Loan Agreement

(Mobile Internet Ecosystem Project)

between

LEBANESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated February 24, 2015
LOAN AGREEMENT

AGREEMENT dated February 24, 2015, between LEBANESE REPUBLIC ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of six million four hundred thousand Dollars (US$6,400,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are April 1 and October 1 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in provisions of Schedule 3 to this Agreement.
2.07. (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: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 the Variable Rate or the Reference 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 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 for 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 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through MOT in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that Implementation Agreement has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of MOT and/or the MiHub to perform any of their or its respective obligations under the Implementation Agreement.
4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following, namely that: the MiHub has been legally established; members of its advisory board have been appointed; MiHub has been staffed with qualified personnel in adequate numbers and headed by an executive director with terms of reference and qualifications satisfactory to the Borrower and the Bank; and an Implementation Agreement, satisfactory to the Bank, has been executed on behalf of MOT and MiHub setting out their respective roles and responsibilities in carrying out the Project; all in a manner satisfactory to the Borrower and the Bank.

5.02. The Additional Legal Matter consists of the following, namely that the Implementation Agreement has been duly authorized or ratified by MOT and MiHub and is legally binding upon MOT and MiHub in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance.

6.02. The Borrower’s Address is:

Ministry of Finance
Riad El-Solh Square
Beirut
Lebanese Republic
Facsimile: +961 1 642 762

6.03. The Bank’s Address is:

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

Cable address: INTBAFRA MCI
Facsimile: 1-202-477-6391
Washington, D.C. 54145(MCI)
AGREED at Beirut, Lebanon, as of the day and year first above written.

LEBANESE REPUBLIC

By

[Signature]

Authorized Representative

Name: [Signature]

Title: [Signature]

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: [Signature]

Title: [Signature]
SCHEDULE 1

Project Description

The objective of the Project is to strengthen innovation and entrepreneurship in the Lebanese Mobile Internet Ecosystem.

The Project consists of the following parts:

Part A: Skills Development and Attraction of Industry Talents

Carrying out a capacity building program to strengthen technical and entrepreneurial skills of the Lebanese mobile internet talent pool, such as, entrepreneurs, software developers and university graduates, to enable them to develop mobile internet start-up projects and to address the identified skills-gap in the mobile internet industry, including, but not limited, to the following activities:

1. holding a series of mobile internet competitions with skills and capacity-building programs, including training programs to address mobile internet programming and entrepreneurship and problem-solving skills, and mentorship and international exchange programs for entrepreneurs; and

2. establishing university-industry platforms, where universities in Lebanon can participate in mobile internet industry internship programs and in learning modules for co-creation between university students and industry of mobile internet projects.

Part B: Strengthening and Growth of Mobile Internet Industry

Developing appropriate instruments and programs to increase the maturity and global competitiveness of the mobile internet industry in Lebanon, including, but not limited, to the following activities:

1. supporting the creation and operation of a mobile innovation hub (MiHub) with a mandate focused on serving as a catalyzer of mobile internet industry innovation, a focal point of the industry, providing a forum for cooperation in the industry, and on managing the activities under Part A and Parts B (2) and (3) of the Project;

2. supporting the creation of industry clusters with other industries and the establishment of testing facilities and development platforms for mobile internet products and services to test mobile internet prototypes and provide access by the mobile internet community to international internet networks; and

3. supporting promotion campaigns to develop entrepreneurship culture in the mobile internet industry and attract industry talents and domestic and international attention to the emerging mobile internet industry in Lebanon.
Part C: Enhancement of Mobile Internet Enabling Environment

Conducting assessments of Lebanon competitive position in information communication technology (ICT)- enabled industries to evaluate the potential of Lebanon to use mobile internet and other ICT platforms to increase its competitive position regionally and internationally, and supporting follow-up technical assistance to implement recommendations resulting from said assessments and reform actions based on consultation with relevant stakeholders and government agencies.

Part D: Project Management

Strengthen the capacity of FPMT in Project management, coordination, monitoring and evaluation, including, but not limited to, the following activities: (a) data collection on performance indicators to measure Project progress and baseline studies and surveys of the mobile internet industry in Lebanon; (b) supporting the Incremental Operating Costs of FPMT and its personnel and costs of consultants services, communication, office equipment and financial audits related to the Project implementation; and (c) procurement and financial management training and other relevant training.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall through MOT establish, not later than two (2) months after the Effective Date, and thereafter maintain a FPMT throughout the life of the Project with functions, staffing, resources, terms of reference satisfactory to the Bank, responsible for all financial management and procurement matters under the Project; implementing Parts B.1, C, and D of the Project; and coordinating with MiHub in implementing Parts A and Part B (2) and (3) of the Project.

2. The Borrower shall through MOT: (a) establish MiHub pursuant to the provisions of Section 5.01(c) of this Agreement and thereafter maintain MiHub as so established throughout the Project implementation, and (b) cause MiHub to carry out Parts A and Part B (2) and (3) of the Project in accordance with the provisions of the Implementation Agreement to be entered into between MOT and MiHub pursuant to the provisions of paragraph B.1 below of this Section I.

3. The Borrower shall, through its Ministry of Finance, open a Project-specific transit sub-account under the Borrower’s Treasury Account, to channel the Loan proceeds to the Designated Account, and upon each withdrawal of the proceeds of the Loan, transfer from the Project specific transit sub-account to the Designated Account should be made automatically. The Borrower shall, through its Ministry of Finance, open additional budget lines (budget classification number 2A: 115-1-336-229-1-9), equivalent to the amount of such withdrawal of the Loan proceeds, provided that the total amount allocated to such budget lines during the life of the Project up until the Disbursement Deadline Date (as defined in the Disbursement Guidelines and the additional instructions of the Bank referred to in Section IV.A.1 of Schedule 2 to this Agreement) shall not exceed the amount of the Loan.

4. Without limitations on the provisions of Section 5.03 under Article V of the General Conditions, the Borrower shall through its Ministry of Finance: (i) open additional budget lines (budget classification number 2A: 115-1-336-229-1-9) in the amount equivalent to US$1.6 million each year during the life of the Project, provided that the total amount of counterpart funds contribution do not exceed US$6.4 million; (ii) open said budget line and make the counterpart funds in the amount of US$1.6 million available to the Project not later than one (1) month after the Loan Effective Date for the first year’s Project implementation, (ii) open additional budget lines and make each year’s counterpart funds contribution in the amount of US$1.6 million available prior to commencing each subsequent year’s Project implementation; and (iii) allow carrying forward any unused amounts of counterpart funds for the Project implementation until the Closing Date of the Project.
B. Implementation Agreement

1. To facilitate the carrying out of the Project, the Borrower shall through MOT enter into an Implementation Agreement with MiHub, under terms and conditions satisfactory to the Bank, setting out their respective roles and responsibilities in carrying out the Project.

2. The Borrower through MOT shall exercise its rights under the Implementation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Implementation Agreement or any of its provisions.

C. Anti-Corruption

The Borrower through MOT shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Project Documents

The Borrower shall through MOT and also cause MiHub through the Implementation Agreement to: (a) implement the Project Operations Manual in carrying out the Project; and (b) adopt no later than three (3) months after the Effective Date a Financial Management Manual and thereafter implement it in carrying out the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Borrower through MOT shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report (for the first two Project Reports, not later than forty-five (45) days after the end of the period covered by such reports).

B. Financial Management, Financial Reports and Audits

1. The Borrower shall through MOT maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall through MOT prepare and furnish to the Bank interim unaudited financial reports for the Project covering the quarter not later than (45) days after the end of each quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall through MOT have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower,
commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and work shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the Bank's procurement procedures and using the Bank's standard bidding documents, acceptable and cleared by the Bank, (b) Shopping; (c) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Bank; and (d) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection;
(d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (g) Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants' services, Incremental Operating Costs, Training, Workshops and Study Tours</td>
<td>6,384,000</td>
<td>50%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>16,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(3) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,400,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $1,280,000 equivalent may be made for payments made prior to this date but on or after October 1, 2012, for Eligible Expenditures under Category 1.

2. The Closing Date is December 31, 2017.
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 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) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 1 and October 1 Beginning October 1, 2018 through October 1, 2024</td>
<td>7.14%</td>
</tr>
<tr>
<td>On April 1, 2025</td>
<td>7.18%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn 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 is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable 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) Amounts of the Loan withdrawn 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, if at any time the Bank opts 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 Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is 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 the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the 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 Withdrawn Loan Balance is 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.
APPENDIX

Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “Financial Management Manual” means the manual referred in Section I.D of Schedule 2 to this Agreement, including guidelines on financial management, internal controls, accounting procedures, fund, asset management and withdrawal application procedures, consistent with the provisions set forth in Section II.B of Schedule 2 to this Agreement; as such Financial Management Manual may be amended from time to time with the prior agreement by the Bank.

5. “FPMT” means the Financial and Procurement Management Team referred to in Section I.A.1 of Schedule 2 to this Agreement.


7. “Implementation Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement.

8. “Incremental Operating Costs” means reasonable incremental expenditures incurred by FPMT on account of Project implementation, management and monitoring, including office rental and maintenance; operation and maintenance of office equipment; stationary, office supplies and utilities; office consumables; office administration including translation, interpretation, printing and advertising, communication costs, costs associated with the production of bidding documents; reasonable commercial bank charges; reasonable and necessary transportation and travel costs of members of FPMT, maintenance, insurance and fuel of vehicles; costs of carrying out meetings and any other miscellaneous costs directly associated with Project implementation, all based on periodic budgets acceptable to the Bank, but excluding salaries or honoraria of officials and employees of the Borrower's civil services.

9. “MiHub” means the entity to be established and maintained pursuant to the provisions of Section I.A.2 of Schedule 2 to this Agreement.

10. “Mobile Internet Ecosystem” means the network of institutions and organizations in the public and private sectors, whose activities and interactions initiate, import, modify, and diffuse new products, services, and technologies in the mobile internet sector.
11. "MOT" means the Ministry of Telecommunications and any successor thereto.


13. "Procurement Plan" means the Borrower's procurement plan for the Project, dated October 10, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

14. "Project Operations Manual" means the manual, dated June 12, 2013, satisfactory to the Bank referred to in Section I.D of Schedule 2 to this Agreement, describing the institutional arrangements, procurement procedures, monitoring and evaluation arrangements, and other fiduciary and administrative arrangements, as the same may be amended from time to time with prior agreement of the Bank.

15. "Training, Workshops and Study Tours" means Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space and equipment rental, reasonable and necessary local and international travel by participants in training activities, reasonable lodging and accommodation, subsistence and local and international per diem of trainees and trainers, registration, tuition and facilitators' fees, translation and interpretation, and other training related miscellaneous costs, all based on budgets acceptable to the Bank.