

CONFORMED COPY

LOAN NUMBER 4475-TUN

Project Agreement

(Export Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

CENTRE DE PROMOTION DES EXPORTATIONS

Dated June 3, 1999

LOAN NUMBER 4475-TUN

PROJECT AGREEMENT

AGREEMENT, dated June 3, 1999, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank") and CENTRE DE PROMOTION DES EXPORTATIONS (the "CEPEX").

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 equal to Thirty Five Million Dollars (\$35,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that CEPEX agree to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS (B) By a CEPEX grant agreement (the "CEPEX Grant Agreement") to be entered into between the Borrower and CEPEX, part of the proceeds of the loan provided for under the Loan Agreement will be made available to CEPEX for purposes of carrying out Part A of the Project; and

WHEREAS (C) CEPEX, 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.

ARTICLE II

Execution of the Project

Section 2.01. CEPEX 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 Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, technical assistance and trade practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A of the Project.

Section 2.02. (a) For purposes of Part A of the Project, CEPEX shall enter into the CEPEX Grant Agreement with MOF, acting on behalf of the Borrower, providing for the transfer to CEPEX, on a non-reimbursable grant basis, of the proceeds of the Loan allocated from time to time to Categories (1), (4) (a) and (5) (a), under terms and conditions which shall have been approved by the Bank.

(b) CEPEX shall exercise its rights and obligations under the CEPEX Grant Agreement in such manner as to protect the interests of CEPEX and the Bank, and to accomplish the purposes of the Loan and achieve the objectives of the Project, and, except as the Bank shall otherwise agree, CEPEX shall not assign, amend, abrogate or waive CEPEX Grant Agreement, or any provision thereof.

Section 2.03. CEPEX shall, at the request of the Bank, exchange views with the Bank with regard to the progress achieved in carrying out Part A of the Project, the performance of its obligations under this Agreement and the CEPEX Grant Agreement, and such other matters relating to the purposes of the Loan and the achievement of the objectives of the Project.

Section 2.04. CEPEX 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 achievement of the objectives of the Project, or the performance by CEPEX of its obligations under this Agreement or under the CEPEX Grant Agreement.

Section 2.05. Responsibility for general policy guidance and overall coordination of the carrying out of the Project shall be vested in the Steering Committee, to be maintained by the Borrower throughout the duration of the Project with membership and terms of reference at all times satisfactory to the Bank.

Section 2.06. Responsibility for overall supervision and monitoring of the carrying out of the Project shall be vested in the PCMU, to be maintained by the Borrower under terms of reference and work programs satisfactory to the Bank.

Section 2.07. Not later than June 30, 1999, CEPEX shall appoint a committee (the EMAF Steering Committee), with representation and terms of reference satisfactory to the Bank, responsible for decisions pertaining to supporting the on-going operations, supervising the execution, and coordinating the administration of the EMAF.

Section 2.08. (a) Unless the Bank shall otherwise agree, CEPEX shall provide Matching Grants to Beneficiaries under the EMAF in accordance with the procedures and on the terms and conditions set forth in the EMAF Operations Manual.

(b) CEPEX shall exercise its rights in relation to each Matching Grant in such manner as to: (i) protect the interests of the Borrower and of the Bank; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Loan and the objectives of the Project.

(c) Without limitation upon the provisions of this Agreement or those of the EMAF Operations Manual, the activities to be carried out by CEPEX under Part A of the Project pursuant to the EMAF shall meet the following principal eligibility criteria:

(i) the activity shall contribute directly to the diversification of export products or markets or to increasing value added;

(ii) the activity shall be complementary to other Project activities;

(iii) the activity shall focus on the development of sustainable capacity and expertise for supporting export production and/or marketing, especially in the private sector or in the area of requiring public/private cooperation;

(iv) the activity shall not be intended for a military or paramilitary purpose or for luxury consumption purposes, and shall not be included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower and CEPEX:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; elements (cartridges), non-irradiated, nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(d) In respect of each activity to be carried out under Part A of the Project pursuant to the EMAF, CEPEX shall submit to the Bank for its prior approval all details in respect of the eligibility criteria to be met as set out in the EMAF Operations Manual and such other information as the Bank shall reasonably request from time to time.

Section 2.09. CEPEX shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of Part A of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about December 31, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of Part A of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Part B of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by June 30, 2002, or such later date as the

Administrator shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Part A 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.

Section 2.10. CEPEX 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 this Agreement and Part A of the Project.

Section 2.11. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Part A of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to the Loan Agreement.

ARTICLE III

Management and Operations of CEPEX

Section 3.01. CEPEX shall carry on its operations and conduct its affairs in accordance with sound administrative, economic, financial, technical assistance and trade practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. CEPEX shall at all times administer and operate the EMAF in accordance with the EMAF Operations Manual, and otherwise in accordance with sound administrative, economic, financial and technical assistance and trade practices, and pursuant to the provisions of this Agreement. CEPEX shall not, without the prior written agreement of the Bank, amend or otherwise alter the EMAF Operations Manual or any provision thereof.

Section 3.03. CEPEX 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) CEPEX shall establish and thereafter at all times maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Bank, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures for and in connection with the carrying out of Part A of the Project.

(b) CEPEX 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 auditing standards acceptable to the Bank, 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 referred to in Paragraph (a) above for such year as so audited, and (B) an opinion on such statements and a 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 such records, accounts and financial statements, and the audit thereof, and concerning said auditors, 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 CEPEX thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify CEPEX thereof.

Section 5.03. All this 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, NW
Washington, DC 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For CEPEX:

28 Rue Gandhi
1001 Tunis
Republic of Tunisia

Section 6.02. 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/ Christian Delvoie

Acting Regional Vice President
Middle East and North Africa

CENTRE DE PROMOTION DES EXPORTATIONS

By /s/ Nouredine Majdoub

Authorized Representative

