

CONFORMED COPY

LOAN NUMBER 4162 TUN

Loan Agreement

(Natural Resources Management Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated December 19, 1997

LOAN NUMBER 4162 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) the Borrower intends to contract from the European Union (the EU) a grant (the EU Grant) in an amount equivalent to one million seven hundred thousand dollars (\$1,700,000) to assist in financing part of the cost of Part B of the Project on the terms and conditions set forth in an agreement (the EU Grant Agreement) to be entered into between the Borrower and the Cofinancier; 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 modifications 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 canceled."

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

(a) "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;

(b) "Annual Contract" means an Annual Contract (Contrat-Programme Annuel) to be concluded between a Socio-territorial Unit (as hereinafter defined), represented by its Development Committee (as hereinafter defined), and the relevant CRDA (as hereinafter defined), setting forth the parties' agreement to the execution of an investment and training program under the Participatory Development Plan (as hereinafter defined) for the following Fiscal Year (as hereinafter defined) and each parties' commitments to provide the required financial, labor and in-kind contributions necessary therefor;

(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 of Schedule 1 to this Agreement; and the term "Categories" means more than one Category collectively;

(d) "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;

(e) "CRDA" means either the Jendouba CRDA (as hereinafter defined), or the Kasserine CRDA (as hereinafter defined), or the Medenine CRDA (as hereinafter defined); and the term "CRDAs" means more than one CRDA collectively;

(f) "Development Committee" means a Development Committee for the Socio-territorial Unit (Comité de Développement de l'Unité socio-territoriale) consisting of settlers or inhabitants of the Socio-territorial Unit (as hereinafter defined) duly designated to represent the said Unit vis-à-vis the relevant CRDA for purposes of the Project;

(g) "DGFE" means the General Directorate of Finance and Investments (Direction Générale du Financement et des Encouragements) within the MOA (as hereinafter defined);

(h) "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;

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

(j) "Interest Group" means: (i) a group of not less than five (5) persons working together under the Project for purposes of operating and maintaining works to be carried out under Part A of the Project; and (ii) which has entered into an Annual Contract;

(k) "Jendouba CRDA" means the Regional Commissariat for Agricultural Development of Jendouba (Commissariat Régional au Développement Agricole de Jendouba), established and operating as an administrative public institution (établissement public à caractère administratif) pursuant to the Borrower's Law No. 89-44 dated March 8, 1989, and its implementation Decree No. 89-1241 dated August 31, 1989, as the same may be amended from time to time;

(l) "Kasserine CRDA" means the Regional Commissariat for Agricultural Development of Kasserine (Commissariat Régional au Développement Agricole de Kasserine), established and operating as an administrative public institution (établissement public à caractère administratif) pursuant to the Borrower's Law No. 89-44 dated March 8, 1989, and its implementation Decree No. 89-1235 dated August 31, 1989, as the same may be amended from time to time;

(m) "Medenine CRDA" means the Regional Commissariat for Agricultural Development of Medenine (Commissariat Régional au Développement Agricole de Medenine), established and operating as an administrative public institution (établissement public à caractère administratif) pursuant to the Borrower's Law No. 89-44 dated March 8, 1989, and its implementation Decree No. 89-1231 dated August 31, 1989, as the same may be amended from time to time;

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

(o) "Participatory Development Plan" means a Participatory Development Plan (Plan de Développement Participatif) to be prepared by a Socio-territorial Unit (as hereinafter defined) with the assistance of the community workers (animateurs/animateuses) and the multidisciplinary team within the relevant CRDA, as such Plan may be updated from time to time, setting forth priority actions for development, infrastructure, training and women's support activities to be executed under Part A.1 of the Project;

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

(q) "PIU" means the Project Implementation Unit (Unité Centrale de Coordination) established within the DGFPE and referred to in Section A.1 of Schedule 5 to this Agreement;

(r) "Project Area" means either the area in the Governorate of Jendouba, or the area in the Governorate of Kasserine, or the area in the Governorate of Medenine, designated by agreement between the Borrower and the Bank for carrying out Part A of the Project; and the term "Project Areas" means more than one Project Area collectively;

(s) "Regional Commission of Water and Soils Conservation" means a multidisciplinary commission staffed with CRDAs' department managers, established and operating pursuant to the MOA's Circular (Circulaire) No. 119 dated June 16, 1994;

(t) "Regional Program for Development" means the regional program for development established pursuant to the Borrower's Decree No. 3-10 dated June 20,

1973;

(u) "Socio-territorial Unit" means a village community (Unité socio-territoriale), located in any of the Project Areas, comprising a number of families that manage, or exploit, or hold individual or collective rights over certain natural resources (like water, land, pasture), as such Unit has been determined by the Development Committee with the assistance of the community workers;

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

(w) "Steering Committee" means the Steering Committee (Comité National de Concertation) established within the MOA for purposes of overseeing Project progress and referred to in Section A.1 (b) of Schedule 5 to this Agreement;

(x) "Sub-Sectoral Investment" means a specific development sub-project to prevent soil erosion and to recharge groundwater: (i) consisting of the construction of hill ponds, or the carrying out of groundwater recharge works or spate irrigation works; and (ii) which meets the requirements referred to in the provisions of Section C of Schedule 5 to this Agreement; and

(y) "Water User Association" means a Water User Association (Association d'Intérêt Collectif) established or to be established pursuant to the provisions of the Borrower's Law No. 88-20 dated April 13, 1988, and its implementing Decrees No. 89-457 dated March 23, 1989 and No. 90-169 dated June 18, 1990.

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 one hundred fifty million French Francs (FRF150,000,000).

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 the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in French Francs a 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 June 30, 2003 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 each Loan Tranche 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 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 carry out the Project through the CRDAs and the general directorates of the MOA, with due diligence and efficiency and in conformity with appropriate administrative, accounting, engineering, environmental, natural resource conservation and technical 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.

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 9.08 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 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 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 the Project of the departments or agencies of the Borrower responsible for carrying out 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 year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account or payment out of the Special 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. The Borrower shall take all action required on its part to ensure that, not later than March 31 in each of its Fiscal Years, budgetary funds and funds from the Special Account, sufficient to meet the estimated cost of the works to be undertaken under the approved work program referred to in Section B.1 (a) of Schedule 5 to this Agreement, shall be made available to each CRDA.

Section 4.03. The Borrower shall take all action required on its part to ensure that sufficient financing of agricultural and pastoral development activities eligible under the Annual Contract and destined to small farmers and women, is made available out of the Borrower's resources in conformity with the provisions of the Borrower's Investment Code and the provisions governing the activities of the Regional Program for Development.

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) The EU Grant Agreement shall have failed to become effective by December 31, 1997, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the EU Grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the EU Grant Agreement.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the EU Grant Agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

ARTICLE VI

Termination

Section 6.01. 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

(b), (c), and (d)
of the Project

(b)	For Part A.2 of the Project	20,000,000	
(2)	Goods	7,600,000	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	1,700,000	100%
(4)	Unallocated	14,700,000	
	TOTAL	150,000,000	

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:

(a) payments made for expenditures prior to the date of this Agreement; or

(b) payments made for expenditures under Category (1), until and unless the work program referred to in Section B.1 (a) of Schedule 5 to this Agreement incorporating the Annual Contract or the Sub-Sectoral Investment for the execution of the works in respect of which the withdrawal is requested, shall have been approved by the Bank in accordance with the provisions, respectively, of Section B.1 (a) and (b) or Section C of Schedule 5 to 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 \$350,000 equivalent each, excluding those subject to prior review in accordance with the provisions of paragraph 1 (i) of Part D of Section I of Schedule 4 to this Agreement; (ii) works, under contracts costing less than \$500,000 equivalent each, excluding those subject to prior review in accordance with the provisions of paragraph 1 (iii) of Part D of Section I of Schedule 4 to this Agreement; (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 in sustaining natural resource management, in particular on crop and range land, and improving productivity attained with greater involvement of resource users in development programs.

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: Natural Resources Management Operations

1. Carrying out of Annual Contracts in the Project Areas, encompassing works, equipment, tools, materials, consultants' services and training, to address specific development activities in the following areas:

(a) sustainable soil and water conservation, mainly on private lands, consisting of: (i) erosion control; (ii) water harvesting, including construction of hill ponds, water recharge, and spate irrigation works; (iii) dune stabilization fences; and (iv) improvement of the management of forest on public lands.

(b) rehabilitation and development of small-scale irrigation systems, through the promotion of actions aimed at improving water management and resulting in the availability of more reliable water supply.

(c) agricultural and rangeland development, through: (i) land improvement measures; (ii) fruit tree plantings, mainly olive and apple trees, in both irrigated and rainfed areas; (iii) rangelands improvement measures; (iv) the establishment of a pastoral perimeter in the collective land of L'Ouara and a pastoral perimeter in the steppes of Tiouicha; and (v) a program of adaptive agricultural research and field demonstrations within the framework of the Annual Contract.

(d) rural infrastructure, comprising: (i) rehabilitation of existing roads and construction of new access roads; and (ii) construction of potable water supply schemes, consisting of water point developments, shallow wells, deep wells, and collective water tanks in areas where no groundwater is available, which shall all include watering points for cattle.

(e) income generating activities carried out by women, consisting of agricultural production, commodity processing, artisanal activities, or other economically beneficial infrastructure activities.

2. Carrying out of Sub-Sectoral Investments in the Project Areas upstream the Socio-Territorial Units benefiting from the implementation of Annual Contracts.

Part B: Institutional Strengthening

1. Strengthening of the managerial, monitoring and evaluation capabilities of the PIU, including the provision of consultants' services, training and goods.

2. Strengthening of the CRDA's institutional capabilities, so as to suitably assist them in carrying out Part A of the Project and to reinforce their monitoring and evaluation capabilities of the impact of the Project and of MOA's policies on sustainable management of natural resources, including the provision to each of them of consultants' services, training, study tours, and goods.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Interest and Principal Repayment Provisions

A. General Definitions

For the purposes of Section 2.05, 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 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

Section I. Procurement of Goods and Works

Part A: General

Goods 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 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. 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 and to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(i) Goods estimated to cost less than \$350,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent; and (ii) works, except as provided in paragraph 4 of this Part C, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 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.

4. Community Participation

Works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$6,000,000 equivalent, shall be procured in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decision

1. Prior Review

With respect to: (i) the first two (2) contracts for goods of each CRDA procured in accordance with the provisions of paragraph 1 of Part C of this Section, irrespective of the estimated cost thereof; (ii) each contract for goods estimated to cost the equivalent of \$350,000 or more; (iii) the first two (2) contracts for works of each CRDA procured in accordance with the provisions of paragraph 1 of Part C of this Section, irrespective of the cost thereof; and (iv) each contract for works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

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

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 (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 for adaptive research, studies and technical assistance under Parts A.1 (c), B.1, and B.2 of the Project, 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 for technical assistance and studies under Part A.1 (c) of the Project 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 for technical assistance under Part A.1 (c) of the Project which are estimated to cost less than \$100,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for technical assistance under Parts A.1 (c), B.1 and B.2 of the Project, involving tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines, shall 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 Selection of Consultants

1. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second 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 said approval have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

Section A: Institutional Arrangements

1. (a) At the central level, the PIU, that shall be established by September 30, 1997, shall have overall responsibility for ensuring the proper implementation, coordination and management of the Project, and for liaising with the Project Coordinators within the CRDAs as well as with other natural resource management projects of the Borrower. To that end, the Borrower shall cause the MOA to maintain

the PIU within the DGFE throughout Project implementation with staff and under operational, budgetary and reporting arrangements satisfactory to the Bank. Within the PIU, the Project shall be under the direct responsibility of a Project Director who shall be appointed not later than September 30, 1997, and who shall be assisted by a team comprising two (2) technical staff specialized, respectively, in participatory programming, and training and physical and financial monitoring, and two (2) support staff.

(b) The Borrower shall, through the MOA, ensure that the Steering Committee: (i) is established, under institutional arrangements and terms of reference satisfactory to the Bank, not later than September 30, 1997; and (ii) thereafter, that the said Committee meet at least once a year or more frequently as required to properly supervise and further Project progress.

2. At the regional level, a Regional Project Coordinator in each CRDA, assisted by a Participatory Programming Specialist and two (2) support staff, shall be assigned responsibility for the proper planning, supervision, coordination and management of the Project within the Project area, and in particular, for the identification of infrastructure investments, field training and support to be provided under Part A of the Project and the provision of assistance to the Socio-territorial Units. A multidisciplinary team of at least six (6) persons, integrated with staff from the technical units of the CRDA, including specialists on soil and water conservation, agronomy, livestock, forestry, rural infrastructure and rural finance, shall be assigned responsibility for providing the required technical assistance to the said Coordinator. To ensure timely start-up of the Project, a Regional Project Coordinator shall be appointed to each CRDA not later than September 30, 1997.

3. At the community level, each of the CRDAs shall closely work and collaborate closely with the Socio-territorial Units in defining priorities and work programs to be proposed for Project financing and in timely developing of appropriate Annual Contracts. To this end, the CRDAs shall be assisted by the male (animateur) and female (animatrice) community workers required to suitably serve the Socio-territorial Unit. To attain effective implementation of the Project, the Borrower shall cause each CRDA to deploy, either from within the MOA or from external recruitment, fifteen (15) male community workers and six (6) female community workers not later than September 30, 1997, and ten (10) male community workers and five (5) female community workers not later than September 30, 1998.

Section B: Work Planning for Part A of the Project

1. (a) For purposes of assuring adequate planning of activities under Part A of the Project, the PIU shall, not later than September 30 in each Fiscal Year, prepare and furnish to the Bank for its review and approval, a draft work program listing, for each CRDA, both the Annual Contracts and the Sub-Sectoral Investments proposed to be carried out, respectively, under Part A.1 and Part A.2 of the Project during the following Fiscal Year, including, in particular, the different projected disbursements under each of the Categories and per Project component, and envisaged procurement and training activities.

(b) Without any limitation upon the provisions of the preceding paragraph (a), the Borrower shall cause the CRDAs to withhold the approval:

(i) for each Fiscal Year, of a work program proposing for financing infrastructure works under Annual Contracts out of the proceeds of the Loan, if the aggregate estimated cost of the works to be financed under Part A.1 (d) of the Project during such Fiscal Year exceeds thirty percent (30%) of the total cost of all the activities to be financed under all the Annual Contracts of the three CRDAs included in the said work program for such Fiscal Year;

(ii) of an Annual Contract including activities under Part A.1 of the Project, unless the Contract stipulates the agreement by the Socio-territorial Unit to carry out, through an Interest Group, clearly defined maintenance activities of the works to be financed under that Part of the Project; and

(iii) of an Annual Contract or a Sub-Sectoral Investment

including the construction of a hill pond and/or of potable water systems, unless a Water User Association has been established for the maintenance and operation of the said works.

(c) The Borrower shall ensure that the review and approval process referred to in paragraphs (a) and (b) above is carried out by each CRDA within the Regional Commission of Water and Soils Conservation, in systematic consultation with the Direction Régionale of the ANPE of the concerned CRDA, so as to assure the compliance with any requirements and conditions for the protection of the environment as shall have been determined by ANPE.

2. The CRDAs shall, from time to time, at the request of the Bank, exchange views with the Bank on the progress made in the implementation of the Participatory Development Plans and, thereafter, shall take all action which the CRDAs and the Bank shall have agreed is required on the CRDAs' part to update and ensure the successful achievement of the objectives of the Project.

Section C: Part A.2 of the Project: Selection of Sub-Sectoral Investments

Sub-Sectoral Investments shall be subject to the Bank's prior review and approval. The Borrower shall take all measures required on its part to assure that the CRDAs adopts principles, criteria and methodology satisfactory to the Bank in the selection of Sub-Sectoral Investments submitted for its review and approval.

Section D: Hill Ponds

For each Annual Contract or Sub-Sectoral Investment including the construction under Part A of the Project of a hill pond, the Borrower shall cause the CRDA to prepare and submit for the Bank's prior review and approval, before the commencement of the construction thereof, a feasibility study including: (i) a socio-economic evaluation of the proposed hill pond; (ii) a technical analysis of the size, capacity and design of the pond and safety of its design, including generic safety measures designed in accordance with guidelines satisfactory to the Bank by engineers with qualifications satisfactory to the Bank and assurances that pond shall not: (A) exceed thirteen (13) meters in height above stream bed or create a reservoir with a gross storage volume of more than two hundred fifty thousand cubic meters (250,000 m³); and (B) present special design complexities so as to be destructive to the population in the event of failure; and (iii) confirmation that the construction of the pond on the site selected shall not: (A) adversely affect the standard of living, business, occupation, work, place of residence, or habitat of any person in the Project Area; or (B) acquire or possess, temporarily or permanently, the right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset of any person in the Project Area.

Section E: Project Progress

Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower shall, commencing on March 31, 1998, and not later than March 31 and September 30 in each Fiscal Year and until Project completion, cause the PIU to prepare and furnish to the Bank for its review a report, of such scope and in such detail as the Bank shall reasonably request, describing the progress achieved in the implementation of the Project during the preceding six (6) month period.

Section F: Mid-Term Review

The Borrower shall:

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

(b) cause the MOA to prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about June 30, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above, 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) cause the MOA to review with the Bank, by December 31, 2000, or such later date as the Bank shall request, the report referred to in sub-paragraph (b) above, and, thereafter, shall cause the MOA to take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (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 equal to FRF10,000,000 to be withdrawn from the Loan Account and deposited in 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 FRF5,000,000 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 FRF50,000,000.

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 a deposit or deposits 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 in 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; or

(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; or

(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, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the 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.

