

CONFORMED COPY

LOAN NUMBER 3691 TUN

Project Agreement

(Northwest Mountainous Areas Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

OFFICE DU DEVELOPPEMENT SYLVO-PASTORAL DU NORD-OUEST

Dated February 23, 1994

LOAN NUMBER 3691 TUN

PROJECT AGREEMENT

AGREEMENT, dated February 23, 1994, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the OFFICE DU DEVELOPPEMENT SYLVO-PASTORAL DU NORD-OUEST (ODESYPANO).

WHEREAS (A) by the Loan Agreement of even date herewith between the Republic of Tunisia (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-seven million five hundred thousand dollars (\$27,500,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that ODESYPANO agree to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS ODESYPANO, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Douar Development Plan" or "DDP" means a development plan to be prepared jointly by a Development Center and a Douar Development Committee, as such plan may be updated from time to time, for the purposes of defining the constraints to the development and the priority needs of the Douar, and actions and specific investments envisioned by the Douar members to be carried out in the Douar within the framework of the Project; and

(b) "General Directorate" or "DG" means ODESYPANO's General Directorate referred to in Section A.1 of Schedule 2 to this Agreement.

ARTICLE II

Execution of the Project

Section 2.01. (a) ODESYPANO declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, environmental, financial, land conservation, technical and watershed management practices, and shall provide, or cause to be provided, 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 Bank and ODESYPANO shall otherwise agree, ODESYPANO shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. 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 1 to this Agreement.

Section 2.03. ODESYPANO shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. (a) ODESYPANO shall, at the request of the Bank, exchange views with the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Loan.

(b) ODESYPANO shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by ODESYPANO of its obligations under this Agreement.

ARTICLE III

Management and Operations of ODESYPANO

Section 3.01. (a) ODESYPANO shall carry on its operations and conduct its affairs in accordance with sound administrative, economic, engineering, environmental, financial, land conservation, technical and watershed management practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

(b) Without limitation upon the provisions of paragraph (a)

of this Section, ODESYFANO shall implement a suitable disengagement plan agreed upon with the Bank with due diligence and efficiency.

Section 3.02. ODESYFANO shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, economic, engineering, environmental, financial, land conservation, technical and watershed management practices.

Section 3.03. ODESYFANO shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) ODESYFANO shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) ODESYFANO shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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: (A) certified copies of its financial statements for such year as so audited, and (B) 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, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination;
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of ODESYFANO thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify ODESYFANO thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable,

telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

For ODESYPANO:

Route de Tunis
9000 Boj

Republic of Tunisia

Telex:

80213 OSPNO TU

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of ODESYPANO may be taken or executed by its President Director General or such other person or persons as its President Director General shall designate in writing, and ODESYPANO shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caio Koch-Weser
Regional Vice President
Middle East and North Africa

OFFICE DU DEVELOPPEMENT SYLVO-PASTORAL
DU NORD-OUEST

By /s/ Ismail Khelil
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, ODESYPANO shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, ODESYPANO shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$300,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Tunisia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Local Competitive Bidding

1. Contracts for civil works for construction of roads, building of Development Centers and housing for development/extension agents, schools and health centers, and establishment of water supply systems under Part F of the Project, estimated to cost more than the equivalent of \$100,000 per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Local Shopping

2. (i) Contracts for small civil works for construction of roads, building of Development Centers and housing for development/extension agents, schools and health centers, and establishment of water supply systems under Part F of the Project, estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$1,700,000; (ii) packages of urgently needed vehicles estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$300,000; and (iii) contracts for minor office, field and laboratory equipment, computers, mopeds, farm inputs, audiovisual and other miscellaneous demonstration materials, estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$1,100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three (3) suppliers eligible under the Guidelines, in accordance with

procedures acceptable to the Bank.

Direct Contracting

3. Contracts for proprietary or highly specialized items, including veterinary products, animal feed supplements and seeds of a special quality up to an aggregate amount equivalent to \$1,100,000, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

Force Account

4. Soil conservation works under Part B.1 of the Project and civil works for construction of rural roads, building of Development Centers and housing for development/extension agents, schools and health centers and establishment of water supply systems under Part F of the Project, to be procured by local shopping but for which there is no contractor identified may be carried out by force account by ODESYPANO after the Bank's prior approval.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for: (i) civil works estimated to cost the equivalent of \$1,000,000 or more; and (ii) vehicles or equipment estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Loan Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist ODESYPANO in carrying out the Project, ODESYPANO shall employ consultants: (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (ii) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, ODESYPANO shall employ such consultants under contracts using 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, ODESYPANO shall use other standard forms agreed with the Bank.

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 contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 2

Implementation Program

Section A: Institutional Arrangements

1. General Directorate (DG)

(a) At the central level, responsibility for overall coordination, management and monitoring of the Project shall be vested in the DG established and to be maintained in ODESYPANO under staffing, budgetary, and reporting arrangements satisfactory to the Bank. The DG shall be headed by a President Director General, who shall be assisted by a team of staff specialized in planning, finance and technical matters and whose qualifications and experience shall be satisfactory to the Bank.

(b) The main responsibilities of the DG shall consist of the preparation of work plans, provision of technical support and training to the staff based at the Regional Directorates and the CDAs, preparation of training courses and training materials for development/extension agents and beneficiaries, liaising between ODESYPANO and the research institutes and dissemination of information on research development. For this purpose, ODESYPANO shall appoint, not later than March 31, 1994: (i) a Planning Director, responsible, inter alia, for preparation of annual work programs for the Project and coordination of the regional work program; and (ii) an accountant to head the Accounts Section, responsible, inter alia, for maintenance of Project accounts and for monitoring the flow of funds.

(c) In order to facilitate monitoring of the progress of the Project, the Monitoring and Evaluation (M&E) Unit within the Department of Planning shall prepare for submission to the Bank, not later than March 31 in each Fiscal Year, annual progress reports, with special focus on achievements on the participatory approach applied in the Project and the institutional, financial, socio-economic and technical constraints to implementation of the Project. To this end, ODESYPANO shall establish, not later than June 30, 1994, a Monitoring and Evaluation System in accordance with indicators acceptable to the Bank.

2. Regional Directorates (DR)

At the regional level, the Regional Directorates shall be assigned responsibility for the preparation, under the coordination of the DG, of regional work plans in each of the Project Areas, including the physical execution and monitoring of Project activities. Specifically, the main responsibilities of the DR shall consist of planning and supervision of execution of Project components, and, in particular, identification of priority areas on which to execute the Project, assistance to the DDCs in the preparation of Douar Development Plans and Douar Action Plans between ODESYPANO and the DDCs, coordination of field work, selection of suitable treatment options for extension activities, and provision of technical support and field training. To this end, the DR shall be strengthened with the appointment, not later than June 30, 1994, of the necessary subject-matter specialists.

3. Development Centers (CDAs)

At the village level, ODESYPANO shall establish the necessary

CDAs composed of the head of the CDAs and the required male (animateur) and female (animatrice) development/extension agents to suitably serve the population of the Project Areas in the implementation of the Project. To attain effective and timely implementation of the Project, ODESYPARNO shall promptly strengthen the CDAs with the recruitment of nineteen (19) development/extension agents, being seven (7) male and twelve (12) female, as follows: (i) seven (7), not later than December 31, 1994; (ii) seven (7), not later than December 31, 1995; and (iii) five (5), not later than December 31, 1996. The main functions of each CDA shall consist of the establishment of formal collaboration between ODESYPARNO and the beneficiary population, and, to those ends, the CDA shall be responsible for: (i) assisting villagers in organizing themselves into DDCs, defining priorities and work programs to be proposed for Project financing, developing a suitable DDP and establishing the Douar Action Plans referred to in Section B of this Schedule; (ii) collecting data for planning and monitoring; and (iii) providing technical assistance and training to village communities.

Section B: Project Planning

1. Douars

In the selection of Douars for the purposes of carrying out the Project, ODESYPARNO shall throughout its implementation follow criteria acceptable to the Bank.

2. Douar Development Committees (DDCs)

At the Douar level, ODESYPARNO, through the CDAs, shall assist Douar settlers to organize and establish Douar Development Committees consisting of at least four (4) members elected by the population in the Project Areas.

3. Participatory Process

(a) For purposes of defining specific Project activities, ODESYPARNO shall cause the CDAs, assisted by the DRs, to: (i) to jointly carry out with Douar Development Committees a survey of Douar development potentials and constraints to development, and which shall identify in particular the local population needs in terms of basic infrastructure, environmental constraints, input supply, credit accessibility, and extension services; (ii) on the basis thereof, to prepare with the DDCs, Douar Development Plans; and (iii) taking into consideration the priorities defined in the Douar Development Plans, prepare and execute with the DDCs, Douar Action Plans identifying Sub-projects.

(b) Notwithstanding the provisions of paragraph (a) above, ODESYPARNO shall take all required steps to ensure that any Douar Action Plan which includes Sub-projects to be carried out under Part F of the Project shall clearly specify villagers' contributions in the construction by force account, and maintenance, of rural infrastructure works.

4. (a) For purposes of assuring adequate planning of Project activities, ODESYPARNO shall, not later than December 31 in each Fiscal Year, prepare and furnish to the Bank for its review and comment, ODESYPARNO's work program of activities proposed to be carried out under the Project during the following Fiscal Year, including, in particular, procurement, training and formation of DDCs.

(b) ODESYPARNO shall afford the Bank a reasonable opportunity to exchange views on the said work program and thereafter shall undertake all necessary action as shall have been discussed and agreed with the Bank to continue to assure proper planning and successful implementation of the Project.

Section C: Income Generating Activities

1. Douar Credit Unions

ODESYPANO shall take all necessary measures required to create, develop and manage and thereafter supervise at all times, consistently with the participatory process and in accordance with criteria and guidelines satisfactory to the Bank, Douar Credit Unions designed to finance productive activities in the informal sector. Specifically, the equity of each Douar Credit Union shall consist of: (i) membership fees of the participants of the Douar Credit Union; and (ii) funds provided under proceeds allocated by ODESYPANO for this purpose in an agreed proportion to the said fees. To this end, ODESYPANO shall promptly transfer the corresponding portion of resources to each Douar Credit Union upon confirmation by the concerned DDC and the contracted non-governmental organization that: (i) the relevant Douar Credit Union has been established; (ii) membership fees have been collected; and (iii) Douar's members have subscribed to the principles of operation of the Douar Credit Union.

2. Management and Implementation

(a) In order to implement this pilot income-generating component of the Project, ODESYPANO shall, in a timely manner, conclude with one or more suitable local non-governmental organizations, contractual arrangements, satisfactory to the Bank, assigning responsibility to the said non-governmental organizations for: (i) the organization of Douar Credit Unions, including collection of their membership fees and supervision of the management thereof; (ii) the provision of training and technical assistance to Douar Credit Unions' managers; (iii) the identification and appraisal, in coordination with ODESYPANO's development/extension agents (animateurs/animateuses) and after consultation with the DDC concerned, of investments eligible for financing of the Douar Credit Unions; (iv) the monitoring of the process utilized for providing sub-loans for such investments, including, inter alia, adherence to, and application of, lending terms, conditions, criteria and principles identified in the study on Douar Credit Unions to be carried out under Part C of the Project and approved by the Bank; (v) the organization of the Douar Credit Unions' ability to appraise credit demands in accordance with sound financial criteria; (vi) the development of sound accounting procedures to record and monitor the Douar Credit Unions' operations; and (vii) the preparation, on a quarterly basis, of reports for submission to ODESYPANO on progress and trends on the points (i) through (vi) of this paragraph.

(b) For purposes of ensuring the timely start-up of this pilot income-generating scheme, ODESYPANO shall conclude the contractual arrangements referred to in paragraph (a) above with at least one (1) non-governmental organization not later than December 31, 1994.

(c) Based on the results of the above operation, ODESYPANO and the Bank shall, during the course of the first interim review referred to in Section G.1 (a) of this Schedule, review progress achieved and exchange views on the legal structure to be used to define on a permanent basis the Douar Credit Unions and the financial facilities offered by them, taking into consideration, inter alia, the most suitable mechanism to ensure financial viability and sustainability of the Douar Credit Union.

(d) ODESYPANO shall: (i) not later than December 31, 1994, carry out the studies referred to in Part C of the Project under terms of reference satisfactory to the Bank; (ii) furnish to the Bank a copy of said studies upon their completion; and (iii) thereafter, but in any event not later than June 30, 1995, implement the recommendations of such studies as shall have been agreed between ODESYPANO and the Bank.

Section D: Research Committee

1. ODESYPANO shall at all times ensure that the Research Committee referred to in Section 6.01 of the Loan Agreement is maintained and carries out activities and programs under terms of

reference satisfactory to the Bank.

2. ODESYPANO shall employ the short-term consultant referred to in Part D of the Project under terms of reference satisfactory to the Bank not later than March 31, 1995.

Section E: Rural Infrastructure Activities

Farm Ponds

For each Sub-project consisting of a farm pond proposed to be constructed under Part F of the Project, ODESYPANO shall prepare and submit for the Bank's prior review and approval a feasibility study including: (i) a socio-economic evaluation of the proposed pond; (ii) a technical analysis of the size, capacity and design of the pond and safety of its design, including assurances that the said pond shall not: (A) exceed ten (10) meters in height above stream bed; (B) create a reservoir with a gross storage volume of more than 50,000 cubic meters; or (C) present unusual design features, involve difficult geological conditions or be situated so as to be significantly destructive to the population in the event of failure; (iii) (A) confirmation that the pond has not received an unfavorable ranking under the environmental guideline and checklist referred to in Section F of this Schedule; and (B) a mitigation plan which conforms thereto; and (iv) confirmation that the construction of the pond shall cause neither expropriation of land nor resettlement of local population.

Section F: Environmental Safeguards

For rural infrastructure Sub-projects to be implemented under Part F of the Project, ODESYPANO shall prepare and closely follow an environmental guideline and checklist, prepared in a manner satisfactory to the Bank, to screen and mitigate any potentially adverse environmental effect in the construction of the proposed rural infrastructure.

Section G: Interim Reviews

(a) ODESYPANO shall prepare and furnish to the Bank, not later than June 30, 1996, and March 31, 1998, a report, of such scope and in such detail as the Bank shall reasonably request, including, inter alia, progress in the implementation of Sub-projects, potential institutional, financial and technical constraints hindering Project execution, overall progress achieved by ODESYPANO in carrying out the Project and any necessary corrective action proposed to be taken to further the progress of the Project.

(b) ODESYPANO shall afford the Bank a reasonable opportunity to exchange views on said report, and thereafter, shall take all action which ODESYPANO and the Bank shall have agreed is required on ODESYPANO's part to ensure the successful implementation of the Project.

