

**OFFICIAL
DOCUMENTS**

LOAN NUMBER 8413 -TN

Loan Agreement

(Urban Development and Local Governance Program)

between

REPUBLIC OF TUNISIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 8, 2014

LOAN NUMBER 8413-TN

LOAN AGREEMENT

AGREEMENT dated October 8, 2014, between REPUBLIC OF TUNISIA (“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 with modifications set out in Section II of 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 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 two hundred seventeen million Euro (EUR217,000,000) (“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 program described in Schedule 1 to this Agreement (“Program”).
- 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 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: (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.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the objectives of the Program. To this end, the Borrower shall carry out the Program, through the Ministry of Economy and Finance (MoEF), 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 Program 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) that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out; and
 - (b) the Program has been modified or suspended so as to affect materially and adversely the ability of the Borrower to achieve the objectives of the Program.
- 4.02. The Additional Events of Acceleration consist of the following, namely that either of the Events specified above occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Decree, in form and substance acceptable to the Bank, has been adopted by the Borrower and published in the Borrower's National Gazette.
 - (b) The Program Operations Manual, in form and substance satisfactory to the Bank, has been adopted by the Borrower.
- 5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Ministry of Economy and Finance.

- 6.02. The Borrower's Address is:

Ministry of Economy and Finance
Secretary of State for Development and International Cooperation
Place Ali Zouaoui
1069, Tunis
Republic of Tunisia

Facsimile:

216-71-351-666/216-71-799-069

- 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:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Washington D.C, United States of America, as of the day and year first above written.

REPUBLIC OF TUNISIA

By



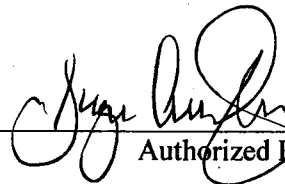
Authorized Representative

Name: Hakim Ben Hammouda

Title: Minister of Economy and Finance

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By



Authorized Representative

Name: Inger Andersen

Title: Regional Vice President

SCHEDULE 1

Program Description

The objectives of the Program are: (i) to strengthen Local Governments' performance to deliver municipal infrastructure; and (ii) to improve access to services in targeted disadvantaged neighborhoods.

The Program is part of the Borrower's Urban Development and Local Governance Program designed to deliver Municipal Investment Projects and strengthen institutional capacity of Local Governments for the period 2014-2019, through a combination of grants and/or loans to Local Governments and the use of Local Government's own source revenues.

The Program comprises the following activities:

1. Capital block grants for municipal infrastructure

Provision of Capital Block Grants to Local Governments for the carrying out of Municipal Investment Projects.

2. Improving access to municipal infrastructures in disadvantaged neighborhoods

Provision of Conditional Grants to Local Governments for the carrying out of Municipal Investment Projects in targeted disadvantaged neighborhoods.

3. Capacity support for improved local government institutional development and accountability

(a) Provision of technical advisory services and training to Local Governments on the basis of the Local Governments annual Capacity Building Plan in order to, *inter alia*, strengthen their capacity to: (i) prioritize and plan municipal investments; (ii) improve management of their own source of revenues and assets; and (iii) enhance the quality of Municipal Investment Projects, including with respect to procurement, financial management, environmental and social management.

(b) Preparation of the Performance Assessment Manual and design and operation of a new E-portal for the Local Governments.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. **Program Fiduciary, Environmental and Social Systems**

Without limitation on the provisions of Article V of the General Conditions, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Bank (“Program Fiduciary, Environmental and Social Systems”) which are designed to ensure that:

1. the Loan proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. **Anti-Corruption**

Without limitation on the provisions of Part A of this Section, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. **Other Program Institutional and Implementation Arrangements**

1. Program Institutional Arrangements

- (a) Without limitation on the generality of Part A of this Section I, the Borrower shall designate, at all time during the implementation of the Program, the Program MDAs and Program LGs, to be responsible for the implementation of Program activities, and shall take or cause to be taken, all actions, including, the provision of funding, personnel and other resources to enable said Program MDAs and Program LGs, as the case may be, to perform their respective functions under the Program.
- (b) Without limitation upon the provisions of paragraph (a) immediately above, the Borrower shall designate and thereafter, maintain, at all times during the implementation of the Program:

- (i) The Ministry of Economy and Finance to be responsible for Program implementation and for all transfer of funds under the Program.
- (ii) The Inter-ministerial Committee with functions, staffing and resources satisfactory to the Bank, to be responsible for sectoral coordination and for providing strategic leadership and general direction for the overall implementation of the Program.
- (c) Without limitation upon the provisions of paragraphs (a) and (b) of this Section I.C, the Borrower shall designate, at all times during the implementation of the Program, the *Caisse des Prêts et de Soutien des Collectivités Locales* (CPSCL), to be responsible, among other, for coordination of day-to-day implementation of the Program and to facilitate the timely completion of inter-dependent functions to be performed by the Program MDAs.

2. Manuals

- (a) The Borrower shall adopt, in form and substance satisfactory to the Bank a Program Operations Manual containing detailed institutional, administrative, financial, technical and operational guidelines and procedures for the implementation of the Program, including, *inter alia*:
 - (i) description of the Minimum Mandatory Conditions (“MMC”) and associated performance indicators;
 - (ii) description of the type of investments and capacity building activities to be supported under the Program;
 - (iii) a template for a Memorandum of Understanding (MoU), in form and substance satisfactory to the Bank, (including Fiduciary, Environmental and Social Management Systems, Anti-corruption and reporting provisions) to be signed between each LG and the Borrower, through the CPSCL, that defines their respective responsibilities under the Program; and
 - (iv) an environmental and social management manual containing guidelines for, *inter alia*: assessing potential environmental and social impacts of the Program; and appropriate mitigation, management, and monitoring measures in respect of said impacts.
- (b) The Borrower shall adopt, no later than June 30, 2015, in form and substance satisfactory to the Bank, a LG Performance Assessment

Manual containing detailed protocols, guidelines, procedures and other arrangements for the carrying out of annual LG Performance Assessments, including, *inter alia*, a methodology for calculating and implementing a score systems to measure LG performance against a set of criteria.

- (c) The Borrower shall thereafter carry out the Program in accordance with the Program Operations Manual and the Performance Assessment Manual; and shall not amend, abrogate or suspend, or permit to be amended, abrogated or suspended, any provision of the Program Operations Manual and the Performance Assessment Manual, without the prior written agreement of the Bank. Notwithstanding the foregoing, if any provision of said Manuals is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. Additional Program Implementation Arrangements

Without limitation on the generality of Part A of this Section I, the Borrower shall carry out the Action Plan, or cause the Action Plan to be carried out, in accordance with the schedule set out in said Action Plan in a manner satisfactory to the Bank, and shall ensure that the Action Plan is not amended, revised, waived, voided, suspended, terminated or abrogated, without the prior written consent of the Bank.

4. Annual and Independent LG Performance Assessment

- (a) Without limitation upon the provisions of Part A of this Section I, the Borrower shall, through the CGSP or any other designated independent agency as may be agreed with the Bank in writing, in each Fiscal Year during the implementation of the Program and starting in FY2017:
 - (i) carry out or cause to be carried out, in accordance with the Program Operations Manual and the Performance Assessment Manual, an annual performance assessment (“APA”) covering the previous Fiscal Year (“FY”) to determine whether: (aa) the target performance scores have been met; and (bb) the final Capital Block Grant for each eligible LG has been allocated; and
 - (ii) furnish said APA, not later than six (6) months after the end of said FY, to the Bank for review.
- (b) The Borrower shall ensure that the APA takes into account the findings of the Procurement Audit, in accordance with the provisions of Sections III.C of Schedule 2 to this Agreement.

5. Independent Assessment or Audit

The Bank may, at its discretion and if it deems necessary, from time to time carry out assessments or audits to verify the data supporting the achievement of one or more DLIs.

6. Budgetary Allocation

Throughout the Program implementation, the Borrower shall ensure that sufficient budget is provided to CPSCL under the MoI budget in a timely manner to enable the CPSCL to: (a) allocate and transfer capital grants to LG on time; and (b) implement Program activities related capacity building and institutional development.

Section II. Excluded Activities

The Borrower shall ensure that the Program excludes any activities which:

- A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (1) works, estimated to cost US\$50 million equivalent or more per contract; (2) goods, estimated to cost US\$30 million equivalent or more per contract; (3) non-consulting services, estimated to cost US\$20 million equivalent or more per contract; or (4) consultants' services, estimated to cost US\$15 million equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Borrower, through the CPSCL, shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 5.08 of the General Conditions. Each Program Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) after the end of the period covered by such report.

B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower shall have the 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. 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.

C. Procurement Audit

Without limitation upon the provisions of Part B of this Section III, the Borrower shall, in each Fiscal Year (“FY”) beginning FY 2016: (a) carry out under terms of reference satisfactory to the Bank, an audit of contracts procured in the preceding FY and furnish said audit to the Bank not later than six (6) months after the end of the FY to which said audit relates; and (b) ensure that the findings of said audit are taken into account in the Annual Performance Assessment for the FY to which said audit relates. To this end, the Borrower shall take all actions including the provision of funding, personnel and other resources to carry out said audit.

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 from time to time by notice to the Borrower to finance the Program Expenditures, on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Borrower, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); all as set forth in the table in paragraph 2 of this Part A.
2. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Loan to each Category:

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in EUR)
(1) DLI #1: The Borrower has replaced Decree No 97-1135 and restructured its capital grant system accordingly	DLR #1: Decree published in the National Gazette in FY 14	21,157,500
(2) DLI #2: Timely communication to LGs of the indicative Capital Block Grants (CBGs) allocation	DLR #2.1: Timely communication of the CBG allocation to LGs and timely	14,500,000, of which 2,900,000 for each DLR

<p>and timely transfer of CBGs to eligible LGs by the Borrower</p>	<p>transfer of CBGs to eligible LGs, in FY 15 DLR #2.2: Timely communication of the CBG allocation to LGs and timely transfer of CBGs to eligible LGs, in FY 16 DLR #2.3: Timely communication of the CBG allocation to LGs and timely transfer of CBGs to eligible LGs, in FY 17 DLR #2.4: Timely communication of the CBG allocation to LGs and timely transfer of CBGs to eligible LGs, in FY 18 DLR #2.5: Timely communication of the CBG allocation to LGs and timely transfer of CBGs to eligible LGs, in FY 19</p>	
<p>(3) DLI #3: Acceptable percentage of LGs have met the MMCs and received CBGs</p>	<p>DLR #3.1: 60% in FY 15 DLR #3.2: 70% in FY 16 DLR #3.3: 80% in FY 17 DLR #3.4: 90% in FY 18 DLR #3.5: 90% in FY 19</p>	<p>22,000,000, of which 4,400,000 for each DLR</p>
<p>(4) DLI #4: The Borrower has designed and implemented an independent LG performance assessment (PA) system and required percentage of LGs have met the threshold PA scores</p>	<p>DLR #4.1: PA Manual adopted by circular (<i>circulaire</i>) from the Minister of Interior, FY15 DLR # 4.2: PA is tested and implemented in FY 16 DLR #4.3: 50% of LGs achieved threshold PA scores set forth in the PA Manual in FY 17 DLR #4.4: 60% of LGs achieved threshold PA scores set forth in the PA Manual in FY 18</p>	<p>65,000,000 of which 14,500,000 for each of DLR #4.1 and DLR #4.2, and 18,000,000 for each of DLR #4.3 DLR #4.4</p>
<p>(5) DLI #5: Required percentage of LGs have executed their Annual Investment Plans on schedule in terms of expenditures</p>	<p>DLR #5.1: 40% in FY 15 DLR #5.2: 50% in FY 16 DLR #5.3: 60% in FY 17 DLR #5.4: 70% in FY 18 DLR #5.5: 80% in FY 19</p>	<p>32,400,000 of which 3,600,000 for DLR #5.1, and 7,200,000 for each of DLR #5.2, DLR #5.3, DLR #5.4 and</p>

		DLR #5.5
(6) DLI #6: Required percentage of LGs have received capacity building support in accordance with their annual capacity development plan	DLR #6.1: 50% in FY 15 DLR #6.2: 60% in FY 16 DLR #6.3: 70% in FY 17 DLR #6.4: 80% in FY 18	18,000,000 of which 3,600,000 for each of DLR #6.1 and DLR #6.2, 7,200,000 for DLR #6.3 and 3,600,000 for DLR # 6.4
(7) DLI #7: Targeted number of people living in targeted disadvantaged neighborhoods have benefited from improved municipal infrastructure	DLR #7: Work contracts covering 500 000 people have been tendered and completed by FY19	29,000,000
(8) DLI #8: transparency and access to information have been improved	DLR #8.1: E-portal designed and populated in FY 15 DLR #8.2: At least 60% of LG annual financial accounts legally received by the <i>Cour des Comptes</i> are audited by September 30 of current year in FY16 DLR #8.3: At least 70% of LG annual financial accounts legally received by the <i>Cour des Comptes</i> are audited by September 30 of current year in FY 17 DLR #8.4: At least 80% of LG annual financial accounts legally received by the <i>Cour des Comptes</i> are audited by September 30 of current year in FY 18	14,400,000 of which 7,200,000 for DLR #8.1; 2,200,000 for DLR #8.2 and DLR #8.3; and 2,800,000 DLR #8.4
(9) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions	Not applicable	542,500
TOTAL AMOUNT		217,000,000

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for any DLR in paragraph A.2 of this section until and unless the Borrower has furnished evidence satisfactory to the Bank that said DLR has been achieved.
2. Notwithstanding the provisions of Part B.1 of this Section, the Borrower may withdraw an amount not to exceed the equivalent of EUR43,400,000 million as an advance under Categories 5 and 7 provided, however, in each case, that if the DLRs for said Category in the opinion of the Bank, are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance (or portion of such advance as determined by the Bank) promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.
3. Notwithstanding the provisions of Part B.1 of this Section, if the Bank is not satisfied that any of the DLRs under Category (2), (3), (4), (5), (6), (7) or (8) has been achieved, the Bank may, at any time, by notice to the Borrower, decide, in its sole discretion, to: (a) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or (b) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.
4. For DLRs under Category (3), (4), (5), (6), (7) or (8), withdrawals shall be made in accordance with the formula set out in Schedule 4 to this Agreement.
5. The Closing Date is December 31, 2019.
6. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Borrower has failed to provide evidence satisfactory to the Bank that the Withdrawn Loan Balance does not exceed the total amount of Program Expenditures paid by the Borrower, exclusive of any such expenditures financed by any other financier or by the Bank or the Association under any other loan, credit or grant, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Loan Balance. The Bank shall cancel the refunded amount of the Withdrawn Loan Balance.

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
January 15, 2015	0%
July 15, 2015	0%
January 15, 2016	0%
July 15, 2016	0%
January 15, 2017	0%
July 15, 2017	0%
January 15, 2018	0%
July 15, 2018	0%
January 15, 2019	0%
July 15, 2019	0%
January 15, 2020	0%
July 15, 2020	0%
January 15, 2021	2%
July 15, 2021	2%
January 15, 2022	2%
July 15, 2022	2%
January 15, 2023	0%
July 15, 2023	4%
January 15, 2024	0%
July 15, 2024	4%
January 15, 2025	4%
July 15, 2025	4%
January 15, 2026	4%
July 15, 2026	3%
January 15, 2027	3%
July 15, 2027	0%
January 15, 2028	0%

July 15, 2028	4%
January 15, 2029	4%
July 15, 2029	3%
January 15, 2030	3%
July 15, 2030	3%
January 15, 2031	0%
July 15, 2031	0%
January 15, 2032	2%
July 15, 2032	3%
January 15, 2033	3%
July 15, 2033	0%
January 15, 2034	2%
July 15, 2034	2%
January 1, 2035	2%
July 15, 2035	2%
January 15, 2036	2%
July 15, 2036	2%
January 15, 2037	2%
July 15, 2037	2%
January 15, 2038	2%
July 15, 2038	2%
January 15, 2039	2%
July 15, 2039	2%
January 15, 2040	2%
July 15, 2040	2%
January 15, 2041	2%
July 15, 2041	2%
January 15, 2042	2%
July 15, 2042	2%
January 15, 2043	2%
July 15, 2043	2%
January 15, 2044	1%

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 adopts 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: (a) 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 (b) 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.

SCHEDULE 4

Disbursement Linked Results Calculation Formula

Category (including Disbursement Linked Indicator as applicable)	Scalable	Calculation Formula	Notes
(1) DLI #1: The Borrower has replaced Decree No 97-1135 and restructured its capital grant system accordingly	No	N/A	N/A
(2) DLI #2: Timely communication to LGs of the indicative Capital Block Grants (CBGs) allocation and timely transfer of CBGs to eligible LGs by the Borrower	No	N/A	If the target is not met for a given year, the undisbursed amount will be redistributed equally in the projected disbursement of the following years.
(3) DLI #3: Acceptable percentage of LGs have met the MMCs and received CBGs	Yes	$D=A*(C/T)/G$	<p>D= annual disbursement A= annual allocation C= number of LGs compliant T= total number of LGs G= annual goal in percentage (*)= multiplied (/)= divided (>)= greater than (<)= lesser than</p> <p>If $C/T < 0.3$, $D = 0$ If $C/T > G$, $D=A$ If the target is not met for a given year, the undisbursed amount will be</p>

<p>(4) DLI #4: The Borrower has designed and implemented an independent LG performance assessment (PA) system and required percentage of LGs have met the threshold PA scores</p>	<p>DLR 4.1 and DLR 4.2 – No</p>	<p>N/A</p>	<p>redistributed equally in the projected disbursement of the following years. If the target is not met for a given year, the undisbursed amount will be disbursed in the next years, when the target is met.</p>
	<p>DLR 4.3 and DLR 4.4 - Yes</p>	<p>$D=A*(C/T)/G$</p>	<p>D= annual disbursement A= annual allocation C= number of LGs compliant T= total number of LGs G= annual goal in percentage (*)= multiplied (/)= divided (>)= greater than (<)= lesser than If $C/T < 0.15$, $D = 0$ If $C/T > G$, $D=A$</p>
<p>(5) DLI #5: Required percentage of LGs have implemented their annual investment plans on schedule</p>	<p>Yes</p>	<p>$D=A*(C/T)/G$</p>	<p>If the target is not met for a given year, the undisbursed amount will be redistributed equally in the projected disbursement of next years. D= annual disbursement A= annual allocation C= number of LGs compliant T= total number of LGs G= annual goal in percentage (*)= multiplied (/)= divided (>)= greater than (<)= lesser than If $C/T < 0.15$, $D = 0$</p>

			<p>If $C/T > G$, $D=A$</p> <p>If the target is not met for a given year, the undisbursed amount will be redistributed equally in the projected disbursement of next years.</p> <p>D= annual disbursement A= annual allocation C= number of LGs compliant T= total number of LGs G= annual goal in percentage (*)= multiplied (/)= divided (>)= greater than (<)= lesser than</p> <p>If $C/T < 0.15$, $D = 0$ If $C/T >$ yearly target, $D=A$</p> <p>If the target is not met for a given year, the undisbursed amount will be redistributed equally in the projected disbursement of next years.</p>
<p>(6) DLI #6: Required percentage of LGs have received capacity building support in accordance with their annual capacity development plan</p>	<p>Yes</p>	<p>$D=A*(C/T)/G$</p>	

			<p>(/)= divided (>)= greater than (<)= lesser than</p> <p>If $K/T < 0.3$, $D = 0$ If $K/T > G$, $D=A$</p> <p>If the target is not met for a given year, the undisbursed amount will be redistributed equally in the projected disbursement of next years.</p>
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For the purpose of this table:

“Annual disbursement” means the amount to be disbursed at the end each evaluation period.

“Annual allocation” means the amount defined for each DLR in the table in Schedule 4 to this Agreement adjusted with the undisbursed amount of the previous period if any.

“Number of LGs compliant” means the number of Local Governments that have achieved the target set forth in each DLI in the table in Schedule 4 to this Agreement.

“Annual goal in percentage” means the yearly target defined for each DLR in the table in Schedule 4 to this Agreement.

“Total allocation” means the amount defined for each DLI in the table in Schedule 4 to this Agreement.

APPENDIX

Section I. Definitions

1. "Action Plan" means the Borrower's plan dated May 30, 2014, and referred to in Section I.C(3) of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Bank.
2. "Annual Investment Plan" means the plan prepared by each LG in accordance with the Program Operations Manual.
3. "Anti-Corruption Guidelines" means the Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, dated February 1, 2012.
4. "Capacity Building Plan" means the plan prepared, or to be prepared, by each LG describing training and technical assistance requirements.
5. "Capital Block Grant" means an unconditional capital grant provided under Part 1 of the Program, in accordance with the Program Operations Manual and the LG Performance Assessment Manual.
6. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
7. "Conditional Grant" means a conditional capital grant provided under Part 2 of the Program, pursuant to a Targeted Capital Conditional Grant MoU for the financing of a Municipal Investment Project, in accordance with the Program Operations Manual.
8. "Decree" means the decree replacing the decree No 9711115 of June 5, 1997, establishing the condition of granting by CPSCL to LG to be adopted by the Borrower's LG capital grant system to be signed by the Head of the Government and published in the Official Gazette.
9. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to the said Category as set forth in the tables in Section IV.A.2 of Schedule 2 to this Agreement.
10. "Disbursement Linked Result" or "DLR" means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.
11. "Fiscal Year" or "FY" means the fiscal year of the Borrower, starting January 1 and ending December 31 of each calendar year.
12. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

13. "Inter-ministerial Committee" or "IMC" means the committee established by the Borrower's Minister of Interior pursuant to Decision of August 5, 2013.
14. "Local Government" or "LG" means a local municipality located in the territory of the Borrower, to which a Capital Block Grant or a Conditional Grant is made or proposed to be made pursuant to a Capital Block Grant Memorandum of Understanding or a Conditional Grant Memorandum of Understanding, as the case may be, in accordance with the Program Operations Manual.
15. "Memorandum of Understanding" means the MoU for Conditional Grant and/or the Capital Block Grant.
16. "Ministry of Interior" means the Borrower's Ministry in charge of Local Governments or successor thereto.
17. "MMCs" means the minimum mandatory conditions to be met by Local Governments to benefit from a Capital Block Grant or a Conditional Grant, as set forth in the Program Operations Manual.
18. "Municipal Investment Project" means a specific project to be carried out by a Local Government, consisting of municipal infrastructure reflected in the Local Government's Annual Investment Plans, in accordance with the Program Operations Manual.
19. "Performance Assessment Manual" means a Manual to be prepared by the Borrower that will be used to measure LG performance under the Program.
20. "Program" means specific parts of the Borrower's Urban Development and Local Governance program to be financed by the Bank.
21. "Program Fiduciary, Environmental and Social Systems" means the Borrower's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.
22. "Program LGs" means all the Borrower's 264 municipalities and additional municipalities that might be established by the Borrower during the implementation of the Program.
23. "Program MDAs" means the Borrower's Ministries, Departments and Agencies involved in the implementation of Program activities, including; MoI, MoEF, CPSCL, DGCPL, CFAD, DGI, CGSP, *Cour des Comptes* and ARRU.
24. "Program Operations Manual" means the manual to be adopted by the Borrower before effectiveness referred to in paragraph C.2 (a) of Section I of Schedule 2 to this Agreement.
25. "Urban Development and Local Governance Program" means the Borrower's program designed to deliver Municipal Investment Projects and strengthen institutional capacity of Local Governments for the period 2014-2019".

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity", the term "Project Report" is modified to read "Program Report"; and the term "Eligible Expenditures" is modified to read "Program Expenditures".
2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the amendments set out below.
3. Section 2.02, *Special Commitment by the Bank*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading "*Applications for Withdrawal or for Special Commitment*" is replaced with "*Applications for Withdrawal*", and the phrase "or to request the Bank to enter into a Special Commitment" is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreements".
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: "To that end, if the Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Bank may, by notice to the Borrower, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Loan, as required to ensure consistency with such policy of the Bank."
8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: "Notwithstanding any allocation of an amount of the Loan to a withdrawal category under the Loan Agreement, the Bank may, by notice to the Borrower, reallocate any other amount of the Loan to such category if the Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.
9. Section 7.01, *Cancellation by the Borrower*, is modified to read: "The Borrower may, by notice to the Bank, cancel any amount of the Unwithdrawn Loan Balance."
10. Paragraph (d) of Section 7.03, *Cancellation by the Bank*, entitled "*Misprocurement*", is deleted, and subsequent paragraphs are relettered accordingly.

11. Section 7.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Bank*, is deleted in its entirety, and subsequent Sections in Article VII and references to such Sections are renumbered accordingly.
12. In the Appendix, *Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term "Special Commitment" is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.