

CONFORMED COPY

LOAN NUMBER 3601 TUN

Loan Agreement

(Second Forestry Development Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated December 22, 1993

LOAN NUMBER 3601 TUN

LOAN AGREEMENT

AGREEMENT, dated December 22, 1993, between the REPUBLIC OF TUNISIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

WHEREAS (B) 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;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Central Bank" means the Borrower's Central Bank (Banque Centrale de Tunisie) established and operating under the Borrower's Law No. 58-90 dated September 19, 1958, as amended from time to time;

(b) "DGF" means the Directorate General of Forests (Direction Generale des Forets) established and operating under the Borrower's Decree No. 87-779 dated May 21, 1987, as amended by the Borrower's Decree No. 90-670 dated April 25, 1990;

(c) "DREF" means the Directorate of Forest Exploitation (Regie d'Exploitation Forestiere) established under Article 24 of the Borrower's Budget Law, Law No. 72-87 dated December 31, 1972, and operating under the Borrower's Decree No. 85-1249 dated October 7, 1985;

(d) "CRDA" a Regional Agricultural Development Commission (Commissariat Regional au Developpement Agricole) established and operating under the Borrower's Law No. 89-44 dated March 8, 1989 and the related implementation decrees; and "CRDAs" means more than one CRDA or the CRDAs collectively;

(e) "AF" means a provincial forestry service (arrondissement des forets) operating within a CRDA; and "AFs" means more than one AF or the AFs collectively;

(f) "Code" means the Borrower's Forestry Code (Code Forestier) promulgated by the Borrower's Law No. 88-20 dated April 13, 1988, as amended from time to time;

(g) "AFIC" means a Forestry Association of Collective Interest (Association Forestiere d'Interet Collectif) to be established pursuant to Articles 43 and 44 of the Code; and AFICs means more than one AFIC or the AFICs collectively;

(h) "NFE" means the National Forest Estate (Domaine Forestier de l'Etat) as such is defined in Article 12 of the Code;

(i) "forest unit" means a territorial unit (trilage) into which a AF is divided for purposes of forest management and development;

(j) "CFPR" means the Professional Forestry Training Center of Remel (Centre de Formation Professionnelle Forestiere de Remel) created under the Borrower's Budget Law, Law No. 76-115 dated December 31, 1976, and operating within the Borrower's Agricultural Extension and Training Agency (Agence de la Vulgarisation et de la Formation Agricoles);

(k) "CRIP" means the Center of Pedagogic Resources and Engineering (Centre de Recherche et d'Ingenierie Agricole) within the Borrower's Ministry of Professional Training and Employment;

(l) "Forestry Development Project" means the Forestry Development Project financed under the Bank's Loan No. 2870 TUN, dated September 28, 1987;

(m) "PMU" means the Project Management Unit (Bureau du Gestion du Projet) established under the Forestry Development Project and operating within the DGF;

(n) "FCC" means the Forestry Coordination Committee (Comite de Coordination Forestiere) established and operating under the Forestry Development Project;

(o) "NGO" means a non-governmental organization (organisation non-gouvernementale) in the Borrower's territory which is concerned with rural and social development activities; and NGOs means more than one NGO or the NGOs collectively;

(p) "INRF" means the National Institute of Forestry Research (Institut National de Recherche Forestiere) established under the Borrower's Law No. 66-79 dated December 29, 1966, and operating under the Borrower's Decree No. 79-766 dated August 28, 1979;

(q) "Force Account" means the procurement method of construction by the use of the Borrower's own personnel and equipment;

(r) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(s) "Fiscal Year" or "FY" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of sixty-nine million dollars (\$69,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2000 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate

applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out, or cause to be carried out, the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, environmental, financial, forestry, and land conservation practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than nine (9) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. Beginning with Fiscal Year 1994, before the end of each Fiscal Year the Borrower shall, through regional revolving funds, make available out of its own resources to the CRDAs responsible for carrying out Project activities through Force Account, the funds necessary to cover at least the anticipated annual Project expenditures for the following Fiscal Year necessary to finance personnel and equipment costs of work to be executed by Force Account.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) The Borrower shall have submitted to its Chamber of Deputies proposed legislation necessary towards satisfaction of the provisions of paragraph C.4 of Schedule 5 hereto;

(b) The Borrower: (i) shall have set up, or shall have caused to be set up within the PMU, under arrangements satisfactory to the Bank: (A) the Accounting and Financial Management Unit; (B) the Concept, Programming and Promotion Unit; (C) the Management and Exploitation Unit; (D) the Reforestation and Rangeland Unit; and (E) the Environment Unit; and (ii) shall have appointed, or shall have caused to be appointed, seven (7) additional permanent staff to said PMU Units; and

(c) The Borrower shall have identified, or shall have caused to be identified, the specific areas on which to implement the pilot operations of integrated rural development to be carried out under Part G of the Project.

Section 5.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Minister of International Cooperation and Foreign Investment of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of International Cooperation  
and Foreign Investment  
149, Avenue de la Liberte  
1002 Tunis-Belvedere  
Republic of Tunisia

Cable address:

MCIIE

Telex:

18060

For the Bank:

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

Cable address:

Telex:

INTBAFRAD  
Washington, D.C.

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF TUNISIA

By /s/ Ismail Khelil  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caio Koch-Weser  
Regional Vice President  
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to 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 for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil Works, buildings, roads and firebreaks	3,200,000	50%
(2) Forestry Works for Part B (1) of the Project	36,200,000	100%
(3) Forestry Works for the Project other than Part B (1) thereof	13,500,000	100% of foreign expenditures and 20% of local expenditures
(4) Equipment, Vehicles and materials	4,000,000	100% of foreign expenditures and 100% of local expenditures (ex- factory cost) and 70% of local expenditures for other items procured locally

Amount of the

Category	Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(5) Consultants' Services and Training	4,800,000	100%
(6) Pilot Operations under Part G of the Project	7,300,000	100%
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TOTAL	69,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for works, goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for works, goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in achieving a sustainable integrated development, management, and utilization of its forest resources through the active participation of the forestry population. To this end, the Project aims to: (i) reduce soil erosion and increase water retention to protect agricultural lands; (ii) harmonize and improve social conditions of the disadvantaged forestry sector population; (iii) improve quality and increase quantity of sustained wood production; (iv) develop forest rangelands; and (v) enhance, preserve and expand the Borrower's nature and wildlife heritage.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Forest Management

Carrying out of a program of gradual execution of forestry management programs, consisting of:

1. Preparation of forest management plans covering a total area of about 85,000 ha, comprising, inter alia, the AFs of Ariana, Beja, Bizerte, Jendouba, Nabeul and Zaghouan.

2. Development of forestry infrastructure, including construction and rehabilitation, respectively, of about 100 km and 700 km of forestry roads, opening of about 240 km of firebreaks, construction and rehabilitation, respectively, of about 8 and 30 foresters houses, construction of about 25 observation towers, and provision of communication equipment, water tanks, and fire breaks, all as required for the activities included in this Part A (2).

3. Undertaking of silvicultural works, comprising: (i) thinning of about 2,300 ha of cork oak coppices in the AFs, inter alia, of Ain Draham and Jendouba, about 20,600 ha of young stands of natural aleppo pine in the AFs, inter alia, of Le Kef, Kasserine, Kairouan, Zaghouan, and Siliana, about 7,900 ha of eucalyptus coppices in the AFs, inter alia, of Ariana, Ben-Arous, Beja, Ain-Draham, Nabeul, and



Bizerte, and about 21,200 ha of pine plantations in the AFs, inter alia, of Ariana, Ben-Arous, Beja, Ain Draham, Nabeul, Bizerte, and Siliana; and (ii) regeneration of about 5,000 ha of cork oak forest in the AFs, inter alia, of Beja, Ain Draham, Bizerte, and Jendouba, and about 14,200 ha of natural aleppo pine forest in the AFs, inter alia, of Beja, Le Kef, Kasserine, Siliana, and Zaghouan.

Part B: Plantations

Carrying out of plantation activities consisting of:

1. Mechanized soil preparation for plantation of about 17,800 ha, inter alia, of pine, eucalyptus and acacia over three bio-climatic zones within the NFE.
2. Manual plantation of about 7,600 ha of pine, eucalyptus and acacia over three bio-climatic zones within the NFE.
3. Establishment of about 4,100 ha of linear plantations along stream banks in the AFs, inter alia, of Beja, Kairouan, Jendouba, Ain Draham, and Nabeul.
4. Establishment, on a pilot and demonstration basis, of about:  
(i) 500 ha of poplar plantations in private agricultural land so as to encourage private sector participation in forest plantation and exploitation; and (ii) 500 ha of windbreaks in irrigated perimeters in the AFs, inter alia, of Ariana and Nabeul.
5. Improvement of about 40 existing nurseries and introduction, on a pilot basis, of new technology in order to test the production of plants in two nurseries, including provision and installation of equipment, containers, irrigation systems, shades, pumps, and tractors, as required therefor.

Part C: Forest Pasture and Range Improvement

Development of a program to improve about 14,000 ha of rangeland, including about: (i) 550 ha of permanent prairies in the humid and sub-humid zones of the AFs, inter alia, of Beja, Ain Draham, Le Kef, Zaghouan, Bizerte, and Siliana; (ii) 1,000 ha of permanent prairies in the semi-arid zone of the AFs, inter alia, of Beja, Le Kef, Kasserine, Kairouan, Bizerte, and Siliana; (iii) 350 ha of improved pastures in the humid and semi-humid zones of the AFs, inter alia, of Jendouba and Siliana; (iv) 2,000 ha of improved pastures in the semi-arid zones of the AFs, inter alia, of Jendouba, Le Kef, and Siliana; (v) 1,550 ha of cactus plantations in the semi-arid zones of the AFs, inter alia, of Le Kef, Siliana, and Kasserine; (vi) 1,250 ha of acacia plantations in the humid and semi-humid zones of the AFs, inter alia, of Ben Arous, Beja, Jendouba, Kasserine, Nabeul, Zaghouan, Bizerte, and Siliana; (vii) 5,900 ha of acacia plantations in the semi-arid zones of the AFs, inter alia, of Ariana, Beja, Jendouba, Le Kef, Kasserine, Kairouan, Nabeul, Zaghouan, Bizerte, and Siliana; and (viii) 1,400 ha of rehabilitation of pastures in the semi-arid zones, inter alia, of the AF of Le Kef; and provision of training and technical assistance.

Part D: Wood Exploitation and Value Enhancement

Carrying out of a program to support the improvement of wood exploitation, consisting of:

1. Preparation of studies on fuel, sawn, industrial wood and secondary products of the forests so as to determine value enhancement of forest products and propose related plan of actions.
2. Provision of expanded training in wood exploitation techniques, including training in the CFPR of about 750 private sector forest workers, and provision of technical assistance and demonstration equipment as required therefor.
3. Provision by the CRIP of training in wood processing with a

focus on secondary industries, including the rehabilitation of a small sawing plant within CFPR and provision of technical assistance as required therefor.

Part E: National Parks and Reserves

Carrying out of a program to preserve national parks and reserves and protect the wildlife through improved management and strengthened equipment, and, to this end, provision of: (i) training, including courses abroad, study tours, and technical assistance; and (ii) vehicles and equipment to, inter alia, the National Parks of Bou-Hedma, Chambi, El Feidja, and Sidi Toui.

Part F: Forestry Research

Carrying out of a comprehensive program of applied research by the INRF on: (i) improved utilization of Tunisian wood; (ii) plantation sites and the ecological demands of species; (iii) growth and yield tables; (iv) thinning systems for pine plantations; (v) artificial regeneration of cork oak; (vi) intensified management of cork oak; (vii) intensified sylvo-pastoral production; (viii) agro-forestry; (ix) forest protection; (x) improvement of nursery technologies; and (xi) environment impact of forest development; and provision of materials, vehicles, equipment, consultants' services and training as required to carry out such program.

Part G: Institutional Development and Pilot Operations

Carrying out of a program to strengthen the institutional capabilities of the DGF and the AFs so as to support them in the implementation of the Project, and implementation of 10 pilot operations of integrated rural development, and provision of 19 additional technical staff, training of about 100 agents involved in Project implementation, technical assistance, vehicles and equipment.

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The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each February 1 and August 1	
beginning February 1, 1999 through August 1, 2010	2,875,000

