

OFFICIAL DOCUMENTS

LN 7917-TN

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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November 30, 2016

Mr. Habib Omrane
President Director General
Office National de l'Assainissement
32, rue Hedi Nouira
1023 Tunis
Republic of Tunisia

**Re: Republic of Tunisia: Northern Tunis Wastewater Project
(Loan No. 7917-TN)
Amendment to the Loan Agreement and Supplemental Letter
No. 2 regarding performance indicators**

Dear Mr. Omrane:

We refer to: (a) the Loan Agreement (the Loan Agreement) between the International Bank for Reconstruction and Development (the Bank) and *Office National de l'Assainissement* (the Borrower); and (b) the Supplemental Letter No. 2 from the Borrower (the Supplemental Letter), both dated October 7, 2010, and as amended to date. We also refer to the letters dated February 13, 2015, from the Ministry of Development, Investment, and International Cooperation of the Republic of Tunisia, and June 3, 2016 from the Borrower requesting certain amendments to the Loan Agreement and the Supplemental Letter. The capitalized terms used in this amendment letter and not defined herein have the meanings ascribed to them in the Loan Agreement.

We are pleased to inform you that the Bank, after due consideration, has acceded to the above request. Accordingly, the Loan Agreement and the Supplemental Letter are hereby amended as follows:

A. Loan Agreement

1. Section 4.01(a) of Article IV (Remedies of the Bank) of the Loan Agreement is amended to read as follows:

“(a) The Basic Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the Borrower’s ability to perform any of its obligations under this Agreement.”
2. Schedule 1 (Project Description) to the Loan Agreement is amended to read as set forth in **Attachment 1** to this amendment letter.
3. Section I.C (Safeguards) of Schedule 2 (Project Execution) to the Loan Agreement is amended to read as set forth in **Attachment 2** to this amendment letter.
4. Section III.B.2 (Other Methods of Procurement of Goods and Works) of Schedule 2 (Project Execution) to the Loan Agreement is amended to read as set forth in **Attachment 3** to this amendment letter.

5. The table under paragraph A.2 of Section IV (Withdrawal of Loan Proceeds) of Schedule 2 (Project Execution) to the Loan Agreement is amended to read as follows:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (exclusive of Taxes)
(1) Goods <i>(Pro memoria)</i>	2,178,000	100%
(2) Works under: (a) Parts A.2 and A.3 of the Project (b) Parts B.1 and B.2 of the Project <i>(Pro memoria)</i>	0	100%
(3) Consultants' services under: (a) Part B.3 of the Project (b) Parts C.2 and C.3 of the Project <i>(Pro memoria)</i>	0	100%
(4) Front-end Fee	130,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Goods under Parts A.1, A.2, A.3, B.1 and B.2 of the Project <i>(Pro memoria)</i>	1,160,000	100%
(6) Works under Parts A.3, B.1 and B.2 of the Project <i>(Pro memoria)</i>	572,100	100%
(7) Consultants' services under Parts B.3, C.3 and C.5 of the Project <i>(Pro memoria)</i>	160,600	100%
(8) Goods, works and consultants' services for the Project	35,199,300	100%
SUBTOTAL AMOUNT	39,400,000	
Cancelled as of April 21, 2014	12,600,000	
Original Loan Amount	52,000,000	
TOTAL AMOUNT	52,000,000	

6. Section IV.B (Withdrawal Conditions; Withdrawal Period) of Schedule 2 (Project Execution) to the Loan Agreement is amended to read as follows:

“B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2019.”

7. Section V (Other Undertakings) of Schedule 2 (Project Execution) to the Loan Agreement is amended to read as follows:

“Section V. Other Undertakings

1. (a) Except as the Bank shall otherwise agree, the Borrower shall maintain: (i) for each of its fiscal years after its fiscal year ending on: December 31, 2010, a ratio of total operating revenues to total operating expenses of not less than 0.83; December 31, 2011, a ratio of total operating revenues to total operating expenses of not less than 0.86; December 31, 2012, a ratio of total operating revenues to total operating expenses of not less than 0.88; December 31, 2013, a ratio of total operating revenues to total operating expenses of not less than 0.91; and (ii) thereafter, for each of its full fiscal years occurring during the period of implementation of the Project after its fiscal year ending on December 31, 2014, a ratio of total operating revenues to total operating expenses of not less than 0.96.
- (b) The Borrower shall, by December 31 each year, for each full fiscal year occurring during the period of implementation of the Project:
 - (i) review whether it will meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year; and
 - (ii) furnish to the Bank a report, in form and substance satisfactory to the Bank, setting forth: (A) the results of such review; and (B) the actual ratio of total operating revenues to total operating expenses maintained for the preceding fiscal year.
- (c) If any such review referred to in paragraph (b)(i) immediately above shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower’s fiscal years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.
- (d) For the purposes of this Section:
 - (i) The term “total operating expenses” means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and excluding depreciation and other non-operating expenditures.
 - (ii) The term “total operating revenues” means revenues from all sources related to operations.

2. (a) Except as the Bank shall otherwise agree, the Borrower shall: (i) by December 31, 2011, maintain a ratio of current assets to current liabilities of not less than 0.57; by December 31, 2012, maintain a ratio of current assets to current liabilities of not less than 0.57; by December 31, 2013, maintain a ratio of current assets to current liabilities of not less than 0.59; by December 31, 2014; and (ii) thereafter for each of its full fiscal years occurring during the period of implementation of the Project, maintain a ratio of current assets to current liabilities of not less than 0.57.
- (b) The Borrower shall, by December 31 each year, for each full fiscal year occurring during the period of implementation of the Project:
 - (i) review whether it will meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year; and
 - (ii) furnish to the Bank a report, in form and substance satisfactory to the Bank, setting forth: (A) the results of such review; and (B) the actual ratio of current assets to current liabilities maintained for the preceding fiscal year.
- (c) If any such review referred to in paragraph (b)(i) immediately above shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.
- (d) For the purposes of this Section:
 - (i) The term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve (12) months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.
 - (ii) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve (12) months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.
 - (iii) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
 - (iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the

absence of such rate, on the basis of a rate of exchange acceptable to the Bank.”

8. The following definitions in Section I (Definitions) of the Appendix to the Loan Agreement are amended to read as follows:
- “1. “Anti-Corruption Guidelines” means: (a) except as provided in subparagraph (b) below, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006; and (b) in the case of contracts financed or to be financed, in whole or in part, out of the proceeds of the Loan, and for which the invitation to bid will be issued on or after the date of the Additional Loan Agreement, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.”
 - “4. “Consultant Guidelines” means: (a) except as provided in subparagraph (b) below, the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006; and (b) in the case of contracts financed or to be financed, in whole or in part, out of the proceeds of the Loan, and for which the invitation to bid will be issued on or after the date of the Additional Loan Agreement, the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).”
 - “5. “EMP” means the Environmental Management Plan, dated April 30, 2010, and revised and re-disclosed in the Borrower’s territory on March 10, 2015, and in the Bank’s *InfoShop* on March 11, 2015, duly adopted by the Borrower, included in the ESIA, which sets out the environmental mitigation and protection measures in respect of the carrying out of the Project, as well as the administrative and monitoring arrangements to ensure the implementation of said measures, as the same may be amended from time to time with the prior written approval of the Bank.”
 - “6. “ESIA” means the environmental and social impact assessment, acceptable to the Bank, prepared by the Borrower, dated April 30, 2010, and revised and re-disclosed in the Borrower’s territory on March 10, 2015, and in the Bank’s *InfoShop* on March 11, 2015, evaluating the environmental and social impact of the Project and setting forth, through the EMP, the mitigating, compensating and monitoring measures for the Project, as the same may be amended from time to time with the prior written approval of the Bank.”
 - “13. “Procurement Guidelines” means: (a) except as provided in subparagraph (b) below, the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006; and (b) in the case of contracts financed or to be financed, in whole or in part, out of the proceeds of the Loan, and for which the invitation to bid will be issued on or after the date of the Additional Loan Agreement, the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).”
 - “15. “Project Area” means a part of the Guarantor’s geographical territory consisting of the Governorates of Tunis, Ariana, Manouba and Ben Arous and the adjacent maritime waters

to the Governorates of Tunis, Ariana and Ben Arous extending up to twelve (12) nautical miles and comprising the Guarantor's territorial waters."

9. Section I (Definitions) of the Appendix to the Loan Agreement is amended by the insertion of the following definitions:

"16. "Additional Loan Agreement" means the loan agreement for an Additional Financing for the Northern Tunis Wastewater Project between the Bank and the Borrower, dated November 29, 2016, as amended from time to time.

17. "Affected Persons" means a person who as a result of: (a) the involuntary taking of land under the Project is affected in any of the following ways: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood."

B. Supplemental Letter

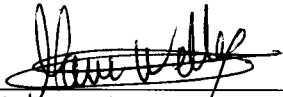
The Annex to the Supplemental Letter is amended to read as set forth in **Attachment 4** to this amendment letter.

All the terms and conditions of the Loan Agreement and the Supplemental Letter that have not been amended hereby shall remain unchanged and in full force and effect.

Please confirm your agreement with the foregoing, on behalf of the Borrower, by signing, dating and returning to the Bank the enclosed copy of this amendment letter. This amendment letter shall become effective as of the date of its countersignature upon receipt by the Bank of the countersigned copy of this letter.

Sincerely,

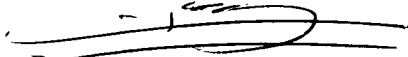
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Marie Françoise Marie-Nelly
Director of Operations
Maghreb Department
Middle East and North Africa Region

CONFIRMED AND AGREED:

OFFICE NATIONAL DE L'ASSAINISSEMENT



By: _____
Authorized Representative

Name: Habib Omrane

Title: Président-Directeur Général

Date: November 29, 2016

Attachment 1

SCHEDULE 1

Project Description

The objective of the Project is to provide an environmentally safe disposal system for the treated wastewater in the North of Tunis and increase availability for its reuse in the Project Area.

The Project consists of the following parts:

Part A: Transfer of Treated Wastewater (TWW) to Increase Availability for its Reuse

1. Installation of two (2) parallel pipelines to convey TWW from the current discharge point at the El Khelij Canal in the Project Area and along an existing road to a storage and regulation basin, and provision of technical assistance for the supervision of the said installation.
2. Construction of a two-compartment basin for storage of TWW, and provision of technical assistance for the supervision of the said construction.
3. Strengthening the coordination mechanisms among stakeholders involved in wastewater reuse, including through designing and developing a reuse pilot in the Project Area, related dissemination activities, training, and provision of technical assistance for the supervision of said pilot.
4. Provision of equipment necessary to ensure the quality operation and appropriate maintenance of the pipelines and basin installed under this Part A of the Project.

Part B: Improvement of the Discharge of TWW in the Mediterranean Sea

Construction of infrastructure for the discharge of TWW in the Mediterranean Sea, including through:

1. Construction of a pumping station and installation of one (1) pressure pipeline to convey TWW, following the north bank of the El Hissiène Oued in the Project Area to the location of the submarine outfall referred to in paragraph 2 below.
2. Construction of a submarine outfall in the Mediterranean Sea of approximately six (6) kilometers in length to discharge TWW at a depth of approximately twenty (20) meters.
3. Conducting a detailed review of the design of the submarine outfall and provision of technical assistance for the supervision of its construction.

Part C: Monitoring and Capacity Strengthening

1. Strengthening the environmental monitoring systems in the Project Area.
2. Designing and implementing capacity-building activities, including the development of an information system for water and sanitation customer management and billing, a financial modeling tool, and carrying out of other institutional strengthening activities.
3. Preparing detailed designs for a submarine outfall in the south of Tunis for the discharge of wastewater and a new wastewater treatment plant in the north of Tunis.

Attachment 2

C. Safeguards

1. The Borrower shall: (a) implement the Project in accordance with the ESIA, the EMP, and the LAP, and shall not amend, suspend, abrogate, repeal or waive any provision of the ESIA, the EMP, and the LAP, without the prior written approval of the Bank and subject to compliance with applicable consultation and public disclosure requirements of the Bank; and (b) ensure that adequate information on the implementation of the ESIA, the EMP, and the LAP is suitably included in the Project Reports referred to in Section II.A of this Schedule, including details of: (i) measures taken in furtherance of the ESIA, the EMP, and the LAP; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESIA, the EMP, and the LAP; and (iii) remedial measures taken or required to be taken to address such conditions.
2. The Borrower shall ensure that all measures identified and described in the ESIA, the EMP, and the LAP are taken in a timely manner.
3. Without limitation on the foregoing, the Borrower shall:
 - a. prior to commencing civil works for any activity under the Project, and when required under the ESIA and EMP, carry out specific public consultation in form and in substance satisfactory to the Bank; and
 - b. take all measures necessary and within its control to ensure that all processes related to the implementation of the LAP, including any dispute resolution processes related to the acquisition of land for the Project and the payment of compensation, shall be carried out and completed in an efficient and timely manner and satisfactory to the Bank.
4. In the event that any provision of the ESIA, the EMP or the LAP shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.
5. The Borrower shall ensure that all terms of reference for any technical assistance and studies to be carried out under the Project are prepared in form and substance satisfactory to the Bank and taking into account appropriate environmental and social safeguards measures.

Attachment 3

Other Methods of Procurement of Goods and Works. The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan

- (a) National Competitive Bidding, subject to the following additional provisions:
 - (i) in the case of contracts financed or to be financed, in whole or in part, out of the proceeds of the Loan, and for which the invitation to bid was issued prior to the date of the Additional Loan Agreement:
 - (A) the bidding document clearly explains the bid evaluation, award criteria and bidder qualification criteria;
 - (B) any bidder registered in an eligible country, as defined in paragraphs 1.6 to 1.8 of the Procurement Guidelines will be eligible to bid; therefore no restriction based on nationality of bidders or origin of goods shall apply and foreign bidders shall not be subject to any unjustified requirement which will affect their ability to bid;
 - (C) government-owned enterprises in the Borrower's country may participate only if they can establish that they: (1) are legally and financially autonomous; (2) operate under commercial law, and (3) are independent from contracting entity;
 - (D) bidders will be allowed to deliver their bids by mail or by hand before the expiration of the deadline for submitting bids;
 - (E) technical and financial envelopes are submitted together and opened in public, simultaneously during a unique session open to the public for works, goods and non-consultant services; amounts shall be read aloud during the public session; bidders or their representatives are authorized to attend the bid opening session. The date, time and place for bid opening shall be announced in the invitation to bid; this date and time shall be the same as for the deadline for receipt of bids or immediately thereafter;
 - (F) bids are evaluated on price and any other criteria disclosed in the bidding documents and quantified in monetary terms and contracts are awarded to the qualified bidder having submitted the lowest evaluated responsive bid, and price shall not be negotiated with the lowest evaluated bidder except under the provisions stated in paragraph 2.63 of the Procurement Guidelines;

- (G) procedures will include the publication of the evaluation results, the contract award and provision for bidders to protest;
 - (H) if foreign firms wish to participate, they shall be allowed to do so and no provision for preferential treatment of national firms or mandatory association with a national firm or prior registration in the country of the Borrower shall be applied;
 - (I) prior to issuing the first call for bids, a draft standard bidding document to be used under National Competitive Bidding procurement must be submitted to and found acceptable by the Bank; and
 - (J) each bidding document and contract for goods and works to be financed from the proceeds of the Loan shall provide that the supplier, contractor and subcontractor shall permit the Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.
- (ii) in the case of contracts financed or to be financed, in whole or in part, out of the proceeds of the Loan, and for which the invitation to bid will be issued on or after the date of the Additional Loan Agreement:
- (A) the eligibility of bidders shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for reasons other than those provided in Section I of the Procurement Guidelines;
 - (B) no foreign bidder shall be required to submit a bid in association with domestic firms as a condition for bidding;
 - (C) the bidding documents shall clearly set out the bid evaluation process, the award criteria and the bidders' qualification criteria;
 - (D) bidding opportunities shall be advertised with not less than thirty (30) days for bid preparation;
 - (E) technical and financial bids shall always be publicly and simultaneously opened, and such public bid opening shall take place immediately or closely after the deadline for submission of bids. No evaluation of bids shall take place at the bid public opening session;

	<p>(F) prior to issuing the first call for bids, a draft standard bidding document to be used under National Competitive Bidding must be submitted to, and found acceptable by, the Bank;</p> <p>(G) the procedures shall include publication of evaluation results and of the details of the contract awarded;</p> <p>(H) bids shall be evaluated based on price and on other criteria disclosed in the bidding documents and quantified in monetary terms, and no domestic preference or any other kind of preferential treatment for national companies or for goods of national origin shall be applied. The verification of the compliance of bids to the technical requirements set forth in the bidding documents shall not be limited to the technical offer of the bidder which has offered the lowest price;</p> <p>(I) the contract shall be awarded to the qualified bidder having submitted the lowest evaluated responsive bid, and no negotiation shall take place; and</p> <p>(J) each bidding document and contract shall include provisions stating the Bank's policy to sanction firms or individuals which have engaged in fraud and corruption as set forth in the Procurement Guidelines as well as the Bank's right to inspection and audit.</p>
<p>(b)</p>	<p>Direct Contracting</p>

Project Development Objective Indicators					
Indicator Name	Core	Unit of Measure		Baseline	End Target
Direct project beneficiaries	X	Number	Value	0	50,000
			Date	31-Dec-2010	31-Dec-2019
Percentage of beneficiaries who are female	X	Percentage	Value	0	50
			Date	31-Dec-2010	31-Dec-2019
Average annual volume of TWW made available to farmers, developers or municipalities in the vicinity of the Project		Cubic Meter(m3)	Value	0	3,000,000
			Date	31-Dec-2010	31-Dec-2019
Average annual concentration of suspended solids in TWW made available at the El Hissiène basin		Milligrams per liter (mg/l)	Value	120	30
			Date	31-Dec-2015	31-Dec-2019
Percentage of seawater samples at Raoued Beach complying with imperative norms in total coliforms and fecal coliforms (respectively 10,000 TC/100ml and 2,000 FC/100ml).		Percentage	Value	80	90
			Date	31-Dec-2015	31-Dec-2019
Average annual count of fecal coliforms in seawater samples in the surrounding of the outfall		Count per 100 milliliters (Nb/100ml)	Value	200	2,000
			Date	31-Dec-2015	31-Dec-2019

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure		Baseline	End Target
Grievances registered related to delivery of project benefits addressed (%)	X	Percentage	Value	0	75
			Date	31-Dec-2010	31-Dec-2019
Average annual concentration of suspended solids in TWW made available at the Sidi Amor reuse pilot		Milligrams per liter (mg/l)	Value	120	30
			Date	30-Jun-2016	31-Dec-2019
Average annual concentration of suspended solids in TWW at the entry point of the transfer system		Milligrams per liter (mg/l)	Value	120	30
			Date	31-Dec-2010	31-Dec-2019
Average annual count of fecal coliforms in seawater samples at Raoued beach		Milligrams per liter (mg/l)	Value	450	100
			Date	31-Dec-2015	31-Dec-2019
Percentage of TWW (not reused) from Northern Tunis WWTP discharged at the submarine outfall		Percentage	Value	0	95
			Date	03-May-2010	31-Dec-2019
Length of pipe installed		Meter(m)	Value	0	12,000
			Date	03-May-2010	31-Dec-2019