Loan Agreement

(Lebanon Environmental Pollution Abatement Project)

Between

LEBANESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated October 24, 2014
AGREEMENT dated October 24, 2014, between LEBANESE REPUBLIC ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement ("Project"), has requested the Bank to assist in the financing of the Project;

(B) The Government of Italy (GOI) has agreed to provide to the Borrower a grant (the GOI Grant) in an amount equivalent to US$3,000,000 to finance Part A of the Project on the terms and conditions set forth in an agreement entered into between the Borrower and GOI;

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

NOW THEREFORE the Borrower and the Bank hereto 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 fifteen million Dollars (US$15,000,000), 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.

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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains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 (e) of the General Conditions.

2.05. The Payment Dates are October 15 and April 15 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, 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.

2.08. Without limitation upon the provisions of paragraph (a) of Section 2.07 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to consecutive withdrawals from the Loan Account which in the aggregate equal or exceed US$3,000,000 shall be converted from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of the General Conditions and of the Conversion Guidelines.
ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall: (i) through MOE carry out Part A of the Project; (ii) through BDL manage the use of the Loan proceeds and administer on-lending to Participating Banks under Part B of the Project; and (iii) through PMU, carry out all other aspects of implementation of Part B of the Project, all 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 Events of Suspension consist of the following:

(a) The BDL Legislation and the MOE's Policy Statement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of BDL to perform any of its obligations under this Agreement and the Subsidiary Agreement.

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of Part A of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in paragraph (a) of Section 4.01 of this Agreement shall occur.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been executed on behalf of the Borrower and BDL.

5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized, executed and delivered on behalf of the Borrower and BDL and is legally binding upon the Borrower and BDL 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: 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

[Signature]

Authorized Representative

Name: Mohamad Mashnouk

Title: Minister of Environment

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: Ferid Belhaj

Title: Country Director
SCHEDULE 1

Project Description

The objectives of the Project are to assist the Borrower in: (i) reducing industrial pollution in targeted industrial enterprises; and (ii) strengthening the monitoring and enforcement capabilities of MOE.

The Project consists of the following parts:

Part A: Technical Assistance

Strengthening the capacity of MOE and relevant stakeholders in the banking and industry sectors through technical assistance and training, including, \emph{inter alia}, the following activities:

(1) Establishing the PMU, and making it fully operational.

(2) Providing technical assistance to selected industrial enterprises for the preparation of environmental assessments and CAPs required for carrying out Sub-projects.

(3) Strengthening MOE’s capacity in: (i) establishing guidelines for carrying out environmental and social impact assessments for the industrial sector; (ii) carrying out said environmental and social assessments; and (iii) providing formal and on-the-job training for its staff at the national and local levels.

(4) Providing technical assistance to relevant stakeholders in the banking sector for the development of technical and financial guidelines for financing pollution abatement projects and for selecting and evaluating Sub-projects.

(5) Conducting environmental awareness and communication campaigns on industrial pollution control.

(6) Supporting monitoring and evaluation of the Project progress, impacts and outcomes.

Part B: Investment Sub-projects

Carrying out pollution control Sub-projects through the provision of Sub-loans to selected industrial enterprises.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall through MOE maintain a PMU throughout the life of the Project, with functions, staffing, resources, and terms of reference satisfactory to the Bank, to be responsible for day-to-day Project implementation.

2. The Borrower shall through MOE maintain a Project Advisory Committee throughout the life of the Project, with functions, composition, resources, and terms of reference satisfactory to the Bank, to provide overall policy guidance and act as an advisory body to resolve any inter-agency implementation issues and review semi-annually the status of Sub-project selection and implementation.

3. The Borrower shall through MOF open a Project specific transit sub-account under the Borrower’s treasury account, to channel the Loan proceeds to the Designated Account.

B. Subsidiary Agreement

1. The Borrower shall make available the proceeds of the Loan to BDL under a Subsidiary Agreement to be entered into between the Borrower and BDL, under terms and conditions which shall have been approved by the Bank.

2. 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, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

C. Anti-Corruption

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

D. Safeguards

The Borrower shall through the PMU carry out Part B of the Project in accordance with the provisions of the ESMF.

E. Sub-projects

Project Operations Manual

1. In carrying out Sub-projects under Part B of the Project, the Borrower shall through the PMU in coordination with BDL:
(a) apply the Project Operations Manual, satisfactory to the Bank, which shall include: (i) institutional and implementation arrangements; (ii) eligibility criteria and procedures for the selection of Beneficiaries and Sub-projects; (iii) terms and conditions of Sub-loans; (iv) procurement procedures consistent with the provisions set forth in Section III of Schedule 2 to the Loan Agreement; (v) a financial management procedures, including guidelines on financial management, internal controls, accounting procedures, fund and asset management and withdrawal application procedures, consistent with the provisions set forth in Section II.B of this Schedule; (vi) the Environmental and Social Management Framework; (vii) monitoring, evaluation and reporting procedures; and (viii) a negative list of activities not to be financed by Sub-loans; and

(b) not amend, abrogate, suspend, or waive any part of the Operational Manual without the prior written approval of the Bank.

2. In the event of any inconsistency between the provisions of the Project Operations Manual or any part thereof and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Participating Agreements

3. The Borrower through BDL shall: (i) make the proceeds of the Loan available to Participating Banks after BDL has entered into Participating Agreements with such Participating Banks on terms and conditions acceptable to the Bank, which shall include terms and conditions set forth in Annex A to this Schedule 2; and (ii) except as the Bank shall otherwise agree, not assign, amend, abrogate or waive any such Participating Agreements.

Sub-projects and Sub-loans

4. The Borrower shall through the PMU ensure that no Sub-project shall be eligible for financing out of the proceeds of a Sub-loan unless the Sub-project meets the eligibility criteria as set out in the Operational Manual, including, inter alia:

(a) the proposed Sub-project is in compliance with the environmental standards set out in the ESMF, and with all applicable laws and regulations of the Borrower relating to health, safety, and environmental protection; an environmental and social screening has been carried out for the proposed Sub-project in accordance with principles set forth in the ESMF; and if said environmental and social screening concludes that an environmental and social management plan is required, said environmental and social management plan has been prepared by the relevant Beneficiary and approved by the Bank for implementing the proposed Sub-project;

(b) the proposed Sub-project is technically feasible and economically viable; and
(c) The proposed Sub-project is limited to retrofitting and/or rehabilitating existing and/or new facilities of the Beneficiaries, which shall not require involuntary land acquisition.

5. The Borrower shall through the PMU ensure that no Beneficiary shall be eligible to receive a Sub-loan, unless the Beneficiary meets the eligibility criteria set out in the Project Operations Manual, including, *inter alia*:

(a) it has been established and is operating and in good standing pursuant to the Borrower’s relevant laws and regulations;

(b) it is an industrial enterprise that has prepared a CAP and is committed to carrying out actions of the CAP related to the Sub-project within the duration the Sub-project;

(c) it is creditworthy and has the resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project; and

(d) it is able and has undertaken to contribute in cash or in kind at least 10% of the estimated cost of the Sub-project.

**Sub-loan Agreements**

6. The Borrower shall through the PMU in coordination with BDL ensure that a Participating Bank: (i) makes Sub-loans to Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Bank as set out in the Project Operations Manual; and (ii) shall only make the proceeds of the Sub-loan available to such Beneficiary after the Participating Bank has entered into a Sub-loan Agreement with the Beneficiary on terms and conditions acceptable to the Bank, which shall include terms and conditions set forth in Annex B to this Schedule 2.

7. The Borrower shall through the PMU ensure that for each Sub-loan exceeding US$2.0 million equivalent, the Sub-loan’s appraisal documents are submitted to the Bank for prior approval.

**Section II. Project Monitoring Reporting and Evaluation**

**A. Project Reports**

1. The Borrower shall through the PMU 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 forty-five (45) days after the end of the period covered by such report.

2. Without limitation on the provisions in paragraph A.1 of this Section II above, the Borrower shall through the PMU:
(a) conduct a mid-term review for the Project, and thereafter prepare, under terms of reference satisfactory to the Bank, and furnish to the Borrower and the Bank on or about March 30, 2017, or such later date as the Bank and the Borrower may agree on, a mid-term report on the progress achieved in the carrying out of the Project during the period preceding such 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

(b) review with the Bank by April 30, 2017, or such later date as the Bank shall request, the mid-term report referred to in sub-paragraph (a) above, 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’s views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall through the PMU 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 through the PMU in coordination with BDL, 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 the PMU in coordination with BDL, have its Financial Statements for the Project audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements for the Project 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 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 non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Non-consulting Services. The following methods may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (i) National Competitive Bidding, subject to the Bank’s procurement procedures and using the Bank’s standard bidding documents, acceptable and cleared by the Bank; (ii) Shopping; (iii) Direct Contracting; and (iv) Procurement in Loan to Financial Intermediary Institutions and Entities.

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: (i) Quality-based Selection; (ii) Selection under a Fixed Budget; (iii) Least Cost Selection; (iv) Selection based on Consultants’ Qualifications; (v) Single-source Selection of consulting firms; (vi) Selection of Consultants in Loans to Financial Intermediary Institutions and Entities; (vii) Selection of Individual Consultants; and (viii) Sole-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) Sub-loans under Part B of the Project</td>
<td>14,962,500</td>
<td>100% of Sub-loan amount disbursed</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>37,500</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>15,000,000</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 US$3,000,000 equivalent may be made for payments made prior to this date but on or after June 1, 2014, for Eligible Expenditures under Category 1, provided that the conditions set forth in Section I.E of Schedule 2 to this Agreement have been met.

2. The Closing Date is March 31, 2021.
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 April 15 and October 15, the first installment to be payable on the fifth (5th) Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the fourteenth (14th) Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment shall be equal to one-tenth (1/10th) 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 April 15, 2028, 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

Definitions


2. “BDL” means the Banque du Liban, the Borrower’s central bank established by the Code of Money and Credit promulgated on the 1st of August 1963, by Decree No. 13513.

3. “BDL Legislation” means the Borrower’s Code of Money and Credit promulgated on the 1st of August 1963, by Decree No. 13513, by which BDL was established and governed.

4. “Beneficiary” means any public or private industrial enterprise to which a Participating Bank proposes to make or has made a Sub-loan for carrying out a Sub-project; and the term “Beneficiaries” means the plural thereof.

5. “CAP” means a compliance action plan meeting the requirements of MOE to be implemented in whole or in part by a Beneficiary under a Sub-project to reduce the Beneficiary’s industrial pollution, and the term “CAPs” means the plural thereof.

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


8. “ESMF” means the Environmental and Social Management Framework, dated July 2013, adopted by the Borrower and BDL, setting out the principles and procedures, governing the environmental and social impact screening of Sub-projects to be carried out under Part B of the Project and the environmental and social protection measures, if any, required to be undertaken in order to avoid or mitigate potential adverse environmental and social impacts resulting from Part B of the Project; as said Framework may be revised from time to time with the prior approval of the Bank.


11. “MOF” means the Ministry of Finance and any successor thereto.

12. “Participating Agreement” means an agreement to be entered into between BDL and a Participating Bank pursuant to paragraph E.3 of Section I of Schedule 2 to this Agreement.
13. "Participating Bank" means any banking institution, approved by the Bank, with which BDL has entered into a Participating Agreement.


16. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated May 21, 2014 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.

17. "PMU" means the Project Management Unit in MOE referred to in paragraph A.1 of Section I of Schedule 2 to this Agreement.

18. "Project Advisory Committee" means the committee referred to in paragraph A.2 of Section I of Schedule 2 to this Agreement.

19. "Project Operations Manual" means the manual dated October 23, 2013 and referred to in paragraph E.1(a) of Section I of the Schedule 2 to this Agreement.

20. "Sub-loan" means a loan made or proposed to be made by a Participating Bank to a Beneficiary for a Sub-project out of the proceeds of the Loan.

21. "Sub-loan Agreement" means the agreement referred to in paragraph E.6 of Section I of Schedule 2 to this Agreement.

22. "Sub-project" means a specific investment project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan selected and carried out pursuant to the requirements of the Project Operations Manual.

23. "Subsidiary Agreement" means the agreement (also referred to as the Mandate de Gestion by the Borrower and BDL) to be entered into between the Borrower and BDL pursuant to paragraph B.1 of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior agreement of the Bank.
Annex A to Schedule 2
Principal Terms and Conditions of Participating Agreements

The provisions of this Annex shall apply for the purposes of paragraph E.3 of Section I of the Schedule 2 to this Agreement.

1. The principal amount to be relent out of the proceeds of the Loan to a Participating Bank under a Participating Agreement shall be: (i) denominated and repayable in Dollars; (ii) charged interest on the principal amount withdrawn and outstanding from time to time at a rate reasonable to cover the cost of borrowing of the Borrower; and (iii) repayable over a period not exceeding seven (7) years from the date of the Sub-loan Agreement entered into between the Participating Bank and a Sub-loan Beneficiary, inclusive of a grace period not exceeding two (2) years.

2. Each Participating Agreement shall contain provisions pursuant to which BDL has the right to:

   (i) suspend or terminate the right of a Participating Bank to use the proceeds of the Loan, declare it to be immediately due and payable, or obtain a refund of all or any part of the amount of the Loan then withdrawn, upon the Participating Bank's failure to perform any of its obligations under a Participating Agreement; and

   (ii) require each Participating Bank to:

      (A) carry out its activities under Part B of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the ESMF, and the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower;

      (B) provide, promptly as needed, the resources required for the purpose;

      (C) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives;

      (D) (1) prepare financial statements related to Sub-loans in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the expenditures related to the Sub-loans; and (2) at the Bank's or the Borrower's or BDL's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Bank, the Borrower and BDL;

      (E) enable the Borrower, the Bank and the PMU to inspect the Sub-project, its operation and any relevant records and documents;
(F) make Sub-loans to Beneficiaries on the terms and conditions set forth in Annex B to the Schedule to this Agreement;

(F) not assign, amend, abrogate or waive any of its agreements providing for Sub-loans, or any provision thereof, without prior approval of BDL;

(G) appraise Sub-projects and supervise, monitor and report on the carrying out by Beneficiaries of Sub-projects, in accordance with procedures as set out in the Project Operations Manual; and

(H) (1) exchange views with, and furnish all such information to BDL and the PMU, as may be, reasonably requested by the Bank or BDL, with regard to the progress of its activities under Part B of the Project, the performance of its obligations under its respective Participating Agreement, and other matters relating to the purposes of Part B of the Project; and (2) promptly inform the Bank, BDL and the PMU of any condition which interferes or threatens to interfere with the progress of its activities under its respective Participating Agreement.
Annex B to Schedule 2

Terms and Conditions of Sub-loans

The provisions of this Annex shall apply for the purposes of paragraph E.6 of Section I of Schedule 2 to this Agreement.

1. The Sub-loan shall be: (i) denominated and repayable in Dollars; (ii) charged interest on the principal amount withdrawn and outstanding from time to time at a rate sufficient to cover the cost of borrowing of the Participating Bank; (iii) repaid within a period not exceeding seven (7) years from the date of the Sub-loan Agreement, inclusive of a grace period not exceeding two (2) years.

2. The Participating Bank shall obtain rights adequate to protect its interests and those of the Borrower and the Bank through a Sub-loan Agreement between the Participating Bank and a Beneficiary, including the right to:

   (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-loan, or declare to be immediately due and payable, or obtain a refund of all or any part of the amount of the Sub-loan then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Sub-loan Agreement; and

   (ii) Require each Beneficiary to:

      (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including the provisions of the ESMF and the CAP; and in accordance with the provisions of the Anti-Corruption Guidelines;

      (B) provide, promptly as needed, the resources required for carrying out the Sub-project;

      (C) procure the goods and services to be financed out of the Sub-loan in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement and use such goods and services exclusively for the Sub-project;

      (D) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives;

      (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Bank’s or the Borrower’s or BDL’s request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards
acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower, the Bank and the BDL;

(F) enable the Borrower, the Bank and the BDL to inspect the Sub-project, its operation and any relevant records and documents; and

(G) prepare and furnish to the Borrower, the Bank and the BDL all such information as the Borrower, the Bank, the BDL or the PMU shall reasonably request relating to the foregoing.

3. The Participating Bank shall exercise its rights under each Sub-loan Agreement in such manner as to protect the interests of the Borrower, the Bank and BDL and to accomplish the purposes of the Sub-loan. Except as the Borrower and the Bank shall otherwise agree in writing, the Participating Bank shall not assign, amend, abrogate or waive any Sub-loan Agreement or any of its provisions, which in the opinion of the Bank, will affect materially and adversely the ability of BDL to perform any of its obligations under the Sub-loan Agreement.