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 4 to this Agreement, the Project Implementation Plan and the Environmental Management Plan.

Section 3.02. Except as the Bank shall otherwise agree, procurement of 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 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may 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 separate 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 limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than June 30, 2002, or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Effective Date; Termination

Section 5.01. 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) the Borrower has prepared and submitted to the Bank a Project Implementation Plan, satisfactory to the Bank; and

(b) the Borrower has established the Coordination and Monitoring Committee, under terms of reference satisfactory to the Bank.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. 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
Immeuble Maurétania
Place de Pérou
Algiers 16000
People's Democratic Republic of Algeria

Cable address:	Telex:	Facsimile:
FINPLAN Algiers	67073	(213) 2-736440

For the Bank:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI); or
64145 (MCI)

(202) 477-6391

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.

PEOPLE'S DEMOCRATIC REPUBLIC
OF ALGERIA

By /s/ Idriss El Jazairy
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Christian Delvoie
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:

<u>Categories</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Consultants' services, training and study tours		100%
(a) for Parts A, B, C, D and F of the Project	4,300,000	
(b) for Part E of the Project	3,500,000	
(2) Fee	87,200	Amount due under Section 2.04 of this Agreement
(3) Unallocated	832,800	
TOTAL	<u>8,720,000</u>	

2. 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 1 (b) unless the Borrower shall have first established the Task Force.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) services under contracts costing less than \$100,000 equivalent each for consulting firms; (ii) services under contracts costing less than \$50,000 equivalent each for individual consultants; (iii) study tours under contracts costing less than \$50,000 equivalent each; and (iv) training activities under contracts costing less than \$50,000 equivalent each, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) set up an institutional and policy framework conducive to private participation in infrastructure and liberalization of the transport sector; (b) demonstrate the viability of mainstreaming transport concessions; (c) strengthen the transport sector's management and regulatory capacities; and (d) rehabilitate railways with a view to increase transport cost efficiency at the national level.

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: Ports

1. Assist, through the provision of technical assistance, in finalizing and implementing a new port institutional framework with a view to strengthen the planning, land management and regulatory capacities of the public administration and create a market-based environment conducive to private sector participation, including: (a) the apportionment of specific responsibilities to port authorities; (b) the evaluation of options to regulate port activities; (c) the review of the legal and regulatory framework; (d) the strengthening of MOT's capacities in handling port and environmental regulations; and (e) the strengthening of the regional port authorities to implement the new port institutional framework.
2. Devise a strategy for the liberalization of commercial port activities, through the provision of technical assistance.
3. Devise a national port development strategy, through the provision of technical assistance.
4. Support the concession process of the Port of Djen-Djen, including: (a) the preparation of technical studies; (b) the carrying out of a market survey; (c) the carrying out of an Environmental Audit; and (d) assistance in executing the concession process, through the provision of technical assistance.
5. Assist in the implementation of the Borrower's program to facilitate international trade procedures, through the carrying out of surveys and the organization of information dissemination activities.

Part B: Airports

1. Evaluate and reform the national airport policy framework with a view to promote new airport concessions and ensure the financial sustainability of the national airport system, through the provision of technical assistance.
2. Assist the Borrower in defining its airport strategy, including the identification and preparation of new airport concession schemes, through the preparation of studies and the organization of a workshop.
3. Develop the regulatory capacity of CAMD, through the provision of technical assistance, training and the carrying out of local information dissemination activities.

Part C: Air Transport

1. Formulate the Borrower's national air transport strategy with a view to liberalize international air transport, including assistance to CAMD in negotiating bilateral and/or multilateral agreements, through the provision of technical assistance and the preparation of studies.
2. Review and adapt the legal, regulatory and institutional framework to the Borrower's liberalization program, and strengthen the management capacity, through the provision of technical assistance and training, the preparation of studies and the organization of study tours.

Part D: Railways

1. Assist the Borrower in redefining and adapting the role of railways in a market-based economy, through the provision of technical assistance and training.
2. Review and adapt the regulatory and institutional framework, through the provision of technical assistance and training.
3. Assist in restructuring SNTF with a view to increase its competitiveness and financial sustainability, through the provision of advisory services, the preparation of studies and the organization of workshops.
4. Strengthen SNTF capacities in financial, technical and commercial management, through the provision of technical assistance.
5. Design a priority investment program to support the rehabilitation of the railways sector, through the carrying out of studies.

Part E: Urban Transport

1. Review and adapt the institutional and financial framework of urban transport in Algiers, including: (a) completion of the study relating to the institutional organization of transport in Greater Algiers; (b) the assessment and revision of price control and funding policies and mechanisms; and (c) assistance in implementing the new institutional framework, through the provision of training and advisory services and the preparation of studies.
2. Establish UTMA and promote the reorganization and expansion of public transport, including: (a) the carrying out of a household survey; (b) the design of a transport master plan for the greater Algiers addressing, inter alia, urban traffic management and parking; and (c) an assessment of transport impact on ambient air quality in the greater Algiers, through the provision of technical assistance and the preparation of studies.
3. Assist in the preparation and carrying out of the concession process of the Algiers subway system, including: (a) the carrying out of an Environmental Impact Assessment; (b) the evaluation of already completed geotechnical surveys; (c) the evaluation of already completed civil works; and (d) the selection of a concessionaire, through the provision of technical assistance.

Part F: Project Financial Management

Design and implementation of a suitable financial management system for the Project, through the provision of technical assistance.

The Project is expected to be completed by June 30, 2005.

SCHEDULE 3

Procurement

Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers", published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of this Schedule.

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract for consulting firms may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$20,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, estimated to cost less than \$50,000, shall be procured under contracts awarded to individual consultants, in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan, as such plan shall have been updated on an annual basis and have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

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

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

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

A. Project Coordination, Implementation and Management

1. The Borrower shall vest MOT with the overall responsibility for the implementation of the Project. To this end, MOT shall be assisted by the Project Management Unit. The Borrower shall maintain the Project Management Unit, throughout the life of the Project, with professional staffing in adequate number, whose experience and terms of reference shall be acceptable to the Bank. The Project Management Unit shall be managed by a Project director who shall operate under the auspices of MOT. The Project Management Unit shall be responsible for, inter alia, the procurement and disbursement processes under the Project, monitoring consultants' performance, coordinating the implementation of Project activities and liaising with SNTF and MOT directorates concerned by the Project. The Borrower shall ensure that a financial management specialist in charge of payments for contracts financed under the Project be designated within BAD.

2. The Project Management Unit shall operate under the auspices of the Coordination and Monitoring Committee. The Coordination and Monitoring Committee shall be presided by the Secretary General of MOT as Committee Chairman and comprise, inter alia, representatives of different MOT directorates and ministries concerned by the Project and the Algiers Wilaya. The Coordination and Monitoring Committee shall oversee the implementation of the Project and liaise with MPCR with regard to privatization transactions in the transport sector.

B. Mid-Term Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about October 31, 2002 a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on, inter alia: (i) the progress achieved in the carrying out of the Project during the period preceding the date of said report; (ii) the progress achieved in the establishment of the Urban Transport Management Authority; (iii) the advancement of the concession process of the Algiers subway, the Algiers Airport and part of the Port of Djen-Djen; (iv) the opening of the port service market to private sector participation; and (v) the advancement of the liberalization of air transport, and setting out the measures

recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by January 31, 2003 or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Category (1) 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 services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means an amount equivalent to \$750,000 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 deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for

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

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

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

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

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

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

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of 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.