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RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
URBAN WATER SUPPLY PROJECT

LOAN IBRD 7339-TN

November 17, 2005

TO THE  
SOCIETE NATIONALE D'EXPLOITATION ET DE DISTRIBUTION DES EAUX  
(SONEDE)  
WITH THE GUARANTEE OF THE REPUBLIC OF TUNISIA

February 1, 2012

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## ABBREVIATIONS AND ACRONYMS

IT	Information Technology
GOT	Government of Tunisia
MPCI	Minister of Planning and International Cooperation
ONAS	Office National de l'Assainissement
SIL	Specific Investment Loan
SONEDE	Société Nationale d'Exploitation et de Distribution des Eaux
TA	Technical Assistance

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## TUNISIA

### RESTRUCTURING PAPER

#### Annex 1: Increase of the Percentages of Expenditures to be financed under the Loan

*TUNISIA — URBAN WATER SUPPLY PROJECT*

*P064836*

**LOAN NUMBER IBRD 7339-TN**

#### Restructuring Paper

1. Percentages of Expenditures to be financed under the Tunisia- Urban Water Supply Project, *Loan Number IBRD 7339-TN, P064836* will be revised as follow:

Category	Amount of the Loan Allocated (expressed in Euros)	% of Expenditures To be financed	
		Current	Revised
Current	Current	Current	Revised
(1) Treatment Works (Turnkey, design-build)	9,200,000	80%	100%
(2) Works	9,800,000	80%	100%
(3) Goods	10,000,000	100% of foreign expenditures, and 80% of local expenditures	100% of foreign expenditures, and 100% of local expenditures
(4) Technical Assistance and training	1,922,500	96%	100%
(5) Front-end Fee	77,500		
(6) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09(c) of this Agreement	Amount due under Section 2.09(c) of this Agreement
<b>TOTAL AMOUNT</b>	<b>31,000,000</b>		

2. **Project Description and Financing.** The objectives of the Project are to assist the Borrower in: (a) improving the quality of the water supply and service delivery infrastructure in the Greater Tunis, Northern and Central Regions of Tunisia; and (b) enhancing its operational and management functions. The Project Loan in the amount of Euro 31 million (US\$38.03 million equivalent) was approved by the Board of Directors on November 17, 2005, signed on December 5, 2005 and declared effective on 21 March 2006. The Loan is a SIL to SONEDE, backed with a Guarantee of the Republic of Tunisia.

3. **Project implementation progress.** Overall implementation progress has been rated satisfactory, despite a slow start due to delays related to the contracting of large civil works in Greater Tunis (new treatment plant and main adduction line rehabilitation). As of January 31, 2012, 71.46% of total loan proceeds have already been disbursed confirming that most of infrastructure works are either completed or close to completion. The only exception to the satisfactory implementation, are TA activities under the institutional component (3a and 3b) which are either rated unsatisfactory or moderately satisfactory, since SONEDE has not been able, so far, to successfully complete the tender processes. Nonetheless, the main activity under the institutional component which is the installation of a new IT customer service system (joint with ONAS), was finally successfully contracted on February 2011 after a lengthy and complex tender process. The installation of the new IT customer system will strongly enhance the financial situation of SONEDE (especially by reducing billing mistakes) and improve the quality of customer service.

4. **Reason for the Increase of Percentages of Expenditure.** The proposed increase of percentages of expenditures to be financed under the Loan (inclusive of taxes) was requested by the Government of Tunisia through a formal request submitted by MPC I on both April 14, 2011 and June 13, 2011 and by the Borrower (Société Nationale d'Exploitation et de Distribution des Eaux) in its letter dated September 14, 2011.

5. This official request stems from the urgent need to free up resources to implement the post-revolution reform program. The mid-term review of the project was completed in April 2011 and established that with overall commitment exceeding 90%, a remnant of about €1.8 million was available from the loan. It is therefore possible to grant the Tunisian authorities' request for financing of one hundred percent of all expenditures, for the still undisbursed portions of the project, without compromising the completion of the project's components and its development objectives. The amendment letter will be effective as of the date of its countersignature upon receipt by the Bank of the countersigned copy.