

CONFORMED COPY

LOAN NUMBER 3661 TUN

Loan Agreement

(Agricultural Sector Investment Loan)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated December 22, 1993

LOAN NUMBER 3661 TUN

LOAN AGREEMENT

AGREEMENT, dated December 22, 1993, between the REPUBLIC OF TUNISIA (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

WHEREAS (B) the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an

integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "affected person" means a person, either holder of real or personal rights to land or landless: (i) who for at least one (1) year prior to the date of the publication of the decree referred to in Article 12 of the Borrower's Expropriation Law No. 76-85 dated August 17, 1976, as amended from time to time, has ordinarily been residing in, or cultivating land, or carrying on any trade, occupation, or calling or working for gain, in the area expropriated (including the area immediately contiguous thereto) for the purpose of Part A.1 of the Project; and (ii) who would be involuntarily displaced from his or her usual place of residence or work due to the said land acquisition;

(b) "Category" means a category of items to be financed out of the proceeds of the Loan, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(c) "Central Bank" means the Borrower's Central Bank (Banque Centrale de Tunisie) established and operating pursuant to the Borrower's Law No. 58-90 dated September 19, 1958, as amended from time to time;

(d) "CRDA" means a Regional Commissariat for Agricultural Development (Commissariat Regional au developpement agricole), an administrative public institution established and operating under the Borrower's Law 89-44 dated March 8, 1989;

(e) "Development Action Plan" means the Borrower's plan of objectives, policies and actions designed to further the efficiency and sound development of the Borrower's agriculture sector, agreed and set forth in a letter of even date herewith from the Borrower to the Bank;

(f) "Fiscal Year" or "FY" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(g) "MOA" means the Borrower's Ministry of Agriculture (Ministere de l'Agriculture) established and operating pursuant to the Borrower's Decree No. 87-779 dated May 21, 1987, as amended by the Borrower's Decree No. 88-1101 dated June 9, 1988, and as may be further amended from time to time; and

(h) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred twenty million dollars (\$120,000,000), being the sum of withdrawals of the proceeds of the Loan, with each

withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989, bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section

2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, agriculture, economic, engineering, environmental, financial and technical practices, and shall provide, 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 Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. 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 4 to this Agreement.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account 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 nine (9) months after the end of each such year, 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 and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Borrower shall have employed, in accordance with the provisions of Section 3.02 of this Agreement, the consultants to assist the Borrower in the carrying out of the activities under Parts A.11 and B.7 of the Project; and

(b) the Borrower shall have published in its Journal Officiel the decree, in form and content satisfactory to the Bank, setting forth the functions of the Veterinarian Research Institute of Tunisia (Institut de la Recherche veterinaire de Tunisie) and its administrative and financial organization.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Minister of International Cooperation and Foreign Investment of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of International Cooperation and  
Foreign Investment  
149, Avenue de la Liberte  
1002 Tunis-Belvedere  
Republic of Tunisia

Cable address: MCIIE  
Telex: 18060

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)

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.

REPUBLIC OF TUNISIA

By /s/ Ismail Khelil

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caio Koch-Weser

Regional Vice President  
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil Works for Part A of the Project	105,100,000	60%

(2)	Goods, including Equipment, Materials, Vehicles, and Veterinary Drugs	13,500,000	100% of foreign expenditures and 80% of local expenditures
(3)	Consultants' Services, Training and Studies	1,400,000	100%
TOTAL		120,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to support the growth of the Borrower's agriculture sector. To this end, the Project aims to: (i) reorient and rationalize the Borrower's role in the sector through improved management of public resources and promote private sector activity; (ii) improve the economic impact of public investments in the sector; and (iii) strengthen the Borrower's institutional capabilities for planning, preparation and implementation of investment programs.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Investment Program

Carrying out of the Borrower's Fiscal Years 1994, 1995, 1996 and 1997 agricultural investment programs, selected in accordance with suitable policies and procedures, and consisting of the following activities:

1. Construction of hill dams and associated small-scale irrigation schemes, and carrying out of a program to improve cost-benefits monitoring and evaluation services and enhance benefit generation of hill dams in the country, and provision of training to staff of the MOA as required therefor.
2. Creation of tubewells and establishment of associated small-scale irrigation schemes, and rehabilitation and modernization of existing irrigation parameters.
3. Development and carrying out of a program of groundwater surveying and monitoring, including creation of tubewells, and provision of equipment and materials as required therefor.
4. Carrying out of works for the provision of potable water in the Borrower's rural areas, and provision of equipment and materials as required therefor.
5. Carrying out of a program to improve the efficiency, management and operation of the water supply system in the Borrower's northern region, in particular through enhanced demand estimation, water measurement, and processing of operation data, and provision of equipment, management information systems, training to the staff of the MOA and consultants' services as required therefor.

6. Formulation of a suitable program of animal health services, consisting of the: (i) implementation of a national program of obligatory vaccination campaigns; (ii) development of a disease surveillance network for epidemiological monitoring, including the strengthening of laboratories; (iii) establishment of about fifteen (15) Hygiene and Inspection Units for Animal Food Products (Unites d'hygiene et inspection des denrees alimentaires d'origine animale) in selected governorate, and provision of equipment, vehicles, veterinary drugs, vaccines, and training to specialized staff of the MOA as required therefor.

7. Formulation of an appropriate program of livestock development, including the: (i) establishment of a program of rangeland improvement through enhanced forage production and range management practices; and (ii) implementation of a livestock genetic improvement program, including the preparation of a study to evaluate the desirability of privatizing said programs, and provision of seeds and plants, equipment, vehicles, breeding stock, semen, and training to specialized staff of the MOA as required therefor.

8. Construction of small fish ports in the Borrower's northern coastal zones and related access roads, improvement of selected port sites to control sedimentation, and rehabilitation and modernization of port infrastructure so as to ensure its compliance with international standards for sea product quality.

9. Carrying out of a program to protect and conserve the Borrower's soil and natural resources from erosion, consisting of: (i) mechanical terracing and bunding, gully consolidation, biological stabilization of contour ridges, range planting, and development of a monitoring and evaluation system and research for said program; and (ii) a pilot program to test alternatives for carrying out soil conservation activities through contracting with farmers' associations, and provision of training as required for this Section A.9.

10. Carrying out of a program of water resources mobilization through construction of small-scale rural works consisting of ponds, infiltration dams, and weirs for spate irrigation.

11. Development, on the basis of a pilot action identified by a study on land consolidation, of land tenure options for voluntary consolidation of fragmented parcels of land in the Borrower's rainfed areas, and carrying out of small-scale rural infrastructure and studies as required therefor.

#### Part B: Institutional Strengthening

Provision of consultants' services and training, and carrying out of studies, to implement a program to strengthen the institutional and planning capabilities of the MOA and the Borrower's agencies responsible for implementation activities in the agriculture sector, including:

1. Development of a suitable system to improve the MOA's budgetary monitoring procedures so as to ensure the timely availability of information on the implementation status of investments to the MOA's organisms responsible for the implementation of investment programs, strengthening of the CRDAs units responsible for budget monitoring and evaluation functions, and provision of equipment as required therefor.

2. Development and carrying out of a medium-term plan by the MOA to implement adequate organizational, staffing and budgetary adjustments necessary to rationalize and improve the decentralization process of its activities to the CRDAs.

3. Development of a national program to improve and rationalize on-farm irrigation water use, including measures designed to develop, evaluate, and diffuse new adaptive research technologies



and strengthen the institutional capabilities of the Rural Engineering Research Center (Centre de recherche de genie rural).

4. Development and carrying out of a suitable strategy to improve the procedures applied by the MOA: (i) in the design of animal health programs, so as to ensure, inter alia, the proper analysis of the impact of public investments in livestock disease control; and (ii) in the economic appraisal methodology for new port infrastructure, in order to optimize the size of harbor facilities and the use of equipment and facilitate the determination of port tariffs, and strengthening of the institutional capabilities of the Directorate for Veterinary Public Hygiene (Direction d'hygiene publique veterinaire) to improve the program of hygiene and quality control of animal and sea products.

5. Development and carrying out of medium-term plans at the regional level to enhance and foster the MOA's investment management capabilities in soil and water conservation activities through expanded research, establishment of a suitable monitoring and evaluation system therefor, and provision of equipment.

6. Reinforcement of the MOA's capabilities in environmental assessment activities, so as to ensure the adequate preparation and review of impact evaluation studies and the suitable implementation of mitigation plans in accordance with the requirements of the national legislation thereon, and provision of training.

7. Strengthening of the institutional and operational capabilities of the Borrower's agency responsible for implementing Part A.11 of the Project, including provision of equipment for socio-economic and technical surveys and vehicles as required therefor.

9. Development and carrying out of a strategy to support: (i) the promotion of the associations of users of rural potable water; (ii) the creation and promotion of associations of users of hill ponds; (iii) the progressive introduction of association of users of water in public irrigation perimeters; and (iv) on the basis of the foregoing, the suitable expansion of the activities of the users' associations support units within the CRDA.

\* \* \*

The Project is expected to be completed by June 30, 1998.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each February 1 and August 1 beginning August 1, 1999 through August 1, 2010	5,000,000
And on February 1, 2011	5,000,000

