

الجمهورية اللبنانية  
مكتب وزير الدولة لشؤون التنمية الإدارية  
مركز مشاريع ودراسات القطاع العام

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LOAN NUMBER 4298-LE

Republic of Lebanon  
Office of the Minister of State for Administrative Reform  
Center for Public Sector Projects and Studies  
(C.P.S.P.S.)

## Loan Agreement

(Vocational and Technical Education Project)

between

LEBANESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *April 27*, 1998

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LOAN NUMBER 4298-LE

LOAN AGREEMENT

AGREEMENT, dated *April 27*, 1998, between LEBANESE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

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

- (d) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the

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Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

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) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;
- (b) "Implementation Manual" means the Borrower's Project Implementation Manual, agreed with the Bank, for the carrying out of the Project, as the same may be amended from time to time with the agreement of the Bank;
- (c) "Category" means any of the Categories of the table set forth in paragraph 1 of Schedule 1 to this Agreement;
- (d) "MVTE" means the Borrower's Ministry of Vocational and Technical Education;
- (e) "CDR" means the Borrower's Council for Development and Reconstruction, a public authority established and operating pursuant to Legislative Decree No. 5, dated January 31, 1977, as the same may be amended from time to time;
- (f) "PIU" means the Project implementation unit to be maintained in accordance with the provisions of paragraph 1 (b) of Schedule 5 to this Agreement; and
- (g) "Technical Committees" means the committees to be maintained in accordance with the provisions of paragraph 1 (b) of Schedule 5 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, various currencies that shall have an aggregate value

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equivalent to the amount of sixty three million dollars (\$63,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars two special deposit accounts, the first (Special Account A) in respect of Categories (1), (2) and (4) and the second (Special Account B) in respect of Categories (3), (5) and (6), in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2003 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than provided in paragraph (a) of this Section.

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(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period.

(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter.

(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on May 15 and November 15 in each year.

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

Section 2.08. 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) and (4); (b) MVTE is designated as representative of the Borrower in respect of the proceeds of the Loan allocated from time to time to Categories (3), (5) and (6).

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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

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Section 3.03. For the purposes of Section 9.03 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 to for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

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

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than nine months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Termination

Section 5.01. 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 VI

##### Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance  
Beirut, Lebanese Republic

Telex:  
923.235.13

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:

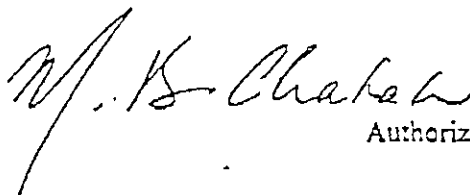
INTBAFRAD  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

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

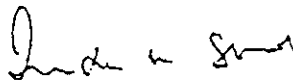
By



Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



Acting Regional Vice President  
Middle East and North Africa



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## 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 Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
A (1)	Civil works	13,110,000	80%
A (2)	Goods	17,220,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost), and 85% of local expenditures for other items procured locally
B (3)	Printing of textbooks	1,360,000	100% of local expenditures (ex- factory cost)
A (4)	Consultants' services under Parts C.1 (a) (ii) and C.1 (c) (ii) of the Project	640,000	100%
B (5)	Consultants' services under other Parts of the Project and training	25,980,000	100%
B (6)	Project management	180,000	90%
(7)	Unallocated	4,510,000	
	<b>TOTAL</b>	<b><u>63,000,000</u></b>	

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2. For the purposes of this Schedule:

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

(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 "Project management" means expenditures under the Project incurred (i) by the PIU in relation to maintenance of vehicles and equipment, fuel, utility charges, office supplies, communication and transport costs, and insurance costs; and (ii) by the Technical Committees in relation to communication and transportation costs and the costs of reproducing documents.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than \$1,300,000 equivalent each; (b) goods under contracts costing less than \$500,000 equivalent each; (c) services of consulting firms under contracts costing less than \$100,000 equivalent each; (d) services of individual consultants under contracts costing less than \$50,000 equivalent each; (e) training activities costing less than \$100,000 equivalent; and (f) Project management, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

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## SCHEDULE 2

## Description of the Project

The objective of the Project is to improve the performance of the Borrower's vocational and technical education system (the VTE System).

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:

1. Carrying out of a program to strengthen the management and efficiency of the VTE System through, inter alia:

(a) the establishment and initial operation of a planning and monitoring unit, the development of quality assurance and management operational manuals and procedures, the development of a computerized labor market information system, the conducting of administrative, quality, market and tracer surveys to address the needs of the VTE System's planners and administrators and the strengthening of school-based management; and

(b) the preparation of a long-term strategy for the VTE System in line with the Borrower's long-term economic development objectives, including the preparation of regulatory framework for the implementation of such strategy and the preparation and carrying out of an information awareness campaign for the benefit thereof.

(c) the preparation of a plan to develop a national policy with respect to the VTE System (i) to further strengthen institutional autonomy and accountability and improve accreditation and monitoring of schools, and (ii) to establish criteria and mechanisms for the financing of vocational and technical training.

2. Provision of (i) consultants' services, training, including workshops and study tours, computer hardware and software and media access to be utilized in the carrying out of Part A of the Project, and (ii) consultants' services, training, staff and management operational manuals and system tools to facilitate overall management of Project execution.

Part B:

1. Carrying out of a program to improve the relevance, responsiveness and quality of services under the VTE System through, inter alia:

(a) the development and implementation of a suitable competency assessment methodology applicable to the developing needs of the economy for skilled workers and technicians, including the establishment of (i) a database for determining demand for pre-service, in-service and entrepreneurship training and retraining, and (ii) a School Advisory Board for each vocational and technical training school composed of representatives from enterprises, parents of trainees and the teaching staff of the respective school, to advise on the operations of each such school and its future development; and

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(b) (i) the development and implementation of VTE quality standards, including certification of graduates, validation of training programs and accreditation of schools, (ii) the development and implementation of modern curricula for: existing pre-service as well as new fields of specialization, in-service training, retraining of enterprise workers, entrepreneurship training, and faculty academic and practical training, and (iii) the development, production and delivery of teacher guides and student manuals.

2. Provision of consultants' services, training, instructional materials, teacher guides and student manuals required to carry out Part B of the Project.

Part C:

1. Carrying out of a program to improve the delivery of vocational and technical training through, inter alia:

(a) (i) the preparation of a comprehensive physical survey of all existing schools under the VTE system and, on the basis of said survey, the design and execution of school rehabilitation and expansion works, together with furnishing and equipping such schools and (ii) the supervision of said rehabilitation and expansion works;

(b) the preparation of feasibility studies for the expansion of vocational and technical training into new fields of specialization through collaborative efforts between the VTE System and the private enterprise sector; and

(c) (i) carrying out works to construct facilities for new fields of specialization identified by the feasibility studies referred to under Part C.1 (b) of the Project, together with furnishing and equipping such facilities; and (ii) the supervision of said works.

2. Provision of consultants' services, furniture and equipment, and the carrying out of works, required to implement Part C of the Project.

\* \* \*

The Project is expected to be completed by June 30, 2003.

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## SCHEDULE 3

## Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
November 15, 2002	1,575,000.00
May 15, 2003	1,625,000.00
November 15, 2003	1,680,000.00
May 15, 2004	1,735,000.00
November 15, 2004	1,790,000.00
May 15, 2005	1,850,000.00
November 15, 2005	1,910,000.00
May 15, 2006	1,970,000.00
November 15, 2006	2,035,000.00
May 15, 2007	2,105,000.00
November 15, 2007	2,170,000.00
May 15, 2008	2,245,000.00
November 15, 2008	2,315,000.00
May 15, 2009	2,390,000.00
November 15, 2009	2,470,000.00
May 15, 2010	2,550,000.00
November 15, 2010	2,635,000.00
May 15, 2011	2,720,000.00
November 15, 2011	2,810,000.00
May 15, 2012	2,900,000.00
November 15, 2012	2,995,000.00
May 15, 2013	3,095,000.00
November 15, 2013	3,195,000.00
May 15, 2014	3,300,000.00
November 15, 2014	3,410,000.00
May 15, 2015	3,525,000.00

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

**Premiums on Prepayment**

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

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## SCHEDULE 4

## Procurement

Section I. Procurement of Goods and WorksPart 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 (the Guidelines) and the following provisions of this Section.

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 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 and procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures1. National Competitive Bidding

(a) Goods estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be, and (b) works shall be, procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. Bidders for these works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$700,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 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.

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4. Direct Contracting

Goods which are of a proprietary nature and costing \$700,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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

With respect to each contract for works estimated to cost the equivalent of \$1,300,000 or more, and for goods estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 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 ConsultantsPart 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 (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. Selection Based on Consultants Qualifications

Services 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 whose nature or locality make them more suitable to be procured on the basis of single source selection, 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.

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

3. Post Review

With respect to each contract not governed by paragraph 1 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:
  - (a) maintain or cause to be maintained arrangements, satisfactory to the Bank, under which MVTE shall be responsible for the overall coordination and supervision of Project execution, in accordance with the details set forth in the Implementation Manual;
  - (b) maintain, with resources and terms of reference satisfactory to the Bank; (i) a Project Implementation Unit, within MVTE, to be responsible for the day-to-day coordination and supervision of Project execution, and (ii) a Technical Committee for each Subpart of the Project to be responsible for ensuring that such Subpart is designed and carried out in conformity with appropriate technical considerations; and
  - (c) prepare and furnish to the Bank, by October 31 of each year, a plan for the carrying out of the activities under the Project during the following twelve months period, including implementation schedules, cost estimates and sources of funds therefor.
2. The Borrower shall:
  - (a) employ consultants and other experts, with qualification and terms of reference satisfactory to the Bank, to assist in the carrying out of the Project;
  - (b) maintain arrangements, satisfactory to the Bank, with CDR pursuant to which CDR shall undertake the procurement of goods, works and consultants' services under the Project on behalf of the Borrower; and
  - (c) (i) ensure that the plan referred to under Part A.1 (c) of the Project shall be prepared and furnished to the Bank for its review and comments, by December 31, 1999, and (ii) after taking into consideration the Bank views thereon, finalize and thereafter implement said plan in accordance with a time schedule agreed with the Bank.
3. The Borrower shall:
  - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis in accordance with the indicators agreed upon between the Borrower and the Bank, the carrying out of the Project and the achievement of the objectives thereof;
  - (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than (i) October 31 and April 30 of each year, a report on the progress achieved in the carrying out the Project and the measures to be undertaken to ensure such progress, and (ii) January 31, 2001, 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 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

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(c) review with the Bank (i) by November 30 of each year, the reports referred to in paragraph (b) (i) of this Section for such year and the measures to be undertaken to ensure the efficient carrying out of the Project during the following twelve months period; and (ii) by April 30, 2001, or such later date as the Bank shall request, the report referred to in paragraph (b) (ii) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank views on the matter.

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## SCHEDULE 6

### Special Accounts

1. For the purposes of this Schedule:
  - (a) the term "eligible Categories" means Categories (1), (2) and (4), in respect of Special Account A, and Categories (3), (5) and (6), in respect of Special Account B;
  - (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 \$2,000,000 in respect of Special Account A and an amount equivalent to \$1,800,000 in respect of Special Account B to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 in respect of Special Account A and an amount equivalent to \$900,000 in respect of Special Account B, until (i) in respect of Special Account A the aggregate amount of withdrawals from the Loan Account allocated to Categories (1), (2) and (4) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions on account of the procurement of goods and works shall be equal to or exceed the equivalent of \$5,000,000, and (ii) in respect of Special Account B, the aggregate amount of withdrawals from the Loan Account allocated to Categories (3), (5) and (6) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions on account of the procurement of consultants' services shall be equal to or exceed the equivalent of \$3,000,000.
2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.
  - (b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Bank requests for deposits into the respective Special Account at such intervals as the Bank shall specify.

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

4. For each payment made by the Borrower out of the respective 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 either 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 Accounts;

(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 for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the expenditures to be financed under said Categories, 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 respective 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 either 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 respective 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 either 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 either 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 Accounts.

(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.

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