

CONFORMED COPY

LOAN NUMBER 4174 TUN

Loan Agreement

(Greater Tunis Sewerage and Re-use Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Dated December 19, 1997

LOAN NUMBER 4174 TUN

LOAN AGREEMENT

AGREEMENT, dated December 19, 1997, 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, has requested the Bank to assist in the financing of the Project;

(B) Part A of the Project will be carried out by the Office National de l'Assainissement (ONAS) with the Bank's assistance and, as part of such assistance, the Bank has agreed to make available a loan to ONAS, guaranteed by the Borrower, in an amount equal to two hundred eighty-three million French Francs (FRF283,000,000) to assist in financing part of the cost of Part A of the Project on the terms and conditions set forth in a loan agreement of even date herewith (the ONAS Loan Agreement, as further defined in Section 1.02 (j) of 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;

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 Single Currency Loans" of the Bank, dated May 30, 1995, with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled."

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) "Affected Person" means a person who on account of the execution of Part B.1 or B.2 of the Project had or would have either his/her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected;

(b) "ANPE" means the Borrower's National Agency for Environmental Protection (Agence Nationale pour la Protection de l'Environnement), established and operating pursuant to the Borrower's Law No. 88-91 dated August 2, 1988 and its implementation decree No. 88-1784 dated October 18, 1988, as the same may be amended from time to time;

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

(d) "Basic Legislation" means the Borrower's Law No. 74-73 dated August 3, 1974, as amended and completed by the Borrower's Law No. 93-41 dated April 19, 1993, and its implementation Decree No. 95-1139 dated June 28, 1995, pursuant to which ONAS has been established and is operating as an industrial and commercial public institution (établissement public à caractère industriel et commercial);

(e) "Central Bank" means the Central Bank of Tunisia (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;

(f) "Decree No. 91-362" means the Borrower's Decree No. 91-362 dated March 13, 1991 regarding the preparation of environmental impact assessments;

(g) "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;

(h) "French Franc" and "FRF" means each the lawful currency of the Republic of France;

(i) "MOA" means the Ministry of Agriculture of the Borrower (Ministère de l'Agriculture) established and operating pursuant to the provisions of the Borrower's Decree No. 87-779 dated May 21, 1987, as amended by the Borrower's Decree No. 88-1101 dated June 9, 1988, and as it may be further amended from time to time;

(j) "ONAS Loan Agreement" means the loan agreement of even date herewith between the Bank and the Office National de l'Assainissement for the Project (Loan No. 4175 TUN);

(k) "Performance Contract" means the agreement (contrat-programme) between the Borrower and ONAS setting forth reciprocal undertakings designed to enable the Borrower and ONAS to achieve certain financial, investment and operational targets during Fiscal Years 1997 through 2001;

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

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

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to fifty-seven million French Francs (FRF57,000,000).

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, works and services required for Part B of the Project and to be financed out of the proceeds of the Loan.

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

Section 2.03. The Closing Date shall be December 31, 2004, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.06. Interest and other charges shall be payable in arrears on April 15 and October 15 in each year.

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

ARTICLE III

Execution of Part B of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end shall, through the MOA, carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, environmental, financial, irrigation and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part B of 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 Part B of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Part B of 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 9.08 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 Part B of the Project; and

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

Section 3.04. The Borrower shall, at all times: (i) carry out the Performance Contract with due diligence and efficiency and take all action necessary to achieve the targets and objectives therein set forth; and (ii) duly perform its obligations under the Performance Contract and, except as the Borrower, ONAS and the Bank may otherwise agree, not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving said Performance Contract or any provision thereof.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

(ii) furnish to the Bank as soon as available, but in any case not later than 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 Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan

Account were made on the basis of statements of expenditure, the Borrower shall:

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

(ii) retain, until at least one (1) year after the Bank has received the audit report for the Fiscal Year in which the 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) ONAS shall have failed to perform any of its obligations under the ONAS Loan Agreement.

(b) 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 ONAS will be able to perform its obligations under the ONAS Loan Agreement.

(c) The Basic Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ONAS to perform any of its obligations under the ONAS Loan Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ONAS or for the suspension of its operations.

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

(a) The event specified in paragraph (a) 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.

(b) Any event specified in paragraphs (c) or (d) 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) All conditions precedent to the effectiveness of the ONAS Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;
and

(b) The Performance Contract has been duly authorized, approved and executed on behalf of the Borrower in accordance with its terms.

Section 6.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The 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
Tunis-Belvédère
Republic of Tunisia

Cable address: Telex:

MCIIE 18060

For the Bank:

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

Cable address: Telex:

INTBAFRAD 248423 (MCI) or
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/ Nouredine Majdoub

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gianni Brizzi

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 in French Francs	% of Expenditures to be Financed
(1) Works	23,000,000	100% of foreign expenditures and 60% of local expenditures
(2) Goods, including equipment and its installation	23,000,000	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	6,000,000	100%
(4) Unallocated	5,000,000	
	<hr style="width: 10%; margin: 0 auto;"/>	
TOTAL	57,000,000	

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, works 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, works 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 \$500,000 equivalent each; (ii) works, under contracts costing less than \$3,000,000 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, 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 assist the Borrower and ONAS in: (i) improving service levels of urban sewerage; (ii) promoting efficient re-use of effluent from sewage treatment plants for agricultural purposes; (iii) reducing urban and coastal pollution; (iv) improving ONAS' cost recovery and financial capacity, with the long-term objective of achieving ONAS' financial autonomy; (v) introducing appropriate new sewage treatment technology; and (vi) developing private sector participation in the sewerage 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 Sewerage

Carrying out of the Greater Tunis sewerage program, comprising the execution of works, the provision of equipment, and the carrying out of studies and research work required to implement the following:

1. expansion and rehabilitation of the Tunis South (Meliane) waste water treatment plant in the southern basin of Tunis to increase its capacity to about 675,000 population (approximately 70,000 cubic meters per day);
2. restructuring of the Tunis West sewage collection system, including the construction of approximately fifty-two (52) kilometers of primary sewers, in order to divert part of the sewage to the plant envisioned to be constructed separately under a concession scheme associating the private sector thereto;
3. strengthening of the Tunis South sewage collection system and connection of the villages of Mornag and Radès to the Tunis South (Meliane) waste water treatment plant, entailing the construction of a collection system of about forty-eight (48) kilometers of main sewer;
4. extension of the Tunis North sewage collection system by about thirty-three (33) kilometers, construction of a liaison conduit of about four (4) kilometers between the waste water treatment plants of Tunis North and Choutrana, and rehabilitation of the waste water treatment plant of Tunis North;
5. extension, rehabilitation, and resizing of the sewage collection networks of Tunis Central and North to prevent salty groundwater intrusion, including the construction of about forty-five (45) kilometers of sewers; and
6. strengthening of all secondary sewer systems, requiring the construction of about two hundred thirty (230) kilometers of sewers.

Part B: Re-use of Treated Sewage for Agriculture

Carrying out of a program to promote the reuse of treated sewage for agriculture, and comprising:

1. construction of a storage basin in the El Attar Valley to store treated waste water to be used for irrigation;
2. construction of a pumping station, balancing reservoirs, access roads, windbreaks, and water supply and irrigation systems for purposes of equipping an area of about one thousand (1,000) ha in the El Attar Valley; and
3. carrying out of a pilot project for groundwater recharge with purified sewage treated with an appropriate tertiary method.

* * *

The Project is expected to be completed by June 30, 2004.

SCHEDULE 3

Interest and Principal Repayment Provisions

A. General Definitions

For purposes of this Schedule, the following terms have the following meanings:

(a) "Disbursed Amount" means, in respect of each Interest Period, the aggregate principal amount of the Loan withdrawn from the Loan Account in such Interest Period.

(b) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment date to, but excluding, the next following Interest Payment Date.

(c) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(d) "Rate Fixing Date" means, for each Disbursed Amount, the first day of the Interest Period next following the Interest Period in which such Disbursed Amount is withdrawn.

B. Interest

1. The principal amount of the Loan shall be divided into Disbursed Amounts. Interest shall accrue on each Disbursed Amount outstanding from time to time at a rate based on a floating rate index prior to its Rate Fixing Date and at a fixed rate from its Rate Fixing Date, as described in paragraph 2 of this Part B.

2. (a) From the date of withdrawal of each amount of each Disbursed Amount withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on each such amount shall accrue, at a rate equal to the applicable:

(i) PIBOR Base Rate; plus

(ii) PIBOR Total Spread.

(b) From the Rate Fixing Date for each Disbursed Amount until final repayment thereof, interest on such Disbursed Amount shall accrue, at a rate equal to the applicable:

(i) Fixed Base Rate; plus

(ii) Fixed Total Spread.

3. For purposes of paragraph 2 of this Part B, the following terms have the following meanings:

(a) "PIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount is withdrawn, the Paris interbank offered rate for six-month deposits in French Francs for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(b) "PIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount is withdrawn:

(i) one-half of one percent (1/2 of 1%);

(ii) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the Paris interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include such Disbursed Amount for such Interest Period;

as reasonably determined by the Bank and expressed as a percentage per annum.

(c) "Fixed Base Rate" means, for each Disbursed Amount, the equivalent of the Paris interbank offered rate for six-month deposits in French Francs for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage

per annum.

(d) "Fixed Total Spread" means, for each Disbursed Amount:

(i) one-half of one percent (1/2 of 1%);

(ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, below (or above) the Paris interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus

(iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount;

as reasonably determined by the Bank and expressed as a percentage per annum.

4. The Bank shall notify the Borrower of the PIBOR Base Rate, the PIBOR Total Spread, the Fixed Base Rate and the Fixed Total Spread applicable to each Disbursed Amount, promptly upon the determination thereof.

5. Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Schedule, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in this Schedule, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

C. Repayment

1. Subject to the provisions of paragraph 2 of this Part C, the Borrower shall repay each Disbursed Amount of the Loan in semiannual installments payable on each April 15 and October 15, the first such installment to be payable on the seventh (7th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount and the last such installment to be payable on the eighteenth (18th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount. Each installment shall be one-twelfth (1/12) of such Disbursed Amount.

2. Notwithstanding the provisions of paragraph 1 of this Part C, if any installment of principal of each Disbursed Amount would, pursuant to the provisions of said paragraph 1, be payable after April 15, 2013, the Borrower shall also pay on said date the aggregate amount of all such installments.

3. After each Disbursed Amount shall have been withdrawn, the Bank shall promptly notify the Borrower of the amortization schedule for such Disbursed Amount.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works under Part B of the Project 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 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works under Part 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 under Part B of the Project to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for domestically manufactured goods

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.

(b) Notification and Advertising

The invitation to prequalify or bid for each contract under Part B of the Project estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(i) Equipment under Part B of the Project estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent; (ii) pipe supplies under Part B of the Project estimated to cost less than \$700,000 equivalent per contract, up to an aggregate amount not to exceed \$5,000,000 equivalent; (iii) works for irrigation and pipe laying under Part B of the Project estimated to cost less than \$3,000,000 equivalent per contract, up to an aggregate amount not to exceed \$10,000,000 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 under Part B of the Project estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 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.

Part D: Review by the Bank of Procurement Decisions

1. Prior Review

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

2. Post Review

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

Section II. Employment of Consultants

1. Consultants' services under Part B of the Project shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and

contracts shall not apply to: (i) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (ii) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (i) the terms of reference for such contracts; (ii) single-source selection of consulting firms; (iii) assignments of a critical nature, as reasonably determined by the Bank; (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Implementation Program

Section I: Project Design and Implementation Arrangements

(a) In order to ensure that the best Project design, including cost considerations, is adopted for purposes of carrying out Part B of the Project, the Borrower, through the MOA, shall carry out, under terms of reference satisfactory to the Bank, and submit to the Bank for its review and approval: (i) not later than December 31, 1998, a feasibility study and an environmental impact assessment on the agricultural perimeter to be irrigated with treated waste water; and (ii) not later than December 31, 1999, final designs on the said perimeter.

(b) Without limitation upon the provisions of paragraph (a) above, before commencing the implementation of Part B of the Project, the Borrower shall, through the MOA, define implementation arrangements therefor satisfactory to the Bank, including the undertaking of the relevant Commissariats Regionaux au Développement Agricole and concerned agencies to monitor Part B of the Project.

Section II: Parts B.1 and B.2 of the Project

The Borrower undertakes that it shall only commence the construction, under Part B.1 or B.2 of the Project, of the storage basin or a balancing reservoir, as the case may be, once the Bank shall have been satisfied that:

(a) the storage basin or the balancing reservoir, as the case may be, is determined to be, on the basis of criteria satisfactory to the Bank, financially viable and designed in accordance with appropriate safety, health and environment guidelines satisfactory to the Bank and ANPE, including, in particular, the fulfillment of the requirements of the Decree No. 91-362;

(b) the land necessitated for its construction shall not involve any Affected Person; and

(c) adequate safety measures are in place, and that the Borrower has arranged for an independent panel of experts, acceptable to the Bank, with specific expertise in the various technical fields relevant to the basin or reservoir safety aspects of the particular construction:

(i) to conduct a review of the concept of the basin or reservoir, as the case may be, and its associated structures, and the conformity of its technical design before the commencement of the works under the Project;

(ii) (A) to review and to evaluate the Borrower's operation and maintenance procedures of the basin or reservoir, as the case may be, including the plan for construction supervision and quality assurance, the plan for instrumentation, and the emergency preparedness plan; and (B) to provide a written report of findings and recommendations for any remedial work or safety-related measures necessary to upgrade the basin or reservoir, as the case may be, to an acceptable standard of safety during the carrying out of the works under the Project; and

(iii) to carry out annual safety inspections under arrangements

satisfactory to the Bank after completion of the works under the Project.

Section III: Project Monitoring, Reporting and Evaluation

(a) Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower shall, commencing on March 31, 1999 and not later than September 30 and March 31 in each Fiscal Year and until Project completion, prepare and furnish to the Bank a report, of such scope and in such detail as the Borrower and the Bank shall reasonably establish, describing, in accordance with parameters acceptable to the Bank, the progress achieved in the implementation of Part B of the Project during the preceding six-month period.

(b) For the purposes of the preparation of the report due March 31 in each Fiscal Year, the parameters to be utilized by the Borrower pursuant to the provisions of the preceding paragraph (a) shall include the Performance Indicators evaluated on a yearly basis.

Section IV: Mid-Term Review

The Borrower 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 Part B 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 September 30, 2001, 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 Part B 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 Part B of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by December 31, 2001, 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 management and completion of Part B of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank views on the matter.

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, works and services required for Part B of 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 equal to FRF6,000,000 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 equal to FRF3,000,000 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 for the Project shall be equal to or exceed FRF12,000,000.

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 paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(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 for Part B of the Project, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Part B of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for Part B of the Project 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.

