

CONFORMED COPY

LOAN NUMBER 3672 TUN

Loan Agreement

(Private Investment Credit Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ARAB TUNISIAN BANK (ATB)

Dated February 14, 1994

LOAN NUMBER 3672 TUN

LOAN AGREEMENT

AGREEMENT, dated February 14, 1994, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the ARAB TUNISIAN BANK (the Borrower).

WHEREAS (A) the Republic of Tunisia (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement; and

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;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 6 to this Agreement (the General Conditions) constitute an integral part of this 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) "Action Plan" means the plan of actions and measures designed to improve the soundness and efficiency of the Borrower, referred to in Section 3.03 of this Agreement, and set forth in a letter of even date herewith from the Borrower to the Bank;
- (b) "ANPE" means the Guarantor's National Agency for the Protection of the Environment (Agence Nationale pour la Protection de l'Environnement) established and operating pursuant to the Guarantor's Law No. 88-91 dated August 2, 1988, and the Decree No. 88-1784, dated October 18, 1988, as the same may be amended from time to time;
- (c) "Category" means any Category of items to be financed out of the proceeds of the Loan, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
- (d) "Central Bank" means the Guarantor's Central Bank (Banque Centrale de Tunisie) established and operating pursuant to the Guarantor's Law No. 58-90, dated September 19, 1958, as the same may be amended from time to time;
- (e) "Charter" means the Borrower's Charter (Statuts) dated June 30, 1982, pursuant to which the Borrower has been established and is operating as a deposit banking institution, as the same may be amended from time to time;
- (f) "Circular" means Circular (Circulaire) No. 91-24 issued by the Central Bank on December 17, 1991, setting forth prudential regulations applicable to banking institutions, as the same may be amended from time to time;
- (g) "Decree 91-362" means the Guarantor's Decree No. 91-362 dated March 13, 1991, regarding the preparation of environmental impact assessments;
- (h) "Fiscal Year" or "FY" means the twelve (12) month period corresponding to any of the Guarantor's Fiscal Years, which period commences on January 1 and ends on December 31 in each calendar year;
- (i) "free-limit Sub-loan" means a Sub-loan (as hereinafter defined), which qualifies as a free-limit Sub-loan pursuant to the provisions of subparagraph 6 (b) of the Annex to Schedule 4 to this Agreement;
- (j) "Investment" means an equity investment, other than a Sub-loan, made or proposed to be made by the Borrower out of the proceeds of the Loan in a Private Enterprise (as hereinafter defined) for the purposes of carrying out an Investment Project (as hereinafter defined) under Part A of the Project;
- (k) "Investment Project" means a specific development project to be carried out by a Private Enterprise (as hereinafter defined) under Part A of the Project utilizing the proceeds of a Sub-loan (as hereinafter defined) or Investment;
- (l) "Private Enterprise" means an enterprise operating in any sector of the economy, except farming and construction of

housing and land development for housing: (i) in which at least 50% of the voting stock or other proprietary interest is owned or effectively controlled by a private individual, a partnership of private individuals, or an enterprise in which not more than 50% of the stock or other proprietary interest is owned or effectively controlled by a Public Enterprise (as hereinafter defined) or the Guarantor or any of its political or administrative subdivisions or agencies; and (ii) to which the Borrower proposes to make or has made a Sub-loan or in which the Borrower proposes to make or has made an Investment;

(m) "Public Enterprise" means: (i) a non-administrative public institution (tablissement public n'ayant pas un caract re administratif); (ii) an enterprise in which 100% of the stock is owned by the Guarantor; (iii) an enterprise in which more than 50% of the stock is owned, individually or jointly, by the Guarantor, public local communities (collectivit s publiques locales), public institutions (tablissements publics), and enterprises in which 100% of the stock is owned by the Guarantor; or (iv) an enterprise included in a list established or to be established by the decree referred to in Article 9 of the Guarantor's Law No. 89-9, dated February 1, 1989;

(n) "Republic of Tunisia Loan" means a loan in an amount in various currencies equivalent to fifty million dollars (\$50,000,000) made available by the Bank to the Guarantor under a loan agreement of even date herewith between the Guarantor and the Bank;

(o) "risk-weighted capital ratio" means the Borrower's ratio of capital to risk-weighted assets and off-balance sheet items as the same is defined to the date of this Agreement in the Circular;

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

(q) "Sub-loan" means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to a Private Enterprise for the purposes of carrying out an Investment Project under Part A of the Project.

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 six million dollars (\$6,000,000), 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: (i) amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of withdrawals made by a Private Enterprise under a Sub-loan or Investment to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested; and (ii) for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services required for Part B of the Project 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 Tunisian dinars a special deposit account on its books on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1999, or

such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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 and the Guarantor 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 and the Guarantor 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 semi-annually 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; Management and Operations of the Borrower

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 the Project and conduct its operations and affairs in accordance with sound financial banking standards and practices, with qualified management and personnel in adequate numbers, and in accordance with the Charter, the Circular, the Action Plan, and the Statement of Policy referred to in Section 6.01 (a) of this Agreement.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and the Borrower shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of goods 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 5 to this Agreement.

Section 3.03. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall: (i) implement the Action Plan with due diligence and efficiency and at all times take all necessary action to achieve the objectives thereof; and (ii) prepare and furnish to the Bank not later than July 31 in each of its Fiscal Years, a report satisfactory to the Bank on the progress achieved in implementing the Action Plan, including satisfaction of the requirements set forth in Section 4.03 of this Agreement, and identifying the further measures proposed to be implemented in the following Fiscal Year; and (iii) implement such other measures necessary to give effect to the recommendations of the audit report referred to in Section 4.02 (a) (ii) of this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall maintain procedures and records adequate to monitor and record the progress of the Project and of each Investment Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained accounting practices the operations and financial conditions of the Borrower.

Section 4.02. (a) The Borrower shall:

- (i) have the records referred to in Section 4.01 of this Agreement, its accounts and financial statements (balance sheets, statements of income and expenses and related statements) and records and accounts for the Special Account for each Fiscal Year audited in accordance with sound auditing principles consistently applied, by independent auditors and in accordance with terms of reference, both acceptable to the Bank;
- (ii) furnish to the Bank, as soon as available but in any case not later than six (6) months after the end of each such year: (A) certified copies of said financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail

as the Bank shall have reasonably requested; and[~] (i)
ii) furnish to the Bank such other information
concerning the said records, accounts and
financial statements and the audit thereof as
the Bank shall from time to time reasonably
request.

(b) 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, in accordance with Section 4.01 of
this Agreement, 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 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 (a) 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 4.03. Except as the Bank shall otherwise agree, the
Borrower shall maintain:

- (i) for its Fiscal Year ending on December 31, 1993,
a risk-weighted capital ratio of not less than
2.5% calculated in accordance with the
provisions of the Circular; and
- (ii) for each of its Fiscal Years after its Fiscal
Year ending on December 31, 1993, a risk-
weighted capital ratio of not less than 5%
calculated in accordance with the provisions of
the Circular.

Section 4.04. The Borrower shall take such steps satisfactory
to the Bank as shall be necessary to protect itself against risk of
loss resulting from changes in the rates of exchange between the
currencies (including the currency of the Guarantor) used in its
operations.

Section 4.05. (a) Except as the Bank and the Borrower may
otherwise agree, the Borrower shall open and thereafter maintain on
its books, in accordance with its normal financial practices and on
conditions satisfactory to the Bank, a separate account to which it
shall credit each payment of interest or other charges on, or
repayment of principal under, any Sub-loan, and each payment of
dividends, or recovery of capital under, any Investment, promptly
upon receipt thereof.

(b) All amounts so credited to said separate account shall
be utilized by the Borrower, to the extent they are not yet required
to meet the Borrower's repayment obligations to the Bank under this
Agreement, exclusively to finance additional development projects to
further the development of the Guarantor's private sector in
accordance with guidelines satisfactory to the Bank.

Section 4.06. Except as the Bank may otherwise agree, the

Borrower shall not borrow from the Guarantor any amount of the Republic of Tunisia Loan for purposes of making Sub-loans or Investments, until and unless the Borrower shall have fully committed the proceeds of the Loan.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that the Charter, the Circular, the Statement of Policy referred to in Section 6.01 (a) of this Agreement, or the Medium-term Strategy referred to in Section 6.01 (b) of this Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or its ability to carry out the Project or to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, the event specified in Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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 adopted a Statement of Policy setting forth its lending and investment policy satisfactory to the Bank; and

(b) The Borrower shall have approved a Medium-term Strategy, including limitations on sectoral exposure for its medium and long-term loan and equity investment portfolios, satisfactory to the Bank.

Section 6.02. 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 VII

Representative of the Borrower; Addresses

Section 7.01. The President of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

For the Borrower:

Arab Tunisian Bank
9, rue de la Monnaie
Tunis
Republic of Tunisia

Telex:

14 205 Artuba TN

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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

ARAB TUNISIAN BANK

By /s/ Ismail Khelil
Authorized Representative

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) Sub-Loans under Part A of the Project	5,100,000	100%
(2) Investments under Part A of the Project	300,000	100%
(3) Consultants' Services and Training under Part B of the Project	600,000	100%
 	<hr/>	
TOTAL	6,000,000 =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) a Sub-loan or an Investment, unless the Sub-loan or Investment, as the case may be, has been made in accordance with the procedures and on the terms and conditions set forth or referred to in the Annex to Schedule 4 to this Agreement; and (b) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$600,000, may be made in respect of payments

made for expenditures before that date but after March 31, 1993.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) assist the Borrower in financing such productive facilities and activities as will contribute to the development of the private sector and the strengthening of the Private Enterprises' capability to adapt to an increasingly competitive environment; and (ii) promote competition within the financial system.

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:

Provision of Sub-loans and Investments to finance specific development projects for the establishment, expansion and upgrading of the productive facilities of Private Enterprises, and to assist them in strengthening and/or restructuring their organization, management and operation.

Part B:

Strengthening of the monitoring and management capabilities of the Borrower, including the development of a suitable information system to monitor risk assets, the establishment of criteria and a warning system to identify problem loans, and the enhancement of the Borrower's capacity to prepare enterprise diagnosis.

* * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
August 1, 1998	140,000
February 1, 1999	145,000
August 1, 1999	150,000
February 1, 2000	155,000
August 1, 2000	165,000
February 1, 2001	170,000
August 1, 2001	175,000
February 1, 2002	180,000
August 1, 2002	190,000
February 1, 2003	195,000
August 1, 2003	205,000
February 1, 2004	210,000
August 1, 2004	220,000
February 1, 2005	225,000
August 1, 2005	235,000
February 1, 2006	245,000
August 1, 2006	255,000
February 1, 2007	260,000
August 1, 2007	270,000
February 1, 2008	280,000
August 1, 2008	290,000
February 1, 2009	305,000
August 1, 2009	315,000
February 1, 2010	325,000
August 1, 2010	340,000
February 1, 2011	355,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Implementation Program

1. The provisions of this Schedule shall apply for purposes of Section 3.01 (b) of this Agreement.

2. The Borrower shall:

(a) make Sub-loans to and Investments in Private Enterprises for Investment Projects on the basis of criteria, in accordance with procedures, and on the terms and conditions set forth or referred to in the Annex to this Schedule;

(b) ensure that, except as the Bank and the Borrower shall otherwise agree: (i) the aggregate amount of all Sub-loans made by the Borrower for any one Investment Project shall not exceed the equivalent of \$3,000,000; and (ii) the estimated cost of any one Investment Project shall not exceed the equivalent of \$25,000,000 (excluding the cost of land acquisition); and

(c) exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Bank and the Borrower; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.

3. (a) The Bank and the Borrower shall, not later than eighteen (18) months after the Effective Date, exchange views on the progress of the Borrower in carrying out the Action Plan.

(b) Two months prior to such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Action Plan, in such detail as the Bank shall reasonably request.

(c) If after an exchange of views pursuant to subparagraph 3 (a) above the Bank shall have reasonably considered as unsatisfactory the progress made by the Borrower in carrying out the Action Plan, the Bank may withhold the approval of applications or the authorization of withdrawals for new Sub-loans (including free-limit Sub-loans) and Investments under subparagraphs 7 (a) and (b) of the Annex to this Schedule. Such withholding of approvals or authorizations will continue until the Borrower shall have taken such remedial action, satisfactory to the Bank, as shall be necessary to achieve the objectives of the Action Plan.

ANNEX TO SCHEDULE 4

Procedures for and Terms and Conditions
of Sub-loans and Investments

1. Except as the Bank and the Borrower may otherwise agree, the provisions set forth or referred to in this Annex shall apply for the purposes of paragraph 2 (a) of Schedule 4 to this Agreement.

2. Each Sub-loan or Investment shall be made only to a Private Enterprise which, on the basis of guidelines satisfactory to the Bank, shall have established to the satisfaction of the Borrower making the Sub-loan or Investment that the Private Enterprise: (i) is creditworthy and profitable, and has a sound financial structure; and (ii) has organization, management, staff and other resources required for the efficient carrying out of its operations, including the carrying out of the Investment Project.

3. Each Sub-loan or Investment shall be made only for an Investment Project which, on the basis of appraisal procedures carried out in accordance with guidelines satisfactory to the Bank, including, if necessary, the preparation of an environmental impact assessment approved by ANPE pursuant to the requirements of Decree 91-362 and fulfillment of other applicable requirements determined by ANPE, is: (i) determined to be technically feasible and commercially, economically and financially viable; (ii) calculated to yield a financial rate of return of at least 12% and an economic rate of return of at least 10%; and (iii) designed in accordance with appropriate safety, health and environment guidelines satisfactory to the Bank.

4. (a) The principal amount of each Sub-loan shall: (i) be denominated and the equivalent in Tunisian dinars (determined as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods and services for the Investment Project to be carried out under such Sub-loan and to be financed out of the proceeds of the Loan allocated from time to time to Category (1); (ii) have a maturity of not more than 15 years, including a grace period of not more than 3 years; and (iii) be made on other terms and conditions, including those relating to interest rate and other charges determined in accordance with the Borrower's investment and lending policies and practices.

(b) The amount of each Investment shall: (i) be denominated and the equivalent in Tunisian dinars (determined as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the amount of the Investment for the Investment Project to be financed out of the proceeds of the Loan allocated from time to time to Category (2); (ii) be made on terms and conditions agreed upon on a case-by-case basis by the Borrower and the Private Enterprise, and in accordance with the Borrower's investment and lending policies and practices, including a divestiture policy satisfactory to the Borrower and the Bank containing a buy-back option for the Private Enterprise to purchase at any time the Borrower's equity at its estimated market or predetermined value; and (iii) be associated with additional capital investments by the Private Enterprise.

5. The proceeds of the Loan which may be withdrawn under a Sub-

loan shall not exceed 70% of the cost of each Investment Project.

6. No expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-loan or Investment for such Investment Project shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety (90) days prior to the date on which the Bank shall have received the application and information required under subparagraph 7 (a) of this Annex in respect of such Sub-loan or Investment; or

(b) the Sub-loan for such Investment Project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety (90) days prior to the date on which the Bank shall have received the request and information required under subparagraph 7 (b) of this Annex in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be a Sub-loan, other than the first three Sub-loans to be made by the Borrower, for an Investment Project in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$1,000,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan, the proceeds of which have been or are being used for financing goods and services directly and materially related to such Investment Project.

7. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) or an Investment to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with (i) a description of the Private Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan or Investment, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit Sub-loan shall contain: (i) a summary description of the Private Enterprise, including its scope of activities and ownership structure; the Investment Project, including, inter alia, a description of the expenditures proposed to be financed out of the proceeds of the Loan, total cost, financing plan, financial rate of return, economic rate of return, the name of any banking institutions and financial leasing companies which proposes to finance the Investment Project, the proposed loan and/or equity share for each such banking institution and the proposed lease financing share for each such financial leasing company, financial ratios (satisfaction of eligibility criteria, or, if such criteria are not met, indication on the timing for satisfaction thereof), and an environmental impact assessment, if necessary; and (ii) the terms and conditions of the Sub-loan, including interest rate, the schedule of amortization of the Sub-loan and grace period, and collateral, if any.

(c) Subject to the provisions of subparagraph 3 (c) of Schedule 4 to this Agreement, applications and requests made pursuant to the provisions of subparagraphs 7 (a) and (b) of this paragraph shall be presented to the Bank on or before December 31, 1996.

8. Sub-loans and Investments shall be made on terms whereby the Borrower shall obtain, by written contract with the Private Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, in the case of any Sub-loan and, to the extent that it shall be appropriate, in the case of any Investment, the right to:

(a) require the Private Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 5 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Private Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Private Enterprise to replace or repair such goods;

(e) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Private Enterprise and to the benefits to be derived from the Investment Project;

(f) require the Private Enterprise to comply with any requirements and conditions for the protection of the environment as shall have been determined by ANPE; and

(g) suspend or terminate the right of the Private Enterprise to the use of the proceeds of the Loan upon failure by such Private Enterprise to perform its obligations under its contract with the Borrower.

SCHEDULE 5

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works under Part A of the Project shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation. In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

Part B: Preference for Domestic Manufacturers

In the procurement of goods and works in accordance with the procedures described in Part A hereof, goods manufactured in the Republic of Tunisia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Contracts for goods and works estimated to cost the equivalent of \$5,000,000 or less per contract, may be procured under contracts awarded: (i) in accordance with established commercial practices acceptable to the Bank; and (ii) which shall ensure that goods and works shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods or works estimated to cost the equivalent of \$5,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 7 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. Services for Part A of the Project shall be: (i) retained in accordance with established commercial practices acceptable to the Bank; and (ii) purchased at a reasonable price, account being taken also of other relevant factors such as the time of delivery and their quality and the competence of the parties rendering them.

2. (a) In order to assist the Borrower in carrying out Part B of the Project, the Borrower shall employ consultants: (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (ii) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

(b) Notwithstanding the provisions of paragraph 2 (a) above, the provisions of the Consultant Guidelines requiring prior review or approval of the Bank of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 6

Modifications of the General Conditions

For purposes of this Agreement, the provisions of the General Conditions are modified as follows:

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

(2) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new 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."

(3) The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in subparagraph 7 (c) of the Annex to Schedule 4 to the Loan Agreement, the Bank shall, in respect of any portion of the Loan: (i) have received no applications or requests permitted under subparagraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower and the Guarantor, terminate the right to submit such applications or approvals or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

SCHEDULE 7

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 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, provided, however, that notwithstanding the provisions of paragraph 6 (b) of the Annex to Schedule 4 to this Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Bank shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount

equivalent to \$600,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the 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 Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the 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 a deposit or deposits 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 in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the 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 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 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 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 the 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 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 the 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 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 the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the 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 Account.

(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.

