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**LOAN NUMBER 7168 - DZ**

# **Loan Agreement**

**(Second Rural Employment Project)**

**between**

**PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

Public Disclosure Authorized

**Dated July 30, 2003**



**LOAN NUMBER 7168 - DZ**

**LOAN AGREEMENT**

AGREEMENT dated July 30, 2003, between the 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) "ANRH" and "Agence Nationale des Ressources Hydrauliques" mean the Borrower's agency in charge of water resource studies and expertise, established by Decree 81-167 of July 25, 1981, as the same may be amended from time to time;

(b) "Banque d'Algérie" means the Borrower's central bank, operating pursuant to the Borrower's Law 90-10 of April 14, 1990, and any successor thereto;

(c) "BAD" and "Banque Algérienne de Développement" mean the Borrower's Algerian Development Bank established and operating under the Borrower's Ordinance No. 71-47, dated June 30, 1971, and any successor thereto;

(d) "Cellule Centrale de Gestion du Projet" and "CCGP" mean a specific unit within DGF (as this term is hereinafter defined) referred to in paragraph 1(a) of Schedule 4 to this Agreement;

(e) “Conservation des Forêts” and “CDF” mean the agency in charge of forest management at the Wilaya (as this term is hereinafter defined) level under the control and trusteeship of the DGF (as this term is hereinafter defined);

(f) “Cellule de Coordination et de Gestion de Wilaya” and “CCGW” mean a unit, within CDF, responsible for the coordination and management of Project activities at the local level, and referred to in paragraph 1(b) of Schedule 4 to this Agreement;

(g) “DGF” and “Direction Générale des Forêts” mean the Borrower’s agency in charge of forest management, and any successor thereto;

(h) “DSA” and “Direction des Services Agricoles” mean the Borrower’s agency in charge of the administration of agricultural services of the Wilayas (as this term is hereinafter defined), and any successor thereto;

(i) “DHW” and “Direction Hydraulique de Wilaya” mean the Borrower’s agency at the Wilaya (as this term is hereinafter defined) level office in charge of water resource management, established under the trusteeship of the Borrower’s Ministry of Water Resources, and any successor thereto;

(j) “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;

(k) “Environmental Management Plan” and “EMP” mean the plan defined in the REA (as this term is hereinafter defined) setting out the rules, guidelines and procedures to assess environmental impacts of the Project’s activities, including hill dams and rural roads, and measures to reduce, mitigate or offset adverse environmental impacts and enhance positive impacts of said activities, as the same may be amended from time to time with the prior approval of the Bank;

(l) “FMR” means the Financial Monitoring Report to be prepared in accordance with Section 4.02 of this Agreement;

(m) “MADR” and “Ministère de l’Agriculture et du Développement Rural” mean the Borrower’s ministry in charge of agriculture and rural development, and any successor thereto;

(n) “Maturity Fixing Date” means, for each Disbursed Amount, the date on which the amortization schedule of 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;

(o) “PNDAR” and “Plan National de Développement Agricole et Rural” mean the Borrower’s National Agricultural and Rural Development Plan defining the objectives, instruments and modalities of implementing agricultural and rural programs;

(p) “Project Area” means the Wilayas (as this term is hereinafter defined) of Tiaret, Tissemsilt, Chlef, Aïn Defla, Médéa and Bouira;

(q) “Project Implementation Manual” and “PIM” mean the Borrower’s project implementation manual as the same may be amended from time to time with the Borrower and the Bank’s prior approval;

(r) “Regional Environmental Assessment” and “REA” mean the Borrower’s environmental assessment adopted by the Borrower on October 15, 2002, and defining the Environmental Management Plan, as the same may be amended from time to time with the prior approval of the Bank;

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

(t) “Wali” means the governor of a Wilaya (as this term is hereinafter defined);

(u) “Wilaya” means an administrative division of the Borrower organized pursuant to the Borrower’s Wilaya Law (Loi Relative à la Wilaya) No. 90-09, dated April 7, 1990, as the same may be amended from time to time; and “Wilayas” and “Wilayate” mean more than one Wilaya; and

(v) “WUA” and “Water Users Association” mean an association to be established pursuant to the provision of paragraph 3 (c) (i) of Schedule 4 to this Agreement.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to ninety five million Dollars (\$95,000,000), 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 goods, works and services required for the Project and in respect of the front-end

fee referred to in Section 2.04 of this Agreement, 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 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 June 30, 2009, 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 one percent (1%) of the amount of the Loan. 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 said front-end 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 the rate of: (i) eighty five one-hundredths of one percent (0.85 of 1%) per annum from the date on which such charges commence 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 of 1%) 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, commitments and other charges shall be payable semiannually in arrears on June 15 and December 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 semi-annual installment payable on each June 15 and December 15, the first such installment to be payable on the seventh (7<sup>th</sup>) Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount and the last such installment to be payable on the twenty fourth (24<sup>th</sup>) Interest Payable Date following the Maturity Fixing Date for said Disbursed Amount. Each installment, except the last one shall be equal to one eighteenth (1/18<sup>th</sup>) 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 December 15, 2020, 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 in 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 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 the Conversion Guidelines.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate financial, technical, administrative 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 4 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and 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 9.08 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 designed to ensure the continued achievement of the Project's objectives; 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 (1) 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 Borrower's progress reporting obligations set out in Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **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. 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 Mauretania  
Place de Pérou  
Algiers  
People's Democratic Republic of Algeria

Cable address:	Telex:	Facsimile:
FINPLAN	67073	(213) 21 746336

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) 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/ Abdellatif Benachenhou

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Louis Sarbib

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>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1)	Goods	1,600,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost); and 70% of expenditures for other locally procured goods
(2)	Works	88,000,000	80% of expenditures
(3)	Consultant's Services and Training	3,950,000	76% for international consultants; 76% for local consultants; 100% of expenditures for training abroad; and 76% of expenditures for local training
(4)	Front-End-Fee	950,000	Amount due under Section 2.04 of this Agreement
(5)	Unallocated	500,000	
	TOTAL	<u>95,000,000</u>	

2. For the purposes of this Schedule the terms:

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

(b) “local expenditures” means expenditures in the currency of the Borrower for goods, works and services supplied from the territory of the Borrower.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under: (a) goods under contracts costing less than \$300,000 equivalent each; (b) works under contracts costing less than \$500,000 equivalent each; (c) services of consulting firms costing less than \$100,000 equivalent per contract; (d) services provided by individual consultants costing less than \$50,000 per contract; and (e) expenditures for training and study tours, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

1. The Project objective is to generate and stimulate employment in the rural parts of the Project Area through: (i) direct employment to address the short term problem of high levels of rural unemployment; and (ii) asset creation with a medium to long term perspective for sustainable employment by increasing and diversifying agricultural production.

2. 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: Soil Erosion Control**

(a) Carrying out, through the provision of goods, services and the execution of works, a program of reforestation, including forestry and forage species, and the development and implementation of pastoral management plans;

(b) Carrying out, through the provision of goods, services and the execution of works, of river bank management activities, including biological stabilization of river banks;

(c) Carrying out, through the provision of goods, services and the execution of works, of a program of terracing and biological control to monitor water flows and stabilize soils;

(d) Carrying out, through the provision of goods, services and the execution of works, of a program to produce plant material for Project activities;

(e) Carrying out, through the execution of works, of a program of flood control;

(f) Carrying out, through the provision of goods, services and the execution of works, of a program of forestry rehabilitation, including the implementation of forest management plans; and

(g) Carrying out, through the provision of goods, services and the execution of works, of a program of silvicultural activities, including cleaning up of forest areas.

Part B: Agricultural Development

(a) Carrying out, through the provision of goods, services and the execution of works, of a program of: (i) fruit tree plantations; and (ii) vineyards;

(b) Carrying out, through the provision of goods, a program of: (i) windbreak; (ii) land clearing; (iii) development of small livestock; and (iv) activities targeting rural women, including handicraft activities; and

(c) Carrying out, through the provision of goods and the execution of works, of a program of rehabilitation and upgrading of rural roads.

Part C: Water Resource Mobilization

Carrying out, through the provision of goods, consultants' services and the execution of works, of a program of: (i) construction of hill dams not exceeding fifteen (15) meters in height, for irrigation, potable water supply and erosion control; (ii) construction and maintenance of water points; (iii) rehabilitation of springs; (iv) construction and rehabilitation of shallow wells; and (v) construction and rehabilitation of deep wells.

Part D: Institutional Support for DGF

Carrying out activities to strengthen the institutional capacity of DGF, through the preparation of studies and the provision of training and goods.

Part E: Institutional Support of MADR

Carrying out of activities to strengthen the institutional capacity of MADR, through the preparation of studies, the provision of training and goods and the execution of works, for small scale pilot projects for demonstration purposes within the territory of the Borrower.

\* \* \*

The Project is expected to be completed by December 31, 2008.

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

##### Section I. Procurement of Goods and Works

###### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

###### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$300,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

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

###### 1. National Competitive Bidding

(a) Works estimated to cost more than US\$100,000 equivalent per contract, up to an aggregate amount not to exceed US\$83,000,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and paragraph (c) below.

(b) Goods estimated to cost less than US\$300,000 equivalent per contract, up to an aggregate amount not to exceed US\$300,000 may be procured under contracts



awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and paragraph (c) below.

(c) Contracts for goods and works procured under paragraph (a) and paragraph (b) above shall be awarded in compliance, among others, with the following principles:

- (i) any prospective bidder from a country eligible under the Guidelines who proposes to provide goods produced in or services supplied from any such country shall be eligible to bid for such contracts;
- (ii) tenders shall be advertised with no less than thirty (30) days for bid preparation;
- (iii) national government-owned enterprises shall be eligible provided they are legally and financially autonomous, operate under commercial law, and are not selected or hired by the supervising or reporting authority, and shall be subject to the same bid and performance security requirements as other bidders;
- (iv) bidders shall be allowed to deliver their bid by hand or by mail;
- (v) bids shall be opened in public as for the deadline for receipt of bids or promptly thereafter;
- (vi) prospective bidders may submit two envelopes provided the two envelopes are opened at the same time;
- (vii) bids shall be evaluated based on price and on other criteria disclosed in the bid documents, and shall be quantified in monetary terms, and no provision for preferential treatment for national companies shall be applied; and
- (viii) the contract shall be awarded to the bidder having submitted the lowest evaluated responsive bid, and no negotiation shall take place.

## 2. International and National Shopping

Goods estimated to cost less than US\$10,000 equivalent per contract, up to an aggregate not to exceed US\$10,000, may be procured under contracts awarded on the basis of international and national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Works under Parts A, B and C of the Project, estimated to cost less than US\$100,000 equivalent per contract, up to an aggregate not to exceed US\$5,000,000 may be procured, with the prior agreement of the Bank, in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for 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 Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) each contract for the procurement of goods estimated to cost the equivalent of US\$300,000 or more; (ii) each contract for works estimated to cost more than US\$500,000 equivalent; (iii) the first contract for works estimated to cost between US\$100,000 equivalent and US\$500,000 equivalent, in each Wilaya and procured in accordance with Part C.1 of this Section; and (iv) the first two contracts for goods estimated to cost between US\$100,000 and US\$300,000 procured in accordance with the provisions of paragraph C.1 of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to all contracts for works costing US\$100,000 or less procured under Part C.3 of this Section, prior to the execution of any contract the Borrower shall:

- (i) provide to the Bank a copy of the specifications and the draft contract; and
- (ii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

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 Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

Consultants' services shall be procured in accordance with the provisions of the Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

### Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, 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. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

#### 2. Consultants' Qualifications

Services estimated to cost less than US\$100,000 per contract shall be procured under contract awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

#### 3. Single-Source Selection

Services for small assignments under Parts C, D and E of the Project, or for which only one firm is exceptionally qualified to perform of exceptional worth for the assignment and estimated to cost less than US\$50,000, may be awarded with the prior agreement of the Bank in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultants' 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 shall 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 more than US\$100,000 equivalent and the two first contracts costing US\$100,000 equivalent or less procured under Part C.2 of this Section, 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 costing US\$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.

(c) Notwithstanding the provisions of Part D.2 (a) and (b) of this Section, prior review and approval by the Bank of terms of reference shall be required to award any contract for consultant services.

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 Schedule**

1. The Borrower shall, all in accordance with the conditions, terms, procedures and timetable set forth in the Project Implementation Manual:

(a) maintain the Central Project Management Unit (CCGP) within DGF with staff in adequate number and appropriate qualification and adequate resources to manage the Project at central level and ensure overall coordination of Project activities; and

(b) maintain, within each CDF in each Wilaya participating in the Project, a CCGW for the coordination and management of Project activities at the Wilaya level, with staff in adequate number and qualification and appropriate resources, satisfactory to the Bank.

2. (a) The Borrower shall carry out the Project in accordance with the Project Implementation Manual (PIM) which shall, inter alia, set out the following: (i) Project activities; (ii) institutional arrangements for Project implementation and monitoring; (iii) procurement procedures and mechanisms, including standard bidding documents; (iv) financial management mechanisms and disbursement procedures; (v) the Environmental Management Plan; and (vi) performance indicators for all Project components.

(b) The Borrower shall not amend or waive, except as otherwise agreed upon between the Borrower and the Bank, any provision of the PIM.

3. The Borrower shall:

(a) carry out all Project activities in accordance with the rules, procedures and guidelines described in the Regional Environmental Assessment and, where appropriate and without any limitation, shall take timely and necessary action to ensure that any adverse environmental impact of the Project is effectively mitigated in a manner satisfactory to the Bank, including consultation of affected people and disclosure of information disclosure as appropriate;

(b) not commence any works under Parts A, B, C and E of the Project until and unless such works are subject to an environmental assessment process to be carried out in accordance with the rules, procedures and guidelines described in the Regional Environmental Assessment to offset, mitigate or reduce any harmful or negative impacts; and

(c) not commence any works on hill dams under Part C (i) of the Project until the Borrower has:

- (i) established a WUA, in accordance with the Borrower's laws and regulations; and
- (ii) prepared and carried out for each hill dam engineering study, including: (A) a detailed and time-bound plan for the installation of instruments to monitor and record every dam's performance; (B) an operation and maintenance plan; and (C) an emergency preparedness plan; and

(d) The Borrower shall not amend, modify or otherwise waive any provision of the REA, except with the Bank's prior written approval.

4. 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 and the terms of the PIM, 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 November 30, 2005, a mid-term review report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report 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 February 15, 2006, 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 achievements 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 Categories (1), (2) and (3), set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, 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 US\$3,000,000 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 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 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, 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.