

CONFORMED COPY

LOAN NUMBER 7151 – TUN

Project Agreement

(Northwest Mountainous and Forestry Areas Development Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

OFFICE DU DEVELOPPEMENT SYLVO-PASTORAL DU NORD-OUEST

Dated December 23, 2002

LOAN NUMBER 7151 – TUN

PROJECT AGREEMENT

AGREEMENT, dated December 23, 2002, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and 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 a loan to the Borrower in the amount of thirty four million seven hundred thousand Euros (EUR34,700,000), 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; and

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) "CRDA" means a Regional Agricultural Development Commission (Commissariat Régional au Développement Agricole) established and operating pursuant to the Borrower's Law No. 89-44 dated March 8, 1989 and related implementation decrees;

(b) "DGF" means the Directorate General of Forests (Direction Générale des Forêts) established and operating under the Borrower's Decree No. 87-779 dated May 21, 1987, as amended by the Borrower's Decree No. 90-670 dated April 25, 1990 and Decree No. 2001-419 dated February 13, 2001, as the same may be amended from time to time;

(c) "DGFIOF" means the General Directorate of Finance, Investments and Professional Organizations (Direction Générale du Financement, des Investissements et des Organismes Professionnels) within the MOAEHR (as this term is hereinafter defined), established and operating under the Borrower's Decree No. 87-779 dated May 21, 1987,

as amended by the Borrower's Decree No. 90-670 dated April 25, 1990 and Decree No. 2001-419 dated February 13, 2001, as the same may be amended from time to time;

(d) "DREH" means the Regional Directorate for Supplies and Housing (Direction Régionale de l'Équipement et de l'Habitat) within MOAEHR (as this term is hereinafter defined);

(e) "Enterprise Committee" means the enterprise committee within ODESYPANO referred to in paragraph 1 of Schedule 2 to this Agreement, chaired by ODESYPANO's Director General and comprising representatives of the Borrower's ministry of finance, ministry of economic development and MOAEHR (as this term is hereinafter defined), a representative of the Tunisian Union of Agriculture and Fisheries and a representative for each governorate covered by the Project Area, such committee to monitor ODESYPANO's activities and issue recommendations thereon;

(f) "GDA" means a formal community-based socio-professional organization (groupement de développement agricole);

(g) "GFIC" means a formal community forestry-based group having a collective interest (groupement forestier d'intérêt collectif);

(h) "MOAEHR" means the Borrower's Ministry of Agriculture, Environment and Hydraulic Resources (Ministère de l'Agriculture, de l'Environnement et des Ressources Hydrauliques), established and operating under the Borrower's Decree No. 87-799 dated May 21, 1987, as amended by the Borrower's Decree No. 88-111 dated June 9, 1988, Decree No. 2001-419 dated February 13, 2001, and Decree No. 2002-2011 dated September 5, 2002, as the same may be amended from time to time;

(i) "NGO" means a non-governmental organization;

(j) "OEP" means Office for Livestock and Pasture (Office de l'Élevage et des Paturages);

(k) "PCU" means the Project Coordinating Unit to be maintained by ODESYPANO in accordance with paragraph 2 (a) of Schedule 2 to this Agreement; and

(l) "Unit for the Promotion of the Participatory Approach and Partnerships" means the unit to be established and maintained by ODESYPANO in accordance with paragraph 2 (c) of Schedule 2 to this Agreement.

ARTICLE II

Execution of the Project

Section 2.01. (a) ODESYPARNO 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, financial, engineering, economic, management, technical, environmental, agricultural, land conservation and consolidation, forestry and water conservation 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 ODESYPARNO shall otherwise agree, ODESYPARNO shall: (i) carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, and the provisions of the Procedure Manual and the Environmental Assessment; and (ii) ensure that the carrying out of the Project shall not involve the involuntary resettlement of local population.

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. (a) ODESYPARNO 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.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, ODESYPARNO shall:

- (i) 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 Bank and ODESYPARNO, a plan for the future operation of the Project;
- (ii) afford the Bank a reasonable opportunity to exchange views with ODESYPARNO on said plan; and
- (iii) thereafter carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

Section 2.04. (a) ODESYPANO shall, at the request of the Bank, exchange views with the Bank with regard to 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 Loan, or the performance by ODESYPANO of its obligations under this Agreement.

ARTICLE III

Management and Operations of ODESYPANO

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

Section 3.02. ODESYPANO 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, financial, engineering, economic, management, technical, environmental, agricultural, land conservation and consolidation, forestry and water conservation practices.

Section 3.03. ODESYPANO 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.

Section 3.04. Without prejudice to the provisions of paragraph 5 of Schedule 2 to this Agreement, ODESYPANO shall: (a) not later than June 30, 2004, submit to the Bank for its review and comments, a monitoring and evaluation study, in form and substance satisfactory to the Bank and in accordance with indicators satisfactory to the Bank, on the implementation of the Project; and (b) thereafter, submit to the Bank a plan, in form and substance satisfactory to the Bank, based on the study referred to in the preceding subparagraph (a) and taking into account the Bank's recommendations thereon, setting forth the arrangements required to ensure ODESYPANO's disengagement from areas of intervention for which adequate capacity of local communities, based on an effective participatory approach, is available.

ARTICLE IV

Financial Covenants

Section 4.01. (a) ODESYPARNO shall 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 related to the Project.

(b) ODESYPARNO 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 the financial statements referred to in paragraph (a) of this Section, for such year as so audited, and (B) an opinion on such statements and 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 may from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, ODESYPARNO shall prepare and furnish to the Bank semi-annual Financial Monitoring Reports, in form and substance satisfactory to the Bank, each of which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan during the period covered by said report and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and

explains variances between the actual and planned Project implementation; and

- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty five (45) days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each FMR shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

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 ODESYANO thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify ODESYANO 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, telex or facsimile 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. Deliveries made by facsimile transmission shall also be confirmed by mail. 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:	Telex:	Facsimile:
6391	INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-

For ODESYPANO:

Route de Tunis
9000 Béja
Republic of Tunisia

	Telex:	Facsimile:
718	80213 OSPNO TU	216-78-454-

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/ Jean-Louis Sarbib
Regional Vice President
Middle-East and North
Africa

OFFICE DU DEVELOPPEMENT SYLVO-
PASTORAL DU NORD-OUEST

By /s/ Hatem Atallah
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works 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, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

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. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost US\$400,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraph 2.54 (a) of the Guidelines, and paragraphs 1 through 6 of Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than US\$2,000,000 equivalent per contract up to an aggregate amount of US\$14,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and paragraph (c) below.

(b) Goods estimated to cost less than US\$400,000 equivalent per contract up to an aggregate amount not to exceed US\$800,000 may be procured under contracts

awarded in accordance with the provisions of paragraphs 3.3. and 3.4 of the Guidelines and paragraph (c) below.

(c) Contracts of goods and works procured under the National Competitive Bidding procedure shall comply with the following:

- (i) any prospective bidder from a country eligible under the Guidelines who proposes to provide goods produced in, or services supplied from, any such country shall be eligible to bid for such contracts;
- (ii) tenders shall be advertised with no less than thirty (30) days for bid preparation;
- (iii) government-owned enterprises shall be eligible provided they are legally and financially autonomous, operate under commercial law, and are not selected or hired by the supervising or reporting authority, and shall be subject to the same bid and performance security requirements as other bidders;
- (iv) bidders shall be allowed to deliver their bid by hand or by mail;
- (v) bids shall be opened in public; that is, bidders or their representatives shall be allowed to be present at the place where bids are to be opened. The time for the bid opening shall be the same as for the deadline for receipt of bids or promptly thereafter; and shall be announced, together with the place for bid opening, in the invitation to bid;
- (vi) prospective bidders shall be allowed to submit two envelopes provided the two envelopes are opened at the same time;
- (vii) bids shall be evaluated based on price and on other criteria disclosed in the bid documents and quantified in monetary terms, and no provision for preferential treatment for national companies shall be applied; and
- (viii) the contract shall be awarded to the bidder having submitted the lowest evaluated responsive bid, and no negotiation shall take place.

2. International or National Shopping

Goods estimated to cost less than US\$30,000 equivalent per contract, up to an aggregate amount not to exceed US\$100,000 equivalent, and goods, which the Bank agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods and works under Part B.2 of the Project and costing US\$25,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing US\$1,200,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than US\$30,000 equivalent per contract, up to an aggregate amount not to exceed US\$23,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (i) each contract for works estimated to cost the equivalent of US\$500,000 or more; (ii) each contract for goods estimated to cost the equivalent of US\$400,000 or more; and the first two contracts for goods estimated to cost the equivalent of US\$30,000 or more per contract but less than the equivalent of US\$400,000 each, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 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 Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers", published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of this Section.

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.
2. The following provision 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 estimated to cost less than US\$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than US\$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 estimated to cost less than US\$50,000 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 of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines and may be selected on a sole-source basis in accordance with the provisions of paragraph 5.4 of the Consultant Guidelines, subject to prior approval of the Bank.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank, for its review and approval, prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of US\$100,000 or more, the procedures set forth in paragraphs 2, 3 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 US\$50,000 or more, the report on the comparison of the qualifications and experience of candidates, and the 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 the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Guidelines shall also apply to such contracts.

(c) With respect to each contract for the employment of individual consultants estimated to cost less than US\$50,000, the terms of reference of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. Project Coordination

The Borrower shall maintain the Steering Committee with membership including, inter alia, the Director of DGFIOP as Chairperson and representatives of the following ministries of the Borrower, respectively: Development and International Cooperation, Finance and MOAEHR. To this end, the Steering Committee shall be assisted by the Enterprise Committee and the Unit for the Promotion of the Participatory Approach and Partnerships. Day-to-day coordination of Project activities shall be carried out by PCU.

2. Project Implementation

(a) MOAEHR, through ODESYPANO and ODESYPANO's central and regional directorates, shall have the overall responsibility for Project implementation. ODESYPANO shall be responsible for day-to-day implementation, monitoring and evaluation of the Project as well as the development of Partnership Arrangements. In order to ensure proper management of the Project, ODESYPANO shall maintain PCU, throughout the life of the Project, with professional staffing in adequate number, whose qualifications and terms of reference shall be acceptable to the Bank.

(b) ODESYPANO shall carry out the Project in accordance with the Procedure Manual and the Environmental Assessment and, except as the Bank shall otherwise agree, ODESYPANO shall not amend or waive any provision of the Procedure Manual or the Environmental Assessment if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

(c) ODESYPANO shall no later than June 30, 2003, establish and thereafter maintain the Unit for the Promotion of the Participatory Approach and Partnerships in a form and with functions and staffing satisfactory to the Bank. Said Unit's mandate shall be to, inter alia: (i) develop, test and promote integrated participatory approach, including methods and experimental tools adapted to ODESYPANO's zones of intervention; and (ii) put in place Partnership Arrangements with Implementing Agencies.

(d) At the regional level, ODESYPANO's regional directorates shall be responsible for the programming, preparation and coordination of activities, the monitoring and evaluation of CDPs and related contract-programs, and the preparation and coordination of joint work programs among Implementing Agencies.

3. Partnerships with Implementing Agencies

(a) ODESYPANO shall enter into Partnerships Arrangements with Implementing Agencies, each in form and substance satisfactory to the Bank, for the planning and implementation of selected Project activities, including: (i) framework conventions (“convention-cadre”) describing the partnership process between ODESYPANO and the respective Implementing Agency; and (ii) contract-programs detailing the Sub-projects, monitoring criteria and personnel required for the carrying out of said Sub-projects.

(b) Partnership Arrangements shall be based on either of the following principles: (i) ODESYPANO shall transfer the implementation and maintenance responsibilities to Implementing Agencies having a higher comparative advantage in their respective area of expertise and intervention; or (ii) ODESYPANO shall sub-contract the implementation of selected Sub-projects while retaining the responsibility for the budget, procurement, audit, monitoring and evaluation and maintenance related to said Sub-projects. ODESYPANO shall cause the Implementing Agencies to adhere to the procedures designed for the Project.

(c) Collaboration among ODESYPANO, Implementing Agencies and local communities shall be integrated in CDPs, each in form and substance satisfactory to the Bank, jointly prepared by the Implementing Agencies. CDPs shall be designed for a period of about five (5) years, and shall determine priority Sub-projects demanded by local communities, the respective contribution and technical assistance to be provided by the relevant Implementing Agencies and the environmental procedures and indicators applying to said Sub-projects pursuant to the Environmental Assessment. Based on CDPs, ODESYPANO shall enter into contract-programs with local communities, represented by their respective local Development Committees (Comités de Développement) or socio-professional organization (inter alia, GDA and GFIC), for the implementation, monitoring and evaluation of said CDPs. Local communities shall contribute to the financing of Sub-projects both financially and in kind, in an amount to be agreed between said communities and ODESYPANO.

4. All Sub-projects shall be selected and carried out in accordance with the criteria and provisions set forth in the Procedure Manual and the Environmental Assessment. No Sub-project shall be eligible for financing out of the proceeds of the Loan unless ODESYPANO is satisfied that the Sub-project shall: (a) be financially and technically viable; (b) comply with the standards set forth in the applicable laws of the Borrower relating to environmental protection, as well as with the Environmental Assessment and the Bank’s applicable guidelines; and (c) not involve the involuntary resettlement of local population.

5. Mid-Term Review

ODESYPANO 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 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 September 30, 2005, 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 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) review with the Bank, by December 31, 2005, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, 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.