

CONFORMED COPY

OTF GRANT NUMBER TF 021936

Ozone Projects Trust Fund
Grant Agreement

(Demonstration Project for the
Phaseout of Ozone Depleting Substances)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as Trustee of the Ozone Projects
Trust Fund

Dated June 14, 1994

OTF GRANT NUMBER TF 021936

OZONE PROJECTS TRUST FUND GRANT AGREEMENT

AGREEMENT, dated June 14, 1994, between the REPUBLIC OF TUNISIA (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, acting as Trustee of grant funds provided by Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer into the Ozone Projects Trust Fund (OTF) (the Trustee).

WHEREAS (A) the International Bank for Reconstruction and Development (the Bank) pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank (the Resolution), established a Facility, including the OTF, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

WHEREAS (B) the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer to the Vienna Convention for the Protection of the Ozone Layer have established the Multilateral Fund (Fund) for the Implementation of the Montreal Protocol to operate under the authority of the said Parties to provide the financing of agreed incremental costs to enable the Parties operating under paragraph 1 of Article 5 of the Protocol to comply with control measures provided for in the Protocol;

WHEREAS (C) the Executive Committee of the Fund and the Bank have entered into an agreement effective on July 9, 1991, pursuant to which the Executive Committee has agreed to provide funds into the OTF to be administered by the Bank as Trustee in accordance with the provisions of the said agreement and the Resolution;

WHEREAS (D) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the OTF in the financing of the Project, and the Trustee has determined that such assistance would be in accordance with the provisions of the Resolution;

WHEREAS the Trustee has agreed, on the basis, inter alia, of the foregoing, to extend a grant (the OTF Grant) to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04; and
- (x) Article XI.

(b) The General Conditions shall be modified as follows:

- (i) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Trustee except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
- (ii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
- (iii) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
- (iv) the term "Loan" and "loan" wherever used in the General Conditions, means the OTF Grant; and
- (v) the term "Loan Account" wherever used in the General Conditions, means the OTF Grant Account.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth; and the following additional terms have the following meanings:

(a) "ANPE" means the Recipient's National Agency for Environmental Protection (Agence Nationale de Protection de l'Environnement), an industrial and commercial public institution established and operating pursuant to the Recipient's Law No. 88-91

dated August 2, 1988, as amended by the Recipient's Law No. 92-115 dated November 30, 1992, and the Recipient's Decree No. 88-1784 dated October 18, 1988, as amended by the Recipient's Decree No. 93-335 dated February 8, 1993;

(b) "Category" means a category of items to be financed out of the proceeds of the OTF Grant as set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and the term "Categories" means more than one Category collectively;

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

(d) "CFC" means chlorofluorocarbons;

(e) "Country Program" means the Recipient's draft Country Program for the Phaseout of Ozone Depleting Substances setting forth policy actions and proposing projects aimed to the phaseout of CFC by the year 2006;

(f) "Eligible Beneficiary" means a beneficiary enterprise listed in Schedule 5 to this Agreement or any other enterprise as shall be agreed upon between the Trustee and ANPE, which meet eligibility criteria satisfactory to the Trustee and with which ANPE proposes to enter into a Sub-project Agreement (as hereinafter defined);

(g) "Environmental Action Plan" means the Recipient's Environmental Action Plan developed in 1990 setting forth the Recipient's overall country environmental strategy;

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

(i) "HFC" means hydrofluorocarbon;

(j) "HCFC" means hydrochlorofluorocarbon;

(k) "ODS" means ozone depleting substances;

(l) "OPIU" means the Ozone Project Implementation Unit to be established by ANPE pursuant to Part B of the Project;

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

(n) "Sub-project Agreement" means an agreement: (i) to be entered into between ANPE and an Eligible Beneficiary in accordance with the provisions of Section B of Schedule 4 to this Agreement; and (ii) under which ANPE shall make equipment, materials and technical assistance available to the Eligible Beneficiary utilizing the proceeds of the OTF Grant for the purposes of carrying out a Sub-project; and

(o) "Sub-project" means a specific activity aimed at phasing out ODS in the Recipient's territory to be carried out by an Eligible Beneficiary under Part A of the Project.

ARTICLE II

The OTF Grant

Section 2.01. The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the OTF Grant in an amount in various currencies equivalent to one million seven hundred ninety thousand dollars (\$1,790,000).

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

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

Section 2.03. The Closing Date shall be December 31, 1997 or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

Section 2.04. The Trustee shall not be obligated to make any payment under this Agreement except to the extent it shall have received funds for the purposes of the Project from the Executive Committee referred to in WHEREAS Clause (C) of the Preamble to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient 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 through ANPE with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial, stratospheric ozone layer protection management and technical practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Recipient shall promptly make the proceeds of the OTF Grant available to ANPE on a grant basis under arrangements satisfactory to the Trustee.

(c) Without limitation upon the provisions of paragraphs (a) and (b) of this Section and except as the Recipient and the Trustee shall otherwise agree, the Recipient shall carry out the Project through ANPE in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Trustee shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the OTF Grant shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Recipient shall maintain, or cause the ANPE to maintain, records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project.

(b) The Recipient:

(i) shall have, or cause ANPE to have, the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee;

(ii) shall furnish, or cause ANPE to furnish, to the Trustee as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Trustee shall have reasonably requested; and

(iii) shall furnish, or cause ANPE to furnish, to the Trustee such other information concerning said records and accounts and the audit thereof as the Trustee shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the OTF Grant Account were made on the basis of statements of expenditure, the Recipient:

(i) shall maintain, or cause ANPE to maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) shall retain, or cause ANPE to retain, until at least one year after the Trustee has received the audit report for the Fiscal Year in which the last withdrawal from the OTF Grant Account was made, all records (contracts, orders, invoices, bills, receipts

and other documents) evidencing such expenditures;

- (iii) shall enable, or cause ANPE to enable, the Trustee's representatives to examine such records; and
- (iv) shall ensure, or cause ANPE to 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) In order to secure eligibility in the future for financing of additional ODS phaseout activities, the Recipient shall take, or cause to be taken, all adequate action required to ensure that the Country Program is finalized and submitted to the Executive Committee of the Fund not later than December 31, 1994.

(b) Thereafter, the Recipient shall take all measures necessary to ensure that the recommendations of the Country Program as shall have been approved by the Executive Committee of the Fund shall be suitably incorporated into the next update of the Environmental Action Plan.

Section 4.03. The Recipient shall waive all taxes and duties applicable to items to be financed out of the proceeds of the OTF Grant.

ARTICLE V

Effectiveness; Termination

Section 5.01. The Grant Agreement shall enter into effect on the date upon which the Trustee is satisfied the Agreement is fully executed and has dispatched to the Recipient notice of effectiveness. Effectiveness will take place when the Trustee is satisfied that ANPE has appointed the Project Manager referred to in Section A.2 of Schedule 4 to this Agreement under terms of reference satisfactory to the Trustee and the Trustee has dispatched to the Recipient notice of effectiveness.

Section 5.02. This Agreement shall continue in effect until the OTF Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VI

Representative of the Recipient; Addresses

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

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

For the Recipient:

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

Cable address:

MCIIE

Telex:

18060

For the Trustee:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Washington, D.C. and Tunis, as of the day and year first above written.

REPUBLIC OF TUNISIA

By /s/ Mohamed Ghannouchi

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT as Trustee of
the Ozone Projects Trust Fund

By /s/ Daniel G. Ritchie

Acting Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the OTF Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the OTF Grant, the allocation of the amounts of the OTF Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the OTF Grant Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Equipment and Materials:		
(a) For Part A.1 of the Project	93,000)) 100% of foreign expenditures,
(b) For Part A.2 of the Project	187,000)	
(c) For Part A.3 of the Project	94,000)) 100% of local expenditures (ex-factory cost) and 100%
(d) For Part A.4 of the Project	64,000)	
(e) For Part A.5 of the Project	46,000)) of local ex- penditures for other items pro- cured locally
(f) For Part B of the Project	39,000)	
(2) Consultants'		

Services, Training
and Maintenance
Services:

(a)	For Part A.1 of the Project	152,000)	
)	
(b)	For Part A.2 of the Project	85,000)	
)	
(c)	For Part A.3 of the Project	322,000)	100%
)	
(d)	For Part A.4 of the Project	39,000)	
)	
(e)	For Part A.5 of the Project	118,000)	
)	
(f)	For Part B of the Project	251,000)	
)	
(3)	Unallocated	190,000	
	TOTAL	1,790,000	

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 Recipient for goods or services supplied from the territory of any country other than that of the Recipient; and

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) Categories (1) (a) and (2) (a), until and unless the Trustee shall have approved the Sub-project Agreement with the Eligible Beneficiary responsible for the implementation of Part A.1 of the Project; (b) Categories (1) (b) and (2) (b), until and unless the Trustee shall have approved the Sub-project Agreement with the Eligible Beneficiary responsible for the implementation of Part A.2 of the Project; (c) Categories (1) (c) and (2) (c), until and unless the Trustee shall have approved the Sub-project Agreement with the Eligible Beneficiary responsible for the implementation of Part A.3 of the Project; (d) Categories (1) (d) and (2) (d), until and unless the Trustee shall have approved the Sub-project Agreement with the Eligible Beneficiary responsible for the implementation of Part A.4 of the Project; and (e) Categories (1) (e) and (2) (e), until and unless the Trustee shall have approved the Sub-project Agreement with the Eligible Beneficiary responsible for the implementation of Part A.5 of the Project.

4. If the Trustee shall have determined at any time that any payment made from the OTF Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee for deposit into the OTF Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Trustee.

5. The Trustee may require withdrawals from the OTF Grant Account to be made on the basis of statements for expenditures under contracts for goods and services not exceeding \$50,000 equivalent, under such terms and conditions as the Trustee may specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient in implementing a strategy aimed to establish the institutional and regulatory framework for decreasing the use of ODS and introduce, on a demonstrational basis, ODS-free technologies to the country's refrigeration, foam and aerosol industries so as to initiate actions leading to an early ODS-phaseout program.

The Project consists of the following parts, subject to such modifications

thereof as the Recipient and the Trustee may agree upon from time to time to achieve such objectives:

Part A: Technology Development

Carrying out of a demonstrational program devised to assist the Recipient in the transfer of technology suitable to allow it to reduce ODS in the refrigerator, flexible foam and aerosol sectors, consisting in:

1. Introduction of refrigerant HFC-134a with a view to replace refrigerant CFC-12 in domestic refrigerators, on the basis of a program comprising the design and testing of refrigerator models which apply the new refrigerant and a seminar to disseminate the results thereof throughout the sector, and provision of technical assistance and equipment as required therefor.
2. Replacement of CFC-11 as a foam-blowing agent by a low-content CFC, HCFC or CFC-free ODS-free substance for rigid foam insulation, on the basis of the testing of appropriate conversion or modification techniques and the carrying out of a seminar on options therefor and a study on the effects of the new foam on physical and energy parameters, and provision of technical assistance and equipment as required therefor.
3. Implementation of a program designed to train refrigeration technicians on recycling and handling of non-ODS refrigerant aimed at introducing an accreditation system for refrigeration technicians, encompassing a study on the domestic refrigerator service sector, overseas training and provision of technical assistance and refrigerant recycling equipment on a rotational basis for demonstration purposes.
4. Implementation of a program to replace CFC-11 in the flexible foam sector, involving specifically the testing of suitable CFC-free technology, the carrying out of a study and the provision of technical assistance, training and equipment as required therefor.
5. Assessment of the use of CFC in the aerosol sector to determine existing options in use and support users of CFC propellants in the conversion to optimal CFC-free options, based on the carrying out of a study, the demonstration of techniques identified in said study and provision of the required training and seminars.

Part B: Institutional Strengthening

Establishing and operation of the Ozone Project Implementation Unit to assist ANPE in managing the Project, specifically through recruitment of staff, provision of consultants' services, training and equipment, and identification of feasibility studies for new investment projects required to complete the phaseout of ODS, with initial focus on local production of CFC-free refrigerators.

* * *

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods

Part A: Procurement Procedures

International Shopping:

1. Goods estimated to cost more than the equivalent of \$50,000 per contract, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three (3) suppliers from at least two (2) different countries eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), in accordance with procedures acceptable to the Trustee.

Local Shopping:

2. Goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$350,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three (3) suppliers eligible under the Guidelines, in accordance with procedures acceptable to the

Trustee.

Part B: Review by the Trustee of Procurement Decisions

1. Review of price quotations and of proposed and final contracts: (a) With respect to: (i) the first contract for equipment under each Sub-project estimated to cost the equivalent of \$5000 or more; and (ii) each contract estimated to cost the equivalent of \$50,000 or more, before price quotations are solicited, the Recipient shall cause ANPE to furnish to the Trustee for its comments, the specifications and other draft contract documents for the supply of goods thereunder, together with a description of the procedures to be followed for the comparison of price quotations, and to make such modifications in said documents or procedures as the Trustee shall reasonably request;

(b) After price quotations have been received and evaluated, the Recipient shall ensure that, before a final decision on the contract is made, ANPE inform the Trustee of the name of the supplier from whom it intends to procure the goods and furnish to the Trustee, in sufficient time for its review, a detailed report on the evaluation and comparison of price quotations received, together with the recommendation to select a supplier and such other information as the Trustee shall reasonably request. The Trustee shall, if it determines that the intended contract would be inconsistent with the OTF Projects Trust Fund Grant Agreement or the Guidelines, promptly inform the Recipient and ANPE and state the reasons for such determination;

(c) The terms and conditions of the contract shall not, without the Trustee's concurrence, materially differ from those on which price quotations were asked; and

(d) Two conformed copies of the contract shall be furnished to the Trustee promptly after its execution and prior to the delivery to the Trustee of the first application for withdrawal of funds from the OTF Grant Account in respect of such contract, or, where payments for such contract are to be made out of the Special Account, the two conformed copies of the contract shall be furnished to the Trustee prior to the making of the first payment out of the Special Account in respect of such contract.

2. (a) With respect to each contract not governed by the preceding paragraph 1, the Recipient shall cause ANPE to furnish to the Trustee, promptly after its execution and prior to the delivery to the Trustee of the first application for withdrawal of the funds from the OTF Grant Account in respect of such contract, two conformed copies of such contract, together with the analysis of the price quotations, recommendations to select a supplier and such other information as the Trustee shall reasonably request. The Trustee shall, if it determines that the selection of the supplier, or the contract itself, is not consistent with the OTF Projects Trust Fund Grant Agreement or the Guidelines, promptly inform the Recipient and ANPE and state the reasons for such determination.

(b) The provisions of the preceding subparagraph (a) shall not apply to contracts on account of which the Trustee has authorized withdrawals on the basis of statements of expenditure.

3. The figure of 20% is hereby specified for purposes of para-graph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

1. In order to assist ANPE in carrying out the Project, the Recipient shall cause ANPE to employ consultants: (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Trustee; and (ii) who shall be selected in accordance with principles and procedures satisfactory to the Trustee 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 (Consultant Guidelines). For complex, time-based assignments, the Recipient shall cause ANPE to employ such consultants under contracts using the standard form of contract for consultants' services issued by the Trustee, with such modifications as shall have been agreed by the Trustee. Where no relevant standard contract documents have been issued by the Trustee, ANPE shall use other standard forms agreed with the Trustee.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Trustee review or approval 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 Trustee review shall not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Trustee or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

Implementation Program

Section A: Institutional Arrangements

1. (a) ANPE shall have responsibility for the overall implementation of the Project. To this end, the Recipient shall ensure that adequate staffing, physical and financial resources are at all times available to ANPE, including those necessary to assist ANPE in implementing the non-technical aspects of the Project.

(b) Specifically, the Recipient shall take all action necessary to ensure that ANPE: (i) monitor the Project in accordance with physical and financial indicators agreed upon between the Trustee and ANPE; (ii) open in its budget, and thereafter maintain, Project-related accounts; (iii) prepare (A) quarterly progress reports for submission to the Trustee not later than the 30th day after the end of each quarter in each Fiscal Year; and (B) the Project Completion Report; (iv) coordinate the implementation of the Sub-projects and ensure their consistency with the Country Program; and (v) ensure that the Grant covers only the incremental costs of Sub-projects and that Sub-projects are monitored for compliance with national and international environmental regulations.

Ozone Project Implementation Unit (OPIU)

2. The Recipient shall cause ANPE to take all steps necessary to ensure that the OPIU is maintained throughout the period of Project implementation under terms of reference and staffing, financial and reporting arrangements satisfactory to the Trustee. The OPIU shall be headed by a Project Director and shall consist of a Project Manager, four (4) coordinators and the necessary support staff. Specifically, the OPIU shall be responsible, inter alia, for: (i) overall coordination of Project activities; (ii) procurement arrangements and employment of consultants, including such arrangements as shall be necessary to ensure that goods and services to be financed out of the proceeds of the OTF Grant are procured in accordance with the provisions of Schedule 3 to this Agreement and that such goods and services are used exclusively in the carrying out of Sub-projects; (iii) monitoring of the impact of Sub-project activities on ODS reduction; and (iv) preparation of additional projects to be submitted in the future for OTF financing of incremental costs.

Section B: Sub-project Agreements

1. The Recipient shall cause ANPE to enter into Sub-project Agreements with Eligible Beneficiaries in accordance with a model agreement acceptable to the Trustee, and under which: (a) ANPE shall obtain the right to suspend or terminate the right of the Eligible Beneficiary to the use of the equipment, materials and technical assistance upon failure by such Eligible Beneficiary to perform its obligations under the Sub-project Agreement; and (b) the Eligible Beneficiary which is a party to the Sub-project Agreement shall agree, inter alia, to:

- (i) implement the Sub-project in a timely manner in accordance with the requirements set forth in the Sub-project Agreement;
- (ii) provide the necessary funds and resources required for the implementation of the Sub-project;
- (iii) maintain a satisfactory financial condition based on indicators acceptable to the Trustee;
- (iv) comply with all international safety standards and any safety requirements and conditions as shall have been determined by ANPE;
- (v) furnish to the Trustee all such information on the Sub-projects as it shall reasonably request;
- (vi) 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

- (vii) prepare a Sub-project completion report for submission to ANPE and assist it in disseminating the conclusions thereof promptly upon the completion of the Sub-project.

SCHEDULE 5

Eligible Beneficiaries

Part A.1 of the Project:

Tabrid Group

Part A.2 of the Project:

Tabrid Group; and
Grand Ateliers du Nord

Part A.3 of the Project:

Centre de Rades; and
Ecole du Peche de Kelibia

Part A.4 of the Project:

Sotumus

Part A.5 of the Project:

Judy

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 OTF Grant 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 \$175,000 to be withdrawn from the OTF Grant Account and deposited into 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 Trustee 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 Recipient shall furnish to the Trustee 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 Trustee shall, on behalf of the Recipient, withdraw from the OTF Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

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

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Trustee 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 Trustee shall, on behalf of the

Recipient, withdraw from the OTF Grant Account and deposit into the Special Account such amount as the Recipient 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 Trustee from the OTF Grant 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 Recipient out of the Special Account, the Recipient shall, at such time as the Trustee shall reasonably request, furnish to the Trustee 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 Trustee shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Trustee shall have determined that all further withdrawals should be made by the Recipient directly from the OTF Grant 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 OTF Grant allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Trustee 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 OTF Grant Account of the remaining unwithdrawn amount of the OTF Grant allocated to the eligible Categories shall follow such procedures as the Trustee shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Trustee 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 Trustee 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 Trustee, the Recipient shall, promptly upon notice from the Trustee: (A) provide such additional evidence as the Trustee may request; or (B) deposit into the Special Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Trustee shall otherwise agree, no further deposit by the Trustee into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Trustee 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 Recipient shall, promptly upon notice from the Trustee, refund to the Trustee such outstanding amount.

(c) The Recipient may, upon notice to the Trustee, refund to the Trustee all or any portion of the funds on deposit in the Special Account.

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