Loan Agreement

(Additional Loan for the Urban Transport Development Project)

between

LEBANESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 30, 2009
AGREEMENT dated January 30, 2009, between LEBANESE REPUBLIC ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 the Loan Agreement have the meanings ascribed to them in the General Conditions, in the Original Loan Agreement or in the Appendix to this Agreement.

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 sixty-nine million and seven hundred thousand Dollars ($69,700,000) ("Loan"), 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, 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. On or promptly after the Effectiveness Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay itself the amount of said fee.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower...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 (d) of the General Conditions.

2.05. The Payment Dates are January 15 and July 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in 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 all or any portion of the principal amount of the Loan withdrawn and outstanding from a Fixed Rate to a Variable 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 the 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 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 objectives of the Project. To this end, the Borrower shall: (a) carry out Part D of the Project; and (b) shall cause the Project Implementing Entity to carry out Parts A, B, C and E of the Project 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 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 the Project Implementing Entity to perform any of its obligations under the Project.

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 sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V - EFFECTIVENESS; TERMINATION

5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 9.01(c) of the General Conditions, namely, that the Subsidiary Agreement has been executed on behalf of the Borrower and the Project Implementing Entity.

5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is the 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: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

AGREED at Beirut, Lebanese Republic, as of the day and year first above written.

LEBANESE REPUBLIC

By: /s/ Mohammed Chatah
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Hedi Larbi
Authorized Representative
SCHEDULE 1

Project Description

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

The Project consists of the Original Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

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 the Project Implementing Entity in the carrying out of the Project and to assist the Project Implementing Entity 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 the Project Implementing Entity 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, through DGLMT of MPWT, shall carry out Part D of the Project in accordance with the Project Implementation Plan and, except as the Borrower and the 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. 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.

5. To facilitate the carrying out of the Project Implementing Entity’s Respective Parts of the Project, the Borrower shall make part of the proceeds of the Loan available, as a grant, to the Project Implementing Entity under a subsidiary agreement between the Borrower and the Project Implementing Entity, under terms and conditions approved by the Bank (“Subsidiary Agreement”).

6. The Borrower 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. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
7. 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.

B. Anti-Corruption

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

C. Safeguards

The Borrower shall: (i) carry out the Project in accordance with provisions of the Environmental Management Plan and the RAP; (ii) take all actions relating to the carrying out of the Project, as well as ensuring the provision of funds, facilities, services, and other resources, necessary or appropriate for the carrying out of the Project; and (iii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Borrower 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 indicators agreed with 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.

2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months prior to the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain 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 prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have the Financial Statements of the Project 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. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 Schedule.

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 Schedule.

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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraphs 2 and 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **National Competitive Bidding.** Except as otherwise provided in paragraph 3 below, for those contracts specified in the Procurement Plan, goods and works shall be procured under contracts awarded on the basis of National Competitive Bidding procedures subject to the Bank’s procurement procedures.

3. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding and National Competitive Bidding, may be used for the procurement of goods for those contracts specified in the Procurement Plan: (a) Shopping; and (b) Direct Contracting. The Procurement Plan shall specify the circumstances under which the said procurement methods may be used.
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 the procurement of consultants’ services for those contracts specified in the Procurement Plan: (a) Selection Based on Consultants’ Qualifications (CQS); (b) Selection under a Fixed Budget (FBS); (c) Least Cost Selection (LCS); (d) Single Source (SSS); and (e) Individual Consultants. The Procurement Plan shall specify the circumstances under which the said procurement methods may be used.

D. Review by the Bank of Procurement Decisions

1. 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.

2. Shortlists of consultants for services estimated to cost less than US$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

**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 may 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, 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) Works</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) under Parts A and B of the Project</td>
<td>7,788,690</td>
<td></td>
</tr>
<tr>
<td>(b) under Part C of the Project</td>
<td>47,843,630</td>
<td></td>
</tr>
<tr>
<td>(2) Goods</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) under Parts A, B, C and E of the Project</td>
<td>12,056,870</td>
<td></td>
</tr>
<tr>
<td>(b) under Part D of the Project</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(3) Consultants’ services and training</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) under Parts A, B, C and E of the Project</td>
<td>1,836,560</td>
<td></td>
</tr>
<tr>
<td>(b) under Part D of the Project</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>174,250</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>(5) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td></td>
<td>Amount due under Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>69,700,000</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:

   (a) payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed $7,000,000 equivalent may be made for payments made prior to this date but on or after February 1, 2008 for Eligible Expenditures under Categories (1), (2) and (3); and

   (b) payments made for expenditures under Category (1), until evidence, satisfactory to the Bank, has been furnished to the Bank showing that the land acquisition process has been completed in accordance with the procedures, and on the terms and conditions set forth or referred to in RAP.

2. The Closing Date is December 31, 2011.
SCHEDULE 3

Amortization Schedule

1. Subject to the provisions of paragraph 2 of this Schedule, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each January 15 and July 15, the first installment to be payable on the 13th Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the 52nd Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one-fortieth (1/40) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.

2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after January 15, 2038, the Borrower shall also pay on such date the aggregate amount of all such installments.

3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.

4. Notwithstanding the provisions of paragraphs 1 through 3 of this Schedule, in the event of a Currency Conversion of all or any portion of a Disbursed Amount to an Approved Currency, the amount so converted in 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.
APPENDIX

Section I. Definitions


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


5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).

6. “Environmental Assessment” means the Borrower’s environmental assessment, in form and substance satisfactory to the Bank, dated February 20, 2004, including, inter alia: (i) the identification and assessment of potential environmental impact of activities to be carried out under the Project; (ii) an evaluation of alternative measures; and (iii) the EMP (as hereinafter defined) detailing the appropriate mitigation, monitoring, institutional and management measures required for the implementation of the Project with a view to ensuring compliance of the activities referred to in sub-paragraph (i) herein with said measures and to eliminating adverse environmental impacts, offsetting such impacts, or reducing them to acceptable levels.


8. “MPWT” means the Ministry of Public Works and Transport of the Borrower or any successor thereof.

9. “Original Loan Agreement” means the Loan Agreement for the Urban Transport Development Project between the Borrower and the Bank, dated September 26, 2002 (Loan No. 7123-LE) approved by the Borrower’s Law No. 505 dated July 16, 2003 (published in the Official Gazette No. 34 dated July 19, 2003), as amended to the date of
10. “Original Project” means the Project described in the Original Loan Agreement.

11. “PIP” means the Project Implementation Plan prepared by the Borrower’s MoPWH and submitted to the Bank on March 20, 2004, pursuant to the provisions of Section 3.01(b) of the Original Loan Agreement, setting out the principles and procedures governing the implementation of the Project, such plan to, *inter alia*: (i) define the respective roles and responsibilities of the agencies involved in the implementation of the Project; (ii) set forth the timetable of actions required to be carried out under the Project; (iii) identify the procedures to be used for monitoring and evaluating progress towards the achievement of the objectives of the Project; (iv) set out the details for the implementation of the EMP including CRMP; and (v) set out the details for the implementation of the RAP (as hereinafter defined).

12. “PMU” means the Project Management Unit established and operating within the Project Implementing Entity (as hereinafter defined) pursuant to the CDR Bureau Decision No. 219/2000B dated June 9, 2000.


14. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated December 18, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

15. “Project Implementing Entity” means the Borrower’s Council for Development and Reconstruction, or CDR, 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.

16. “RAP” means the Borrower’s Land Acquisition and Resettlement Action Plan dated February 12, 2004, approved by the Bank, setting forth, *inter alia*, the compensation entitlement, institutional arrangements, implementation program, monitoring mechanism and cost estimates for the resettlement and rehabilitation of people affected by the implementation of the Project, disclosed locally and through the Bank’s InfoShop, and referred to in paragraphs 1 (b) and 2 (b) of Schedule 5 to the Original Loan Agreement.

17. “Subsidiary Agreement” means the agreement referred to in Section I.A.5 of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.

18. “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.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

   “Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

   (a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

   “Section 7.02. Suspension by the Bank

   ... (l) Ineligibility. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”