
CONFORMED COPY

LOAN NUMBER 7726-TN

Loan Agreement

(Second Water Sector Investment Project)

between

REPUBLIC OF TUNISIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated May 27, 2009

LOAN AGREEMENT

Agreement dated May 27, 2009, between REPUBLIC OF TUNISIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II - LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty two million nine hundred thousand Euro (€22,900,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are January 15 and July 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower shall carry out the Project through MARH and MEDD in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The UGO Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of UGO to perform any of its obligations under this Agreement.

- (b) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

- 4.02. The Additional Events of Acceleration consist of the following:
- (a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.
 - (b) The event specified in paragraph (b) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Co-financing Agreement 1 has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
 - (b) The Co-financing Agreement 2 has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Minister of Development and International Cooperation.
- 6.02. The Borrower's Address is:

Ministry of Development and International Cooperation
Place Ali Zouaoui
1069 Tunis
Republic of Tunisia

Cable Address	Telex:	Facsimile:
MCIIE	18060	216-71-351666/ 216-71-799069

6.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF TUNISIA

By /s/ Mats Karlsson

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Habib Mansour

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (i) to promote more efficient management and operation of selected public irrigation schemes by participating farmers; (ii) to improve access and consumption of drinking water for rural households in communities un-served or poorly serviced at the beginning of the Project; and (iii) to assist MARH, MEDD and other stakeholders to make better decisions relating to integrated water resources management.

The Project consists of the following parts:

Part 1: Irrigation Management

Support, through the provision of works, goods and technical advisory services, for the development of an effective irrigation management system, including: (i) the creation of about forty one (41) irrigation schemes; (ii) the modernization and rehabilitation of about forty six (46) existing irrigation schemes; (iii) the creation or improvement of surface or sub-surface drainage installations in about ten (10) existing irrigation schemes; (iv) the improvement of management and operation of existing irrigation schemes; and (v) the carrying out of analytical and capacity building activities for water users in the field of irrigation and drainage.

Part 2: Rural Water Supply

Support, through the provision of works, goods and technical advisory services, for the development of an effective rural water supply system, including: (i) the development of about one hundred and ten (110) water supply systems; (ii) the rehabilitation of about fifty two (52) existing water supply systems; (iii) the development of pilot water systems to test various alternative water provision arrangements in remote areas; and (iv) the carrying out of research and capacity building activities in the field of rural water supply.

Part 3: Groundwater Management

1. Support, through the provision of works, goods and technical advisory services, for the prospection of underground water resources, including the drilling of about one hundred and seventy three (173) medium-depth exploratory wells and about three (3) deep depth wells.
2. Support, through the provision of works, goods and technical advisory services, for the development of water resources monitoring networks, including: (i) the realization of about one hundred (100) observation wells of various depths; (ii) the rehabilitation and

maintenance of automated data acquisition systems; and (iii) the strengthening of the national rainfall monitoring networks and flood warning system.

3. Support, through the provision of works, goods and technical advisory services, for the establishment of a comprehensive national information system on water resources, including: (i) the strengthening of the real time ground water monitoring system; (ii) the development of management models to manage aquifers; (iii) the production of an updated map of water resources in the territory of the Borrower; and (iv) the establishment of SINEAU.

4. Support, through the provision of works, goods and technical advisory services, for the active management of overexploited aquifers, including: (i) the carrying out of the inventory of water points and sampling points in major exploited aquifers; (ii) the development of sites for artificial aquifer recharge of the aquifers of Sbiba and Foussana and the Complexe Terminal aquifer at Kébili; (iii) the preparation of a national strategy for artificial aquifer recharge; and (iv) supporting communities to manage overexploited aquifers.

Part 4: Environment Protection

Support, through the provision of works, goods and technical advisory services, for the protection of water resource, including: (i) the establishment of a system to monitor soil salinity and water-logging; (ii) the establishment of a water pollution monitoring system; (iii) carrying out pilot operations for rural sanitation in order to test technologies and organizational structures most appropriate in rural areas; (iv) the improvement of the quality of treated wastewater through the rehabilitation of the wastewater treatment plant of Gabes and the development of a national communication strategy with respect to the utilization of treated wastewater and sludge; and (v) the provision of training and technical advisory services to UGO, staff at central departments of MARH and MEDD, and CRDAs for the implementation of provisions of the Framework Document for Environmental and Social Protection and the Resettlement Policy Framework.

Part 5: Institutional Strengthening and Capacity Building

1. Carrying out research activities regarding: (i) integrated water resource management in selected areas; (ii) joint management of surface and ground water in selected areas; (iii) salinity management for small farms; and (iv) long term risk of salinity in the central east area of the territory of the Borrower.

2. Provision of training to relevant stakeholders regarding: (i) mastering new water production and water saving technologies; (ii) agro-sciences; and (iii) post-graduate level specialized training.

3. Provision of technical advisory services to the staff of central departments of MARH and MEDD, including DGFIOP and UGO, for the implementation of the Project, including environmental and social aspects.

4. Establishment and maintenance of a multi-project monitoring and evaluation system integrating Project results, financial management and procurement.

5. Provision of technical advisory services to DGFIOP and UGO, as applicable, for impact evaluation of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall ensure overall Project coordination through the DGFIOP. Day-to-day coordination of all Project activities shall be carried out by DGFIOP staff or UGO, as applicable.

2. The Borrower shall vest MARH with the overall responsibility for Project implementation. At the central level, MARH shall execute Parts 1, 2, 3 and 5 of the Project and MARH and MEDD shall execute Part 4 of the Project. At the regional level, CRDAs shall be responsible for the identification, implementation and coordination of activities under Parts 1 and 2 of the Project across MARH's regional technical units, and shall be involved in the implementation of relevant activities under Part 3 of the Project in coordination with the central departments of MARH. All Project activities shall be selected and carried out in accordance with the criteria and provisions set forth in the Procedures Manual.

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

4. Not later than six (6) months after the Effective Date, the Borrower shall ensure that an operational monitoring and evaluation system for the Project, including baseline data as defined in the Procedures Manual, all satisfactory to the Bank, is in place, and DGFIOP officials have been trained in its use.

5. Not later than one year after the Effective Date, the Borrower shall publish in the National Gazette: (i) the decree, satisfactory to the Bank, establishing UGO in compliance with the provisions of the Procedures Manual; and (ii) the decree, satisfactory to the Bank, nominating the coordinator of the Project, with the rank of

Director, and the two individuals responsible for procurement activities and financial management activities, respectively, under the Project, all consistent with the provisions of the Procedures Manual.

6. Not later than one year after the Effective Date, the Borrower shall establish a unit at MARH responsible for managing SINEAU.

B. Mid-Term Review

The Borrower shall, through MARH:

- (a) prepare, under terms of reference agreed with the Bank, and furnish to the Bank, about twenty eight (28) months after the Effective Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to Part D.3 of this Section and Section II. A of this Schedule 2, 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
- (b) review with the Bank, about thirty (30) months after the Effective Date, or such later date as the Bank shall request, the report referred to in paragraph (a) of this Section I.B, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards.

- 1. The Borrower shall: (i) cause the Project to be carried out in conformity with the provisions of the SDR, the FDESP, and the RPF; (ii) inform the Bank of any developments in the Environmental Legislation applicable to, and that may affect the implementation of, the Project; and (iii) not change, modify or otherwise amend said SDR, FDESP and RPF in a manner inconsistent with the Project, without prior concurrence of the Bank.
- 2. The Borrower shall cause MARH to ensure that: (i) prior to the carrying out of any Project activities not identified, assessed, nor included in the FDESP, such

activities shall be subject to an Environmental Assessment, under terms of reference and in form and substance satisfactory to the Bank; and (ii) mitigating and monitoring measures for impacts of said activities are carried out in accordance with the provisions of the SDR and the FDESP.

3. The Borrower shall, in the context of the reports referred to in Section II.A of this Schedule, cause to be prepared and provided to the Bank for its review reports on the application of the provisions of the FDESP to Project activities. The Bank may provide comments as appropriate on said reports, notably to agree with MARH on remedial actions to be taken by MARH to achieve compliance with the SDR, the FDESP and the RPF.
4. The Borrower shall ensure that any activity under Parts 1, 2 and 3 of the Project, requiring land acquisition is carried out in accordance with the RPF.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
<p>(a) National Competitive Bidding, subject to the following additional provisions:</p> <ol style="list-style-type: none"> 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 (i) are legally and financially autonomous; (ii) operate under commercial law, and (iii)

<p>are independent from contracting entity;</p> <ul style="list-style-type: none">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-consulting 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; these 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; andj. 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.
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants' Qualifications
(e) Single-source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in Euro)	Percentage of Expenditures to be financed (exclusive of Taxes)
(1) Goods, works, consultants' services and training for the Project	22,842,750	25%
(2) Front-end Fee	57,250	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	22,900,000	

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, except that withdrawals up to an aggregate amount not to exceed 750,000 equivalent may be made for payments made prior to this date but on or after April 13, 2009, for Eligible Expenditures under Category (1).

2. The Closing Date is March 31, 2015.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
July 15, 2015	2.0
January 15, 2016	2.5
July 15, 2016	2.5
January 15, 2017	2.0
July 15, 2017	0.0
January 15, 2018	3.0
July 15, 2018	4.0
January 15, 2019	4.0
July 15, 2019	4.0
January 15, 2020	0.0
July 15, 2020	0.0
January 15, 2021	2.0
July 15, 2021	2.0
January 15, 2022	1.0
July 15, 2022	0.0
January 15, 2023	3.0
July 15, 2023	4.0
January 15, 2024	4.0
July 15, 2024	4.0
January 15, 2025	3.0
July 15, 2025	3.0
January 15, 2026	3.0
July 15, 2026	3.0
January 15, 2027	0.0

July 15, 2027	0.0
January 15, 2028	2.0
July 15, 2028	3.0
January 15, 2029	3.0
July 15, 2029	2.0
January 15, 2030	1.0
July 15, 2030	0.0
January 15, 2031	0.0
July 15, 2031	2.0
January 15, 2032	3.0
July 15, 2032	3.0
January 15, 2033	0.0
July 15, 2033	0.0
January 15, 2034	2.0
July 15, 2034	3.0
January 15, 2035	2.0
July 15, 2035	2.0
January 15, 2036	2.5
July 15, 2036	3.0
January 15, 2037	2.0
July 15, 2037	2.0
January 15, 2038	2.0
July 15, 2038	2.0
January 15, 2039	2.5

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original

Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Co-financier 1” means the French Development Agency (Agence Française de Développement), referred to in paragraph 15 of the Appendix to the General Conditions.
4. “Co-financier 2” means the African Development Bank, referred to in paragraph 15 of the Appendix to the General Conditions.
5. “Co-financing 1” means an amount of forty five million Euros (EUR 45,000,000) to be provided by the Co-financier 1 to assist in financing the Project.
6. “Co-financing 2” means an amount of twenty two million nine hundred ten thousand Euros (EUR 22,910,000) to be provided by the Co-financier 2 to assist in financing the Project.
7. “Co-financing Agreement 1” means the agreement to be entered into between the Borrower and the Co-financier 1 providing for the Co-financing 1.
8. “Co-financing Agreement 2” means the agreement to be entered into between the Borrower and the Co-financier 2 providing for the Co-financing 2.
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
10. “CRDA” means Commissariat Régional au Développement Agricole, the Borrower’s Regional Commissariat for Agriculture Development, an administrative public institution (“établissement public à caractère administratif”) established and operated pursuant to the Borrower’s Law No. 89-44 dated March 8, 1989, and its related implementing decrees.
11. “DGFIOF” means Direction Générale du Financement, des Investissements et des Organismes Professionnels, the Borrower’s General Directorate of Finance, Investment and Professional Organizations within MARH.

12. “Environmental Assessment” or “EA” means an environmental assessment, acceptable to the Bank, prepared by the Borrower in accordance with the Borrowers' Environmental Legislation described in the SDR and the FDESP, evaluating the environmental impact of Project activities and setting forth the mitigating, institutional, and monitoring measures for activities undertaken under Parts 1, 2 and 3 of the Project.
13. “Environmental Legislation” means the Borrower’s set of laws, decrees, arrêtés or decisions described in the SDR and the DCPES, including, but not limited to legislation and relevant implementing regulations applicable to environmental impact assessments, and legislation governing air, water and soil protection and emission standards, and all secondary legislation related thereto.
14. “Environmental and Social Management Plan” or “ESMP” mean a plan to be prepared by the Borrower in accordance with the provisions of the FDESP.
15. Framework Document for Environmental and Social Protection" or "FDESP", mean the Borrower's document, dated November 18, 2008, attached to the SDR and describing: (i) the overall legal and regulatory framework applicable to the Project; (ii) the environmental analysis of the Project components, (iii) the EA processes applied by MARH, including implementation of ESMPs; (iv) environmental supervision and monitoring, (v) training and capacity strengthening, and (vi) budget, all as they shall be applied to Project activities consistent with the Environmental Legislation and the same as they may be amended from time to time with the prior concurrence of the Bank.
16. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
17. “MARH” means Ministère de l’Agriculture et des Ressources Hydrauliques, the Ministry of Agriculture and Water Resources of the Borrower, or any successor thereto.
18. “MEDD” means Ministère de l’Environnement et du Développement Durable, the Ministry of Environment and Sustainable Development of the Borrower, or any successor thereto.
19. “Procedures Manual” means the manual describing the implementation, financial management, procurement, disbursement, monitoring and evaluation, and reporting arrangements for the Project, and referred to in Section I.A.2 of Schedule 2 to this Agreement.

20. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
21. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 17, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
22. “Program” means the program designed to strengthen the Borrower’s water sector and set forth or referred to in the letter dated May 5, 2000 from the Borrower to the Bank.
23. "Resettlement Policy Framework" or "RPF" mean the Borrower’s policy framework adopted on December 16, 2008, providing procedures and guidelines for the preparation, adoption, implementation and monitoring of a land acquisition plan or plans, as said RPF may be amended from time to time with the prior concurrence of the Bank.
24. “Safeguard Diagnostic Review” and "SDR" mean the report dated November 26, 2008, prepared by the Bank in collaboration with the Borrower, for the purpose of using the Borrower’s environmental assessment system for the preparation and implementation of the Project and disclosed in Tunisia on December 16, 2008 and on the World Bank InfoShop on December 19, 2008.
25. “SINEAU” means Système National d’Information sur l’Eau, the Borrower’s National Water Information System.
26. “UGO” means Unité de Gestion par Objectifs, the Borrower’s Management Unit for the Project functioning on the basis of objectives, to be established within DGFIOP not later than one year after the Effective Date.
27. “UGO Legislation” means the decree establishing UGO referred to in Section I.A.5 of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (1) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (1) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”