

CONFORMED COPY

LOAN NUMBER 7051-TUN

Loan Agreement

(Transport Sector Project, Phase II)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 25, 2001

LOAN NUMBER 7051-TUN

LOAN AGREEMENT

AGREEMENT, dated May 25, 2001, between REPUBLIC OF TUNISIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated May 27, 1998 from the Borrower describing a program of actions, objectives and policies designed to increase the cost effectiveness of transport services and their responsiveness to users' needs while being less polluting, and a letter dated March 16, 2001 from Société Nationale des Chemins de Fer Tunisiens (SNCFT) describing the conditions and measures, agreed between the Borrower and SNCFT, under which phosphate railway transport will be rationalized and modernized ("SNCFT Phosphate Transport Policy"), (both letters are hereafter collectively referred to as the Program) and declaring the Borrower's commitment to the execution of the said Program;

(B) the Borrower has requested the Bank's support in the execution of the Program through a series of loans over a period of approximately seven (7) years to be utilized by the Borrower for, and assisting the appropriate entities in, implementing the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project) which forms part of the second phase of the Program, has requested the Bank to assist in the financing of the Project;

(D) the first phase of the Program has been supported by the Bank through a loan in an amount equal to two hundred twenty two million five hundred thousand French Francs (FRF 222,500,000) pursuant to a loan agreement (4358-TUN) dated June 29, 1998, between the Borrower and the Bank, and a project agreement of even date therewith between SNCFT and the Bank;

(E) Part C of the Project will be carried out by SNCFT with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to SNCFT, as set forth in this 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 and in the agreement of even date herewith between the Bank and SNCFT (the Project 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 for Fixed-Spread Loans" of the Bank, dated September 1, 1999, with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

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 collectively, the action plans to be submitted by the Borrower to the Bank in accordance with Sections 6.01(a) and (b) of this Agreement, respectively;

(b) "Allocation" means the budgetary allocations proposed to be made, on a grant basis, by the Borrower out of the proceeds of the Loan to SNCFT for the purposes of carrying out Part C of the Project in accordance with the provisions of Section 3.01(c) of this Agreement;

(c) "Central Bank of Tunisia" means the Borrower's Central Bank (Banque Centrale de Tunisie) established and operating pursuant to the Borrower's Law No. 58-90 dated September 19, 1958, as the same may be amended from time to time;

(d) "Coordinating Committee" means the coordinating committee (Comité de Coordination) established by the Borrower's MOT (as this term is hereinafter defined) under the first phase of the Program;

(e) "CRB" means computer-assisted radio block;

(f) "CTC" means the Borrower's centralized traffic control system;

(g) "DGPE" means the General Directorate for Planning and Studies (Direction Générale de la Planification et des Etudes) within the MOT (as this term is hereinafter defined);

(h) "Eligibility Criteria" means the eligibility criteria applying to the selection of Sub-projects, requiring that any proposed Sub-project demonstrates, based on methods acceptable to the Bank that: (i) it meets the objectives of the Project as set forth in Schedule 2 to this Agreement; (ii) it is technically sound and feasible; and (iii) it is economically and financially justified;

(i) "Eligible Categories" means categories 1 through 5 set forth in the table of Schedule 1 to this Agreement;

(j) "Eligible Expenditures" means the expenditures for goods and services referred to in Section 2.02(a) of this Agreement;

(k) "Environmental Impact Assessment" means the environmental impact assessment, acceptable to the Bank, prepared by SNT (as this term is hereinafter defined), dated December 1997, by SORETRAS (as this term is hereinafter defined), dated September 23, 2000, and by STS (as this term is hereinafter defined) dated January 2001, and to be prepared and submitted to the Bank by SNCFT (as this term is hereinafter defined) pursuant to paragraph 3(c) of Schedule 1 to this Agreement, consisting of inter alia: (i) a description of the site where construction activities are to be carried out under Parts A and C of the Project and the justification for said activities; (ii) the actual or potential environmental impact of the construction activities referred to under sub-paragraph (i) above; and (iii) a management plan setting forth adequate mitigating measures and systems required to monitor the implementation of the construction activities referred to under sub-paragraph (i) above and to ensure compliance of such activities with said measures with a view to limiting any actual and potential adverse environmental impact;

(l) "Fiscal Year" 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;

(m) "MOT" means the Borrower's Ministry of Transport (Ministère du Transport) established and operating pursuant to the Borrower's Decree No. 81-608 dated May 9, 1981, as amended and completed, among others, by Decrees No.86-863 dated September 15, 1986, No. 91-86 dated January 14, 1991, and No. 94-135 dated January 17, 1994, and as they may be further amended and completed from time to time;

(n) "Performance Indicators" means the performance indicators, agreed between the Borrower, SNCFT and the Bank, set forth in a letter of even date herewith to be utilized by the Borrower, SNCFT and the Bank to measure the progress in the carrying out of the Project and the degree to which the objectives thereof are being achieved;

(o) "Project Agreement" means the agreement between the Bank and SNCFT of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(p) "Project Implementation Plan" means the plan, dated May 24, 2001, agreed between the Borrower and the Bank, for the implementation of the Project, which, inter alia: (i) defines the respective roles and responsibilities for the implementation of the Project; (ii) sets forth the timetable of actions required under the Project; (iii) identifies the procedures to be used for monitoring and evaluating progress towards the achievement of the objectives of the Project; and (iv) details the financial management procedures for the Project, including, inter alia, the auditing, accounting and financial reporting arrangements for the Project; and all other relevant provisions, as reviewed periodically between the Borrower and the Bank;

(q) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(r) "Project Management Unit" means the project management unit to be established by the Borrower within DGPE in accordance with paragraph 1, Section A of Schedule 5 to this Agreement;

(s) "SMLT" means Société du Métro Léger de Tunis;

(t) "SNT" means Société Nationale de Transport;

(u) "SNTRI" means Société Nationale des Transports Interurbains;

(v) "SORETRAS" means Société Régionale de Transport du Gouvernorat de Sfax;

(w) "Special Account" means the account referred to in Schedule 6 to this Agreement;

(x) "SRTG" means Société Régionale de Transport;

(y) "STAM" means Société Tunisienne d'Acconage et de Manutention;

(z) "Statutes" means the Borrower's Law No. 98-90 dated November 6, 1998, pursuant to which SNCFT has been established and is operating as an industrial and

commercial public institution (établissement public à caractère industriel et commercial), as such Law may be amended and completed from time to time;

(aa) "STS" means Société Nationale des Transports du Sahel; and

(bb) "Sub-project" means any specific investment, acceptable to the Bank, to be made by SRTGs under Part A.4 of the Project in accordance with Section 3.05 of this Agreement.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to SNCFT.

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 this Agreement, an amount equal to forty one million Euros (EUR 41,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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 goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, open and maintain in Euros a special account in the Central Bank of Tunisia 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 June 30, 2006 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 front-end fee in an amount equal to four hundred ten thousand Euros (EUR 410,000). The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one percent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one percent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semi-annually in arrears on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (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 all or any portion of the principal amount of the Loan from a Variable Rate

to a Fixed Rate, or vice versa; and

- (iii) the setting of limits on the Variable 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 said Variable 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 Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 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: (i) shall carry out Parts A and B of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, environmental, financial, management, technical and transport practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A and B of the Project; and (ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause SNCFT to carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative, commercial, economic, engineering, environmental, financial, management, railways, technical and transport practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SNCFT to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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: (i) carry out Parts A and B of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement and the provisions of the Project Implementation Plan pertaining to Parts A and B of the Project as well as the mitigating measures set forth in the Environmental Impact Assessment prepared by, respectively, SNT, SORETRAS and STS; and (ii) cause SNCFT to carry out Part C of the Project in accordance with the Implementation Program set forth in the Schedule to the Project Agreement, the provisions of the Project Implementation Plan pertaining to Part C of the Project, the SNCFT Phosphate Transport Policy as well as the mitigating measures set forth in the Environmental Impact Assessment to be prepared by SNCFT.

(c) For the purposes of Part C of the Project, the Borrower shall make available to SNCFT, through Allocations, the proceeds of the Loan allocated from time to time to Categories 1(b), 2(c); 2(d) and 3(b) of the table in Paragraph 1 of Schedule 1 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.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part C of the Project shall be carried out by SNCFT pursuant to Section 2.03 of the Project Agreement.

Section 3.05. For purposes of Part A.4 of the Project, the Borrower shall ensure that any specific Sub-project meets the Eligibility Criteria and, to this end, shall provide the Bank for its approval of each proposed Sub-project, inter alia: (a) a description of activities to be carried out under each proposed Sub-project; and (b) evidence demonstrating the technical, engineering, economic and financial feasibility of each proposed Sub-project.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower shall establish not later than July 31, 2001, and thereafter at all times maintain, a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to Parts A and B of the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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 six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may 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 separate 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 (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. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than December 31,

2001, or such later date as the Bank shall agree, to prepare semi-annual Project Management Reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for Parts A and B of the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for Parts A and B of the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

(ii) (A) describes, in accordance with the Performance Indicators, physical progress in the implementation of Parts A and B of the Project, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under Parts A and B of the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than January 31 and July 31 in each Fiscal Year, commencing on January 31, 2002, a semi-annual Project Management Report for such period.

Section 4.03. In order to achieve the objectives of Part B of the Project, the Borrower shall take all measures required on its part, including regulatory, institutional and capacity building measures, to, not later than December 31, 2002, enable the establishment of appropriate management and regulation mechanisms for urban transport in the Greater Tunis area, in accordance with the Action Plan referred to in Section 6.01 (b) of this Agreement.

Section 4.04. The Borrower shall take all actions required on its part to implement the urban transport sector reform in accordance with the measures and timetable set forth in the Action Plan referred to in Section 6.01 (b) of this Agreement.

Section 4.05. In order to achieve the objectives of Part B of the Project, the Borrower shall take all actions required on its part to ensure that, not later than December 31, 2002, all sub-contracts between public bus companies and private operators with respect to special services to be provided by the former to the latter have been entered into in accordance with guidelines agreed between the Borrower and the Bank.

Section 4.06. The Borrower shall, not later than December 31, 2002, submit to its Chamber of Representatives, a draft land transport law, in substance satisfactory to the Bank.

Section 4.07. The Borrower shall take all actions required on its part to implement the liberalization of interurban transport in accordance with the measures and timetable set forth in the Action Plan referred to in Section 6.01(a).

Section 4.08. The Borrower shall, not later than June 30, 2003, launch a survey, in form and substance satisfactory to the Bank, aiming at verifying the social and employment status of staff as a result of the redundancy programs to be carried out by the bus companies and the phosphate railway unit of SNCF and recommending adequate measures to mitigate the negative social impact of said programs, if any.

Section 4.09. (a) The Borrower shall, not later than June 30, 2003, prepare and submit to the Bank for its review, a program setting forth the measures required, and the calendar thereof, to promote public transport and a comprehensive parking policy for the Greater Tunis area.

(b) The Borrower shall, not later than December 31, 2003, take all measures required on its part to initiate the implementation of the program referred to in paragraph (a) of this Section, taking into account the Bank's recommendations on said program.

Section 4.10. Commencing with its Fiscal Year after its Fiscal Year ending on December 31, 2000, the Borrower, in connection with the setting of those tariffs charged by, respectively, SNCFT, SNT, SMLT, SORETRAS and STS over which the Borrower exercises control and as long as it exercises such control, shall ensure that said tariffs shall be set in such a manner as to allow SNCFT to meet its financial obligations under the Project Agreement and SNT, SMLT, SORETRAS and STS to meet their respective financial obligations under each of the conventions referred to in Section 6.01(c) of this Agreement.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) SNCFT shall have failed to perform any of its obligations under the Project Agreement.

(c) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that SNCFT will be able to perform its obligations under the Project Agreement.

(d) The Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SNCFT to perform any of its obligations under the Project Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SNCFT, as the case may be, or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraph (d) or (e) of 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 has submitted to the Bank an Action Plan, satisfactory to the Bank, to liberalize interurban passenger bus services, such Plan to set out, inter alia, the measures and timetable required to: (i) implement the liberalization of interurban transport; and (ii) restructure SNTRI;

(b) the Borrower has submitted to the Bank an Action Plan, satisfactory to the Bank, to reform the urban transport sector, such Plan to set out, inter alia: (i) the measures and timetable required to implement such reform; and (ii) the specific reform measures and timetable required for the Greater Tunis area; and

(c) for purposes of Parts A and B of the Project, the Borrower has entered into a convention, in form and substance satisfactory to the Bank, with, respectively, SMLT, SNT, SORETRAS and STS.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized by SNCFT and is legally binding upon SNCFT in accordance with its terms.

Section 6.03. The date one hundred and 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 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 7.02. 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
98, Avenue Mohamed V
1002 Tunis-Belvedere
Republic of Tunisia

Telex:	Facsimile:
18060	216-1-799-069

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

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/ Hatem Atallah

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Christian Delvoie

Acting 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 Euros)	% of Expenditures to be Financed
(1) Civil Works:		70%
(a) for Parts A.1 to A.4 of the Project; and	10,570,000	
(b) for Part C.1 (a) of the Project	3,810,000	
(2) Goods:		100% of foreign expenditures, 100% of local expenditures (ex-factory costs); and 80% of local expenditures for other items procured locally
(a) for Part A of the Project;	3,810,000	
(b) for Part B of the Project;	550,000	
(c) for Part C.1 of the Project; and	1,000,000	
(d) for Part C.3 of the Project	4,450,000	
(3) Consultants' Services:		100%
(a) for Parts A and B of the Project; and	1,530,000	
(b) for Part C of the Project	1,090,000	
(4) Training	550,000	100%
(5) Severance Payments Under Part A.8 of the Project	9,800,000	100%
(6) Fee	410,000	Amount due under Section 2.04 of this Agreement
(7) Unallocated	3,430,000	
TOTAL	41,000,000	

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 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 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: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding four million one hundred thousand Euros (EUR 4,100,000) may be made in respect of Categories 1 through 5 on account of payments made for expenditures before that date but after January 31, 2001; and (b) expenditures under Categories 1(b) and 2(c) unless the Borrower shall have first prepared and submitted to the Bank an Environmental Impact Assessment in form and substance satisfactory to the Bank.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for: (a) civil works under contracts not exceeding \$500,000 equivalent each; (b) goods under contracts not exceeding \$350,000 equivalent each; (c) services under contracts costing less than \$100,000 equivalent each for consulting firms; (d) services under contracts costing less than \$50,000 equivalent each for individual consultants; (e) training under contracts not exceeding \$50,000 equivalent each; and (f) severance payments under Category 5 of the table in paragraph 1 above, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to create an institutional framework to support sustainable growth of public transport in the Borrower's major cities, and to enhance the profitability of railway operations in the phosphate sector.

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: Urban Transport

Implementation of a program designed to improve the performance of public bus companies, consisting of:

1. Construction of a new bus depot for SNT in Tunis.
2. Construction of a new bus depot for SORETRAS in Sfax.
3. Construction of a new bus depot for STS in Sousse, including the construction of a paved parking area and a workshop for preventive maintenance activities, and the rehabilitation of existing workshops.
4. Support to Sub-projects to be carried out by the various SRTGs, except for the Sfax and Sousse areas, aiming at: (a) the rehabilitation of workshops and garages; (b) the acquisition of maintenance equipment; and (c) the acquisition of computers and software.
5. Development and deployment of a traffic control system for SMLT including: (a) the provision of computer hardware and software to ensure control of any trainset in real time; (b) the establishment of a communication network linking each trainset with the CTC console; (c) the provision of on-board communication equipment; (d) the establishment of an information transmission protocol; (e) the creation of a public address system; and (f) training and technical assistance to SMLT staff.
6. Design, implementation and monitoring of a suitable fare collection system for SMLT, including training of SMLT staff thereon.
7. Upgrading of the maintenance capabilities of SMLT through: (a) the carrying out of a review of existing maintenance procedures; (b) the design of a program to improve maintenance operations; and (c) the acquisition of equipment and software.
8. Implementation of a severance payment plan for redundant staff of SNT and SRTGs.

Part B: Urban Transport Sector Management

Carrying out a program to improve the productivity and quality of service of public bus companies and building local planning, management and regulatory capacities in urban transport through:

1. Provision of technical assistance and training to SRTGs to: (a) develop new management techniques and methods; (b) train senior personnel in the planning of services, fleet management, analytical accounting, communications with bus users and human resources management; and (c) acquire and operate computer hardware and software.
2. Provision of technical assistance for the preparation of: (a) bidding documents for new construction and extension of mass transit systems in the Greater Tunis area; and (b) transport master plans and traffic plans for pilot cities selected to

establish decentralized management and regulatory entities, other than Tunis, Sfax and Sousse.

3. Provision of technical assistance for the establishment of new urban transport entities in charge of urban transport management and regulation ("autorités organisatrices" and "structures techniques des transports").

Part C: Phosphate Railway Transport

Carrying out of a program aiming at ensuring financial sustainability of railways and increasing their rail transport capacity to accommodate the traffic increase induced by the medium term expansion of the phosphate industry, consisting of:

1. Development of railway track capacity through: (a) the construction of tracks to double the existing section of approximately 4.2 km between Aguila and Gafsa; (b) the construction of a bridge over the Oued Bayech; (c) the installation of a CTC system on the Sfax-Metlaoui, Sfax-Gabès and Founi-El Hamada itineraries; (d) the establishment of a computer-assisted CRB system on the Gafsa-Gabès itinerary; and (e) the upgrade of the signaling and telecommunication systems needed to operate the systems referred to in (c) and (d), respectively.

2. Implementation of a severance payment plan for redundant staff of the railway phosphate unit of SNCFT.

3. Provision of goods and technical assistance to: (a) prepare engineering studies under Part C of the Project; (b) supervise the execution of works carried out under Part C of the Project; and (c) support the establishment of technical procedures and strengthen management and organizational capacities, including, inter alia, analytical accounting capacity, in the various divisions of the railway phosphate unit.

* * *

The Project is expected to be completed by December 31, 2005.

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 shall 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) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Payment Date	Installment Share (Expressed as a %)	
May 15, 2001		
November 15, 2001		
May 15, 2002		
November 15, 2002		
May 15, 2003		
November 15, 2003		
May 15, 2004		
November 15, 2004		
May 15, 2005	7.50%	
November 15, 2005		7.50%
May 15, 2006	7.50%	
November 15, 2006		
May 15, 2007		
November 15, 2007		
May 15, 2008	7.50%	
November 15, 2008		7.50%
May 15, 2009		
November 15, 2009		
May 15, 2010		

November 15, 2010		
May 15, 2011		
November 15, 2011		
May 15, 2012	7.50%	
November 15, 2012		6.25%
May 15, 2013	7.50%	
November 15, 2013		6.25%
May 15, 2014	5.00%	
November 15, 2014		6.25%
May 15, 2015	5.00%	

2. If the proceeds of the Loan shall not 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 as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made 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 shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts 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) Withdrawals made 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 3, if at any time the Bank shall adopt 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 principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be 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

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits"; published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods for Parts A.6 and C.1(c), (d) and (e) of the Project, and works for Part C.1(b) of the Project shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for goods under Parts A.6 and C.1(c), (d) and (e) of the Project shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$3,000,000 equivalent per contract and goods estimated to cost less than \$350,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

(a) Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Goods estimated to cost less than \$10,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of \$350,000 or more, the following procedures shall apply:

(i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers", published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services to be carried out under Part B.1 of the Project may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$100,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

Section A: Institutional Arrangements

1. Project Coordination

(a) The Borrower, through the Project Management Unit, shall have overall responsibility for the implementation of Parts A and B of the Project and for overall Project coordination. To this end, the Borrower shall establish, not later than July 31, 2001, and thereafter maintain, a Project Management Unit with staff whose qualification and experience shall be satisfactory to the Bank.

(b) In furtherance of paragraph (a) above, the Project Management Unit shall be vested specific responsibility for: (i) liaising with SNCFT, and timely planning and coordination of all Project activities; and (ii) acting as secretariat of the Coordinating Committee.

2. Project Oversight

The Coordinating Committee shall ensure overall Project oversight. The Coordinating Committee shall be chaired by MOT and shall comprise representatives from the Borrower's Ministries of Transport, Finance, International Cooperation and Foreign Investment, Environment and Balanced Land Development, and Economic Development. The Borrower shall cause the said Committee to meet on a semi-annual basis to review progress in the carrying out of the Project and the Program.

Section B: Mid-Term Review

The Borrower, through the Project Management Unit, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about August 31, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on, inter alia: (i) the progress achieved in the carrying out of the Project during the period preceding the date of said report; (ii) the advancement of the urban transport sector reform, including, inter alia, capacity building in urban management and regulation; (iii) the advancement of the liberalization program for interurban transport; (iv) the advancement of the port reform, including the elimination of the dock workers and the STAM monopolies; and (v) the progress on the fulfillment of the actions referred to in the Program, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by October 31, 2003, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 through 5 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to EUR 2,200,000 to be withdrawn from the Loan Account and deposited into the Special Account

pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to EUR 1,100,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of EUR 4,360,000.

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 deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the 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 para-graph 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;

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

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

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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.

