
LOAN NUMBER 7123-LE

Loan Agreement

(Urban Transport Development Project)

between

LEBANESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *September 26*, 2002

LOAN NUMBER 7123-LE

LOAN AGREEMENT

AGREEMENT, dated *September 26*, 2002, between LEBANESE REPUBLIC (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 (the Project), has requested the Bank to assist in the financing of the Project;

(B) Parts A, B, C and E of the Project will be carried out by the Council for Development and Reconstruction (CDR) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Loan, as provided for in Article II of this Agreement (the Loan) available to CDR, as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Bank and CDR (the Project 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) "CDR" means the Borrower's Council for Development and Reconstruction, a public authority established and operating pursuant to the Legislative Decree No. 5, dated January 31, 1977 and Law No. 295 dated April 3, 2001 and as the same may be amended from time to time;

(b) "DGLMT" means the Directorate General of Land and Maritime Transport of MPWT (defined hereinafter) in charge of carrying out the activities as referred to in Schedule 5 of this Agreement;

(c) "Eligible Categories" means, in respect of the Special Account for Parts A, B, C and E of the Project, Categories (1), (2)(a), (3)(a) and (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement; and in respect of the Special Account for Part D of the Project, Categories (2)(b) and (3)(b) set forth in said table;

(d) "Eligible Expenditures" means, in respect of the Special Account for Parts A, B, C and E of the Project, the expenditures for goods, works and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Loan allocated from time to time to said Special Account's respective Eligible Categories; and in respect of the Special Account for Part D of the Project, the expenditures for services and goods referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Loan allocated from time to time to said Special Account's respective Eligible Categories;

(e) "Environment Management Plan" or "EMP" means the environmental management plan described in the Final Environmental Assessment dated May 2000 prepared by the Borrower, as such plan may be updated from time to time by agreement of the Borrower and the Bank, such plan consisting of: (i) the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset and/or reduce the adverse environmental and social impacts to levels acceptable to the Bank; (ii) the mitigating and monitoring actions needed to implement these measures; and (iii) a special cultural heritage component;

(f) "MPWT" means the Ministry of Public Works and Transport of the Borrower or any successor thereof;

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

(h) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement and Section 4.02 of the Project Agreement;

(i) "PMU" means the Project Management Unit established and operating within CDR by virtue of CDR Bureau Decision No. 219/2000B dated June 9, 2000, in charge of the overall management and coordination of the Project activities;

(j) "RAP" means the Resettlement Action Plan prepared by the Borrower and satisfactory to the Bank, dated July 14, 2000;

(k) "Special Accounts" means the accounts referred to in Part B of Schedule 1 to this Agreement;

(l) "Steering Committee" means the committee established by virtue of the Prime Minister's Decision No. 42/2001 dated April 7, 2001, responsible for the oversight of the Project activities as referred to in Schedule 5 of this Agreement;

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

(n) "TMO" means the Traffic Management Organization, an autonomous organization established by virtue of Decree No. 4082, dated October 14, 2000 to perform the functions of: (i) on-street parking regulation and management in coordination with the competent authorities; (ii) traffic surveillance, control and enforcement support; (iii) traffic operations planning; (iv) traffic engineering research; and (v) traveler information and public awareness.

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 sixty five million United States dollars (US\$65,000,000), 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. 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 works, goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of interest and other charges in respect of the Loan, the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

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 per cent (1%) of the amount of the Loan. 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 per cent (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 per cent (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 commitment charges shall be payable semiannually in arrears on November 15 and May 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

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;
- (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; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(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) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. 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: (a) CDR is designated as representative of the Borrower in respect of the proceeds of the Loan allocated from time to time to Categories (1), (2)(a), (3)(a), and (4); and (b) MPWT is designated as representative of the Borrower in respect of the proceeds of the Loan allocated from time to time to Categories (2)(b) and (3)(b).

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project, and, to this end: (a) shall carry out Part D of the Project, through DGLMT of the MPWT, with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, environmental, financial, municipal and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project;

(b) without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause CDR to perform in accordance with the provisions of the Project Agreement, the EMP and the RAP, all the obligations of CDR therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CDR to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance;

(c) the Borrower shall make available to CDR as a grant the proceeds of the Loan allocated, from time to time, to Categories (1), (2)(a), (3)(a) and (4) under a Subsidiary Agreement to be entered into between the Borrower and CDR, under terms and conditions which shall have been approved by the Bank; and

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

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

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A, B, C and E of the Project shall be carried out by CDR pursuant to Section 2.03 of the Project Agreement.

Section 3.04. 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 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 at all times maintain or cause to be maintained 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 Accounts 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 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 Project Management Reports or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with sound accounting practices, 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 Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall 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, commencing February 15, 2003, a Project management report for the Project, for such period, which:

- (a) (i) 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 (ii) 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;

(b) (i) describes physical progress in the implementation of the Project, both cumulatively and for the period covered by said report; and (ii) explains variances between the actual and previously forecast implementation targets; and

(c) 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.

ARTICLE V

Remedies of the Bank

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

(a) CDR shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that CDR will be able to perform its obligations under the Project Agreement.

(c) Legislative Decree No. 5, dated January 31, 1977 and Law No. 295 dated April 3, 2001 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CDR to perform any of its obligations under the Project Agreement.

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

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional events are specified:

(a) The event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower.

(b) The events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the Subsidiary Agreement has been executed on behalf of the Borrower and CDR;

(b) the PMU has been staffed, including the appointment of: (i) a traffic engineer; (ii) a parking specialist; (iii) a procurement and construction management specialist; and (iv) an accounting and financial management specialist, under contractual arrangements and terms of reference acceptable to the Bank;

(c) TMO has entered into an on-street paid parking concession agreement, satisfactory to the Bank, with the Municipality of Beirut;

(d) the traffic diversion plans have been prepared by CDR for the construction of the first grade separation facility;

(e) the Executive Decrees relating to the organization and staffing of the TMO has been enacted to enable TMO become operational; and

(f) the TMO department directors for traffic engineering and for parking management, and the coordinating officer in charge of traffic surveillance and enforcement, have been appointed in accordance with Section II of Schedule 4 of this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions; to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by CDR, and is legally binding upon CDR in accordance with its terms; and

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

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.10 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Beirut, Lebanese Republic

Facsimile:

961 1 642 762

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.

LEBANESE REPUBLIC

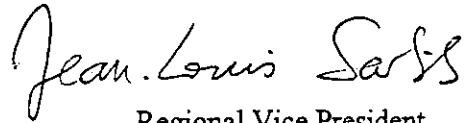


By

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

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 US Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Works under:		70%
(a) Parts A and B of the Project	1,750,000	
(b) Part C of the Project	25,076,000	
(2) Goods under:		100% of foreign expenditures, 100 % of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(a) Parts A, B, C and E of the Project	22,113,000	
(b) Part D of the Project	43,000	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in US Dollars)</u>	<u>% of Expenditures to be Financed</u>
(3) Consultants' services and training under:		100%
(a) Parts (A), (B), (C) and (E) of the Project	5,354,000	
(b) Part (D) of the Project	3,080,000	
(4) Incremental Operating Costs	117,000	100% through December 31, 2004 and 75% thereafter
(5) Fee	650,000	Amount due under Section 2.04 of this Agreement
(6) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09(c) of this Agreement
(7) Unallocated	6,817,000	
TOTAL	<u>65,000,000</u>	

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;

(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; and

(c) the term "Incremental Operating Costs" means expenditures incurred by CDR, with respect to Parts A, B, C and E of the Project, in relation to operation and maintenance of office equipment, rent, utility charges, office supplies, fixed-line communications and office support staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of two million United States dollars (US\$2,000,000), may be made in respect of Categories (1), (2)(a), (3)(a) and (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after July 1, 2001; and (b) payments made for expenditures under Category (1)(b) in respect of each grade separation facility under Part C of the Project, unless the Bank shall have received evidence satisfactory to the Bank that the land acquisition process has been completed in compliance with the RAP in a manner acceptable to the Bank.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than US\$300,000 equivalent each; (b) works under contracts costing less than US\$1,000,000 equivalent each; (c) services under consultant firms contracts costing less than US\$100,000 equivalent each and under individual consultant contracts costing less than US\$50,000 equivalent each; and (d) training under contracts costing less than US\$50,000 equivalent each, under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Accounts

1. The Borrower shall open and maintain in United States dollars two separate special deposit accounts, the first (Special Account A) in respect of Categories (1), (2)(a), (3)(a) and (4) and the second (Special Account B) in respect of Categories 2(b) and (3)(b), in its Central Bank, on terms and conditions satisfactory to the Bank.

2. After the Bank has received evidence satisfactory to it that a Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the said Special Account shall be made as follows:

(a) until the Bank shall have received: (i) the first Project Management Report referred to in Section 4.02(b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of each Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of any 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into any Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) 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: (A) the records and accounts for any Special Account, or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank shall not be required to make further deposits into any Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of any Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the said Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into any 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 determines at any time that any amount outstanding in any Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 a Special Account.

(d) Refunds to the Bank made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

Annex A
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are Not Made
On the Basis of Project Management Reports

1. For the purposes of this Annex, the term "Authorized Allocation" means: (i) in respect of Special Account A, an amount equivalent to five million United States dollars (US\$5,000,000) to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to two million United States dollars (US\$2,000,000), until the aggregate amount of withdrawals from the Loan Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of seven million United States dollars (US\$7,000,000); and (ii) in respect of Special Account B, an amount equivalent to three hundred fifty thousand United States dollars (US\$350,000) to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to two hundred thousand United States dollars (US\$200,000), until the aggregate amount of withdrawals from the Loan Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of one million United States dollars (US\$1,000,000).

2. Withdrawals of a Special Account's Authorized Allocation and subsequent withdrawals to replenish the said Special Account shall be made as follows:

(a) For withdrawals of the said Special Account's Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the said Special Account of an amount or amounts which in the aggregate do not exceed the said Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the said Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the said Special Account, the Borrower shall furnish to the Bank requests for deposit into the said Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which

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مركز مشاريع ودراسات القطاع العام

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 said 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 said Special Account for Eligible Expenditures. Each such deposit into the said Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the said Special Account's Eligible Categories.

3. The Bank shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the Loan allocated to said Special Account's 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 in respect of expenditures to be financed out of the proceeds of the Loan allocated to said Categories, shall equal the equivalent of twice the amount of the said Special Account's Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to said 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 said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are Made
On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into a Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the said Special Account's Eligible Categories.
2. Each application for withdrawal from the Loan Account for deposit into a Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the said Special Account, shall not exceed the equivalent of eight million United States dollars (US\$8,000,000) in respect of the Special Account A and five hundred thousand United States dollars (US\$500,000) in respect of the Special Account B.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the urban transport infrastructure for the Greater Beirut Area.

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: Traffic Management Program:

1. Construction of a new building for the traffic management center and providing equipment, including communications equipment, control hardware and software and video display systems for the traffic management, office equipment and vehicles for the TMO.
2. Strengthening the capacity of the TMO for traffic management operations and use of Intelligent Transport System (ITS) technologies through the provision of consultant services and training.
3. Carrying out of intersection layout improvement, street improvement works, signing and marking works, provision and installation of signals at about 200 intersections, modifying of existing traffic signals at about 64 intersections and conducting public awareness campaigns through the provision of goods, works, consultant services and training.
4. Installation of a pilot traffic monitoring video system using closed circuit television at about 30 sites along four corridors and the integration of about 35 existing cameras.
5. Providing traffic police with traffic enforcement equipment, including about 10 small and 5 mid-size towing trucks, 125 motorcycles, 60 vehicles, 125 radio communication sets as well as safety devices and gears.
6. Upgrading the skills of traffic police through the provision of consultant services and training.
7. Preparing the design and carrying out the supervision of the Traffic Management Program through the provision of consultant services and training.

Part B: Parking Improvement Program:

Implementation of a program designed to improve on-street parking and traffic flow, consisting of:

1. Installation of about 580 pay and display multi-space parking meters, including signing and marking works, to control about 6,500 spaces under agreements between the TMO and the directorate general of roads and buildings of the MPWT on the classified roads and under concession agreements between the TMO and the Greater Beirut Area municipalities.
2. Providing the TMO with vehicles, parking enforcement equipment (booting equipment), computers and software and office equipment.
3. Building the capacity of the TMO for parking management operations and conducting public awareness campaigns through the provision of consultant services and training.
4. Preparing the design and carrying out the supervision of the Parking Improvement Program through the provision of consultant services and training.

Part C: Corridor Improvement Program:

1. Construction of grade separation facilities at highly congested intersections along seven main corridors identified according to the Greater Beirut Area transportation plan, namely corridors number 1, 4, 6, 18, 19, 20 and 22.
2. Design and supervision of the civil works for the grade separation facilities through the provision of consultant services and training.

Part D: Capacity Building of MPWT:

Carrying out a program aimed at strengthening the capacity of the Directorate General of Land and Maritime transport, within MPWT, to effectively manage the land transport sector, regulate and organize public transport services, including transport planning studies, studies to develop an air quality management program and an urban transport development strategy for the Greater Beirut Area and transport feasibility studies through the provision of consultant services, training and two vehicles.

Part E: Project Management:

Operation of the PMU, including the provision of office equipment, consultant services, supervision of the RAP and the EMP implementation, training and incremental operating support.

* * *

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

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
November 15, 2002	0.00%
May 15, 2003	0.00%
November 15, 2003	0.00%
May 15, 2004	0.00%
November 15, 2004	0.00%
May 15, 2005	0.00%
November 15, 2005	0.00%
May 15, 2006	0.00%
November 15, 2006	0.00%
May 15, 2007	0.00%
November 15, 2007	0.00%
May 15, 2008	0.00%
November 15, 2008	0.00%
May 15, 2009	0.00%
November 15, 2009	8.33%
May 15, 2010	8.33%
November 15, 2010	8.33%
May 15, 2011	8.33%
November 15, 2011	8.33%
May 15, 2012	8.33%
November 15, 2012	8.33%
May 15, 2013	8.33%
November 15, 2013	8.33%
May 15, 2014	8.33%
November 15, 2014	8.33%
May 15, 2015	8.37%
Total	100%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan 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.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule

shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods 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: Procurement Procedures

1. National Shopping

Goods estimated to cost \$70,000 equivalent per contract or less, up to an aggregate amount not to exceed \$70,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: 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 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. Post Review

With respect to each contract for goods under Part D of the Project, 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 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 Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. 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.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for transport planning, transport regulation and environmental and feasibility studies, under Part D of the Project, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services under Part D of the Project estimated to cost less than \$100,000 equivalent per contract 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 under Part D of the Project which are estimated to cost less than \$50,000 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 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 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 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 consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$20,000 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 5

Implementation Program

1. The Borrower shall maintain at all times the PMU with members whose qualifications, experience and terms of reference shall be acceptable to the Bank, to assist CDR in the carrying out of the Project and to assist CDR and MPWT in the coordination of its implementation.
2. Responsibility for the overall management and coordination of the Project activities shall be vested in the PMU, to be maintained within CDR and to include the following members: (a) a traffic engineer; (b) a highway/structural engineer; (c) a parking specialist; (d) a procurement/construction management specialist; and (e) an accountant/financial management specialist, all with qualifications, experience and terms of reference acceptable to the Bank.
3. The Borrower shall carry out Part D of the Project in accordance with the Project Implementation Plan and, except as the Borrower and Bank shall otherwise agree, shall not amend or waive any provision of the Project Implementation Plan if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.
4. The Borrower shall cause the DGLMT of MPWT to carry out Part D of the Project.
5. The Borrower shall cause the TMO, not later than July 31, 2003, to appoint two engineers for the traffic engineering and two engineers for the parking management at the TMO.
6. The Borrower shall, not later than July 31, 2003, designate the traffic police team to carry out the traffic surveillance activities of the TMO.
7. The Borrower shall cause MPWT, not later than June 30, 2005, to prepare and furnish to the Bank: (i) an updated transportation plan for the Greater Beirut Area; and (ii) an Air Quality Management study.
8. The Borrower shall cause MPWT, not later than June 30, 2005, to draft an urban transport development strategy and obtain the approval thereof by the Cabinet of the Borrower by December 31, 2005.
9. Responsibility for the oversight of the Project activities, general policy guidance, coordination and monitoring of the carrying out of the Project shall be vested in the Steering Committee, to be maintained by the Borrower throughout the duration of the Project and chaired by the Minister of Finance, with membership of: (a) the Minister of

Public Works and Transport; (b) the Minister of Interior and Municipalities; and (c) the President of CDR.

10. In carrying out Parts A and B of the Project, the Borrower shall enable TMO to enter into long-term concession agreements with the Greater Beirut Area municipalities with exclusive rights to operate the on-street paid parking programs of the municipalities, under terms and conditions adequate to ensure the long term operational viability of the TMO.

11. 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 Part D 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 December 31, 2005, a 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 Part D 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 Part D of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by March 31, 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 Part D 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.

12. The Borrower shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than 45 days after the end of each calendar quarter, a report on the progress achieved in the carrying out of Part D 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 Part D of the Project and the achievement of the objectives thereof during the period following such date.