

CONFORMED COPY

LOAN NUMBER 7025-TUN

Loan Agreement

(Water Sector Investment Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated September 15, 2000

LOAN NUMBER 7025-TUN

LOAN AGREEMENT

AGREEMENT, dated September 15, 2000, between the REPUBLIC OF TUNISIA (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Bank has received from the Borrower a letter (the Policy Letter) dated May 5, 2000, describing a program of actions, objectives and policies designed to strengthen the Borrower's water sector (the Program) and declaring the Borrower's commitment to the execution of the Program; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank, dated September 1, 1999 (the General Conditions) constitute an integral part of this Agreement.

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

(a) "ANPE" means Agence Nationale pour la Protection de l'Environnement, the Borrower's National Agency for Environment Protection;

(b) "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;

(c) "CRDA" means Commissariat Régional au Développement Agricole, the Borrower's Regional Commissariat for Agriculture Development, an administrative public institution ("établissement public à caractère administratif") established and operated pursuant to the Borrower's Law No. 89-44 dated March 8, 1989, and its related implementing decrees;

(d) "DGFE" means Direction Générale du Financement et des Encouragements, the Borrower's General Directorate of Finance and Incentives within MOA (as hereinafter defined);

(e) "DGGR" means Direction Générale du Génie Rural, the Borrower's General Directorate of Rural Works within MOA (as hereinafter defined);

(f) "DGRE" means Direction Générale des Ressources en Eaux, the Borrower's General Directorate of Water Resources within MOA (as hereinafter defined);

(g) "Eligible Categories" means categories (1), (2) and (3) set forth in the table of Schedule 1 to this Agreement;

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

(i) "Environmental Mitigation Plan" means the document setting forth the mitigation, monitoring and institutional measures to be taken during implementation and operation of the Project to eliminate the Project's adverse environmental impacts, offset them or reduce them to acceptable levels, and the actions required to implement such measures, as reviewed periodically and agreed between the Borrower and the Bank;

(j) "Implementation Manual" means the manual, at all times satisfactory to the Bank, setting forth, inter alia, the respective roles and responsibilities regarding the implementation of the Project, the accounting, financial reporting and auditing arrangements, the monitoring and evaluation procedures, the selection criteria for the carrying out of the Project activities and all other relevant provisions, as reviewed periodically between the Borrower and the Bank;

(k) "IRESA" means Institution de Recherche et de l'Enseignement Supérieur Agricoles, the Borrower's Institute for Agricultural Research and Higher Education;

(l) "MOA" means the Ministry of Agriculture of the Borrower, or its successor thereof;

(m) "NGO" means a non-governmental organization;

(n) "ONAS" means Office National de l'Assainissement, the Borrower's national sewerage authorities;

(o) "PCMC" means the Project Coordinating and Monitoring Committee established pursuant to a decision of the Minister of Agriculture dated April 18, 2000, chaired by the Minister of Agriculture and comprising representatives of MOA's Directorates, the Ministry of International Cooperation and Foreign Investment, the Ministry of Finance, the Ministry of Economic Development, the Ministry of Environment and Rural Planning, ONAS, ANPE and SONEDE, or their successor thereof;

(p) "PCU" means the Project Coordination Unit established within DGFE;

(q) "SONEDE" means Société Nationale d'Exploitation et de Distribution des Eaux, the Borrower's National Water Distribution Company;

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

(s) "STEG" means Société Tunisienne d'Electricité et du Gaz, the Borrower's National Power and Gas Company; and

(t) "WUA" means Water Users Association.

## 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 one hundred twelve million one hundred thousand Euros (EUR 112,100,000), 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 shall, for the purposes of the Project, open and maintain in Dollars a special deposit 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 one million one hundred twenty one thousand Euros (EUR 1,121,000). 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, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, engineering, water conservation practices and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for

the Project.

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

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 after 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.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall 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 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 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, 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. 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 September 30, 2001, or such  
later date as the Bank shall agree, to prepare semi-annual reports in  
accordance with the provisions of Section C of Schedule 5 to this  
Agreement and acceptable to the Bank.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General  
Conditions, the following additional event is specified, namely, that a  
situation has arisen which shall make it improbable that the Program or a  
significant part thereof, will be carried out.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as an additional  
condition to the effectiveness of the Loan Agreement within the meaning  
of Section 12.01(c) of the General Conditions, namely, that the  
Implementation Manual, acceptable to the Bank, has been adopted.

Section 6.02. The date ninety (90) 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-Belvédère  
Republic of Tunisia

Cable address:

Telex:

Facsimile

MCIIE

18060

216-1-799069

For the Bank:

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

Facsimile:

Cable address:

Telex:

477-6391

INTBAFRAD

248423 (MCI); or (202)

Washington, D.C.

64145 (MCI)

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/ Noureddine Mejdoub

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Louis Sarbib

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) Works	69,610,000	60%
(2) Goods	29,370,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost); and 80% of local expenditures for other items procured locally

(3)	Consultants' Services and Training	7,620,000	100%
(4)	Fee	1,121,000	Amount due under Section 2.04 of this Agreement
(5)	Premia for Interest Rate Caps and Interest Rate Collars	100,000	Amount due under Section 2.09(c) of this Agreement
(6)	Unallocated	4,279,000	
	TOTAL	112,100,000	

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 payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts costing less than \$400,000 equivalent each; (ii) works under contracts costing less than \$1,000,000 equivalent each; (iii) services of consulting firms under contracts costing less than \$100,000 equivalent each; and (iv) services of individual consultants under contracts costing less than \$50,000 equivalent each, 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: (a) to promote effective integrated water resource management; and (b) to promote conservation of water resources and protection of the environment.

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: Irrigation Management

Support, through the provision of works, goods and technical assistance, for the development of an effective irrigation management system, including: (i) the creation of about fifty six (56) small, tubewell-based, irrigation perimeters; (ii) the creation of about eight (8) pilot irrigated perimeters using treated waste water; (iii) the modernization and rehabilitation of about forty (40) small and medium size existing perimeters; (iv) the rehabilitation of about fourteen (14) perimeters irrigated with hot geothermal underground water; (v) the establishment of drainage installations; (vi) the electrification of water sources and tubewells for potable water and irrigation; (vii) the creation of seventeen (17) water points in the southern arid zone; (viii) the creation of twenty five (25) deep tubewells for irrigation and potable water purposes; (ix) the carrying out of works toward floodwater



management; and (x) the carrying out of research activities in the field of irrigation and drainage.

Part B: Groundwater Management

1. Support, through the provision of works, goods and technical assistance, for the development of a groundwater management system, including: (i) the drilling of about three hundred and ten (310) exploratory wells and about six hundred and ten (610) piezometers; (ii) the protection and rehabilitation of about one hundred twenty five (125) existing wells and piezometers; (iii) the development of infrastructure for artificial groundwater recharge from available surface water; and (iv) the carrying out of experimental research projects.

2. Support, through the provision of goods and technical assistance, for the piloting of participatory management approaches for groundwater usage to assess future implications for decentralization, cost-sharing, water rights, and surveillance/control operations.

Part C: Water Conservation and Environmental Protection

Protecting the water resource base and soils and in monitoring the quality and quantity of water resources, particularly in irrigated areas, through the provision of technical assistance and goods, including: (i) the update of the inventory of key sources of pollution and the creation of water quality monitoring mechanisms; (ii) the development of information awareness campaigns; and (iii) the establishment of appropriate institutional arrangements for managing water pollution related issues.

Part D: Rural Water Supply

Improving the supply of potable water to about one hundred thousand (100,000) dwellers in the Borrower's rural areas, through the provision of goods, works and technical assistance to WUAs.

Part E: Institutional Strengthening and Capacity Building

1. Promoting the development of new skills towards planning and demand management in the water sector, and strengthening the capacity of the MOA in dealing with issues related to the water sector, notably the monitoring of priority reforms under the Program, through the provision of technical assistance and training.

2. Facilitating the creation of a socio-economic unit for water resources management in the MOA.

3. Supporting efforts aiming at strengthening the capacity of WUAs, NGOs and private entrepreneurs in the water sector.

\* \* \*

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 %)
November 15, 2005	7%
May 15, 2006	7%
November 15, 2006	7%
May 15, 2007	0%
November 15, 2007	0%
May 15, 2008	7%
November 15, 2008	7%
May 15, 2009	0%
November 15, 2009	0%
May 15, 2010	7%
November 15, 2010	7%
May 15, 2011	0%
November 15, 2011	0%
May 15, 2012	7%
November 15, 2012	7%
May 15, 2013	7%
November 15, 2013	5%
May 15, 2014	5%
November 15, 2014	4%
May 15, 2015	4%
November 15, 2015	3%
May 15, 2016	3%
November 15, 2016	3%
May 15, 2017	3%

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

Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

Works estimated to cost less than \$5,000,000 equivalent per contract, up to an aggregate amount not to exceed \$35,000,000 equivalent, and goods estimated to cost less than \$400,000 equivalent per contract, up to an aggregate amount not to exceed \$20,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

##### 2. National Shopping

Goods and works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount for goods not to exceed \$500,000 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. Direct Contracting

Goods and works for electrification of irrigation pumping and potable water supply stations under Parts A and D of the Project, which are of a proprietary nature and can only be procured from one supplier, may be procured from STEG and SONEDE in accordance with the provisions of

paragraph 3.7 of the Guidelines. All goods and works estimated to cost the equivalent of \$1,000,000 or more per contract may be procured in accordance with the said provisions of the Guidelines, subject to the Bank's prior agreement.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts referred to in Paragraph 2 of the present Part D, 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

With respect to each contract for works estimated to cost the equivalent of \$1,000,000 or more, and with respect to each contract for goods estimated to cost the equivalent of \$400,000 or more, the procedures set forth in paragraphs 2 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 \$200,000 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. Selection Based on Consultants' Qualifications

Services which are estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$50,000 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.

3. Individual Consultants

Services which are estimated to cost less than \$50,000 equivalent 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.

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

A. Project Coordination and Implementation

1. The Borrower shall ensure overall Project coordination through the DGFE and the PCMC. To that end, the Borrower shall maintain the PCMC under institutional arrangements satisfactory to the Bank, to coordinate and oversee Project progress. Day-to-day coordination of all Project activities shall be carried out by PCU.

2. The Borrower shall vest MOA with the overall responsibility for Project implementation. At the central level, MOA shall cause Parts A and D of the Project to be executed by DGGR, Part B of the Project to be executed by DGRE, and Part C of the Project to be executed by DGGR and DGRE in collaboration with IRESA, ONAS and ANPE. At the regional level, CRDAs shall be responsible for the identification, implementation and coordination of Project activities across MOA's regional technical units. All Project activities shall be selected and carried out in accordance with the criteria and provisions set forth in the Implementation Manual.

3. Without limitation upon the provisions of the preceding paragraphs 1 and 2, the DGFE shall have additional responsibility for (a) monitoring of financial and physical progress of the Project; (b) progress evaluation of the achievement of the Program; (c) coordination of procurement, disbursement and audit activities, including the formulation of financial reports; and (d) preparation of the mid-term review and progress reports referred to in, respectively, Section B and C of this Schedule. To this end and in order to ensure proper management of the Project, the Borrower shall ensure that DGFE (a) maintains professional staffing in adequate number, whose qualifications and experience shall be acceptable to the Bank; and (b) conducts operations in accordance with the Environmental Management Plan and the Implementation Manual at all times satisfactory to the Bank.

4. In accordance with the Program set forth in the Policy Letter, the Borrower shall take the following measures, namely: (i) the progressive transfer of overall responsibility for the management of public irrigation perimeters to WUAs; (ii) the extension of modern commercial cost and income accounting practices to CRDAs with a view to introduce transparent billing and contracting procedures between the Borrower and WUAs and reduce the cost of water delivery in the irrigation sector; (iii) the yearly revision of irrigation of water prices to cover at least inflation rates and the implementation of water tariff structure based on fixed and variable terms ("tarification binôme") across priority CRDAs; (iv) not later than December 31, 2001, the establishment of a socio-economic unit for water resources management within MOA (Part E of the Project); and (v) the formulation and implementation of a communication program for water conservation, acceptable to the Bank.

B. Mid-Term Review

The Borrower shall, through the MOA:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, 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 June 30, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report 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 September 30, 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.

C. Semi-annual Reports

Without prejudice to the provisions of Section 4.01 of this Agreement and to those of Section B of this Schedule, the Borrower shall, not later than March 31 and September 30 of each year until completion of the Project, commencing on September 30, 2001, prepare and furnish to the Bank a Project management report, of such scope and in such detail as agreed between the Borrower and the Bank, describing, inter alia (i) the progress achieved in the implementation of the Project, (ii) the workplan for the following six-month period, and (iii) the financial and procurement status of the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$7,500,000 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 \$4,000,000 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 22,000,000.

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.

