

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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September 11, 2000

الجمهورية اللبنانية

H.E. Mr. Georges Corm
Minister of Finance
Ministry of Finance
Beirut, Lebanon

مكتب وزير الدولة لشؤون التنمية الإدارية
مركز مشاريع ودراسات القطاع العام

Re: *Loan 3829 LE (Health Sector Rehabilitation Project)*
Amendment to the Loan Agreement

Excellency:

We refer to the above-referenced Loan Agreement between the Lebanese Republic (the Borrower) and the International Bank for Reconstruction and Development (the Bank), dated March 7, 1995 (the Loan Agreement), as amended. We also refer to the Borrower's request, dated July 12, 2000, to: (a) reallocate funds in the table of Schedule 1 of the Loan Agreement; (b) establish a second special account; (c) increase the percentage of expenditures of Categories 4 and 5 in the table of Schedule 1 to the Loan Agreement; and (d) modify the definition of "Incremental Operating Costs."

We are pleased to inform you that the Bank accedes to your request. Accordingly, the Loan Agreement is amended as follows:

1. Definition (i) under Section 1.02 is amended as follows:

"Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement."

2. Under Section 2.02 Sub-Paragraph (b) is amended as follows:

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

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

3. Section 2.08 is amended as follows:

" For the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions: (a) CDR is designated as representative of the Borrower in respect of the proceeds of the Loan allocated from time to time to Categories (1), (2) and (3); (b) MOH is designated as representative of the Borrower in respect of the proceeds of the Loan allocated from time to time to Categories (4) and (5)."

4. Under Article 3, all references to "Special Account" shall be replaced by "Special Accounts."

5. The table in Schedule 1 to the Loan Agreement shall be amended to read as set forth in the attachment to the Amendment Letter.

6. Sub-Paragraph 2 (c) under Schedule 1 is amended as follows:

" the term "Incremental Operating Costs" means communication expenses, office supplies, rent, utilities, local transportation charges and vehicles insurance and maintenance."

7. Part A.1. under Schedule 5 is amended as follows:

"MOH shall: (a) have overall responsibility for the implementation of the Project; and (b) be responsible for the procurement of consultants."

8. Part A.3. under Schedule 5 is amended as follows:

"MOH shall maintain arrangements satisfactory to the Bank with CDR pursuant to which CDR shall be responsible, on behalf of the Borrower, for all matters related to the procurement process for works and goods, and withdrawal of the proceeds of the Loan allocated from time to time to Categories (1), (2) and (3)."

9. Schedule 6 is amended as follows:

"SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of

the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 in respect of Special Account A and an amount equivalent to \$500,000 in respect of Special Account B to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$700,000 in respect of Special Account A and an amount equivalent to \$300,000 in respect of Special Account B, until (i) in respect of Special Account A the aggregate amount of withdrawals from the Loan Account allocated to Categories (1), (2) and (3) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions on account of the procurement of goods and works shall be equal to or exceed the equivalent of \$2,000,000, and (ii) in respect of Special Account B, the aggregate amount of withdrawals from the Loan Account allocated to Categories (4) and (5) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions on account of the procurement of consultants' services shall be equal to or exceed the equivalent of \$4,500,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

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

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Bank requests for deposits into the respective Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible

Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into either Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the expenditures to be financed under said Categories, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of either Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the respective Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into either Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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(b) If the Bank shall have determined at any time that any amount outstanding in either Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions."

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating and returning to us the enclosed copy of this letter.

Sincerely,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Inder Sud
Inder Sud
Director, Middle East Department
Middle East and North Africa Region

AGREED:
LEBANESE REPUBLIC

By

G. Corm
Authorized Representative

Date

Attachment

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Attachment

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works	11,300,000	80%
(2) Equipment, vehicles and supplies	9,800,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% for other items procured locally
(3) Furniture	50,000	100% of foreign expenditures and 60% of local expenditures
(4) Consultants' services and training	9,000,000	100%
(5) Incremental	2,000,000	100%
(6) Unallocated	3,550,000	
TOTAL	35,700,000	

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