

CONFORMED COPY

LOAN NUMBER 4278-TUN

Loan Agreement

(Second Agricultural Sector Investment Loan)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated March 16, 1998

LOAN NUMBER 4278-TUN

LOAN AGREEMENT

AGREEMENT, dated March 16, 1998, 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; and

WHEREAS 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 for Single Currency Loans" of the Bank, dated May 30, 1995, with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

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) "Accompanying Measures" mean the agreed policy and institutional measures set forth in a letter of even date herewith aimed at enhancing the effectiveness of the public investments under the Project to which they are linked;

(b) "ANPE" means the Borrower's National Agency for Environmental Protection (Agence Nationale pour la Protection de l'Environnement), established and operating pursuant to the Borrower's Law No. 88-91 dated August 2, 1988, and its implementation Decree No. 88-1784 dated October 18, 1988, as the same may be amended from time to time;

(c) "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; and the term "Categories" means more than one Category collectively;

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

(e) "Coordinating Committee" means the Coordinating Committee (Comité de Coordination) referred to in Section A.I.1 of Schedule 5 to this Agreement;

(f) "CRDA" means a Regional Commissariat for Agriculture Development (Commissariat Régional au Développement Agricole), 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;

(g) "DGFE" means the General Directorate of Finance and Incentives (Direction Générale du Financement et des Encouragements) within the MOA (as hereinafter defined);

(h) "Fiscal Year" 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;

(i) "French Franc" and "FRF" means each the lawful currency of the Republic of France;

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

(k) "Performance Indicators" means the agreed performance indicators set forth in a letter of even date herewith to be utilized under the Project to measure the progress in the carrying out of the Project and the degree to which the Project objectives are being achieved; and

(l) "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, an amount equal to two hundred forty-six million six hundred thousand French Francs (FRF246,600,000).

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, works 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 may, for the purposes of the Project, open and maintain in French Francs a special deposit account in its 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, 2002 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 PIBOR Base Rate plus PIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "PIBOR Base Rate" means, for each Interest Period, the Paris interbank offered rate for six-month deposits in French Francs for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "PIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the Paris interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or

portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of the PIBOR Base Rate and the PIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable April 15 and October 15 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 through the MOA with due diligence and efficiency and in conformity with appropriate administrative, agriculture, engineering, environmental, financial, technical and water conservation 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.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank and furnish to Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

### 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 six (6) 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

(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:

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one (1) year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan 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

##### Termination

Section 5.01. 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  
98, Avenue Mohamed V  
1002 Tunis-Belvédère  
Republic of Tunisia

Cable address: 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 (MCI) or  
64145 (MCI)

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/ Nouredine Majdoub

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Christian Delvoie

Acting 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 French Francs)	% of Expenditures to be Financed
(1) Civil Works	199,620,000	100% of foreign expenditures and 60% of local expenditures
(2) Goods	45,800,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost), and 80% of local expenditures for other items procured locally
(3) Consultants' Services and Training	1,180,000	
TOTAL	246,600,000	

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, works 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, works or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) goods, under contracts costing less than \$350,000 equivalent each; (ii) works, under contracts costing \$1,000,000 equivalent or less each, excluding those subject to prior review in accordance with the provisions of paragraph 1(ii) of Part D of Schedule 4 to this Agreement; (iii) services of consulting firms, under contracts costing less than \$100,000 equivalent each; (iv) services of individual consultants, under contracts costing less than \$50,000 equivalent each; and (v) training, under contracts costing less than \$50,000 equivalent each, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower to increase rural incomes through sustainable use of water resources and effective development, delivery and adoption of improved farming practices, and to attain enhanced institutional responsiveness to user demand for agricultural research, extension and training.

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:

Carrying out of activities falling under the MOA's sector investment program, identified as strategic priorities over the next years by the Borrower's Ninth Development (1997-2001), and selected among the following areas in accordance with suitable policies, criteria and procedures and taking into consideration the progress achieved under the related Accompanying Measures:

A. Irrigation development through the creation and extension of small, tubewell-based irrigation perimeters and the modernization, including drainage installation, of existing ones.

B. Groundwater prospecting by way of construction of exploratory wells, and provision of one (1) geophysical resistivity unit for exploration well sitting and one (1) video device to diagnose submerged equipment conditions in existing exploitation wells.

C. Groundwater monitoring comprising installation of piezometers and scientific equipment to automatically record piezometer data, particularly in areas greatly affected by groundwater overdraft or saline intrusion, and in locations programmed for experimental recharge projects.

D. Agricultural research and the carrying out of studies required to implement research subprojects and priority research activities in animal health and biotechnology, including provision of civil works and equipment required therefor, and the strengthening and equipping of pole stations with a view to consolidate research regionalization.

E. Agricultural training through the rehabilitation of seven (7) existing training centers, including their physical renovation, modernization of the teaching plots, provision of equipment for workshops and the vehicles required to transport students and farmers for field visits, and upgrading of the central training unit at Sidi Thabet, encompassing the construction of a documentation center, the modernization of conference rooms, and the provision of audio-visual and computer equipment and

vehicles necessary for field visits.

F. Agricultural extension through the provision of training and vehicles needed to mobilize extension agents in eight of the Borrower's governorates.

Part B: Institutional Capacity Building for Water User Associations

Carrying out of an institutional program to provide training to the regional units of the CRDAs responsible for providing training and advice to Water User Associations and implementation of a baseline diagnosis thereof, through the establishment, during a three-year period, of a mobile interdisciplinary team specializing in organizational management, budgeting, irrigation systems management, and irrigation economics, and the provision of vehicles and laptop computers as required therefor.

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The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in French Francs)*
On each April 15 and October 15	
beginning October 15, 2003 through April 15, 2015	10,275,000

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\* The figures in this column represent the amount in French Francs to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

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 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works 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 and works 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 shall be grouped in bid packages estimated to cost \$\_\_\_\_\_ equivalent or more each. Preference for domestically manufactured goods

(b) The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(c) Dispute Review Board Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(i) Goods estimated to cost less than \$350,000 equivalent per contract, up to an aggregate amount not to exceed \$26,300,000 equivalent; and (ii) works estimated to cost less than \$3,000,000 equivalent per contract, up to an aggregate amount not to exceed \$6755,3100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$700,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Direct Contracting

Goods and works for electrification of irrigation pumping stations under Part A of the Project which are of a proprietary nature and can only be procured from one supplier, and costing \$1,0200,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured from the Société Tunisienne de l'Electricité et du Gaz in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Prior Review

With respect to: (i) each contract for goods and works awarded in accordance with the provisions of Part B of this Section; (ii) each of the firsttwo (2) two (2)

contracts for works for irrigation perimeters development under Part A of the Project and for groundwater prospecting and monitoring under, respectively, Parts B and C of the Project; and (iii) each contract for works awarded in accordance with the provisions of paragraph 1 of Part C of this Section and estimated to cost more than the equivalent of \$1,000,000, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

## 2. Post Review

With respect to each contract not governed by paragraph 1 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 the Introduction and Section 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 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

### 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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions 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 for the mobile interdisciplinary team required under Part B of the Project, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

### Part C: Other Procedures for the Selection of Consultants

#### 1. Selection Under a Fixed Budget

Services for research subproject studies and surveys under Part D of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

#### 2. Least-cost Selection

Services for technical design studies under Part D of the Project estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

#### 3. Individual Consultants

Services for Part D of the Project and that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

#### 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall

be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

## 2. Prior Review

(a) With respect to each contract for the employment of consulting firms under Parts A.4 and B of the Project estimated to cost the equivalent of \$1200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms under Parts A.4, A.5 and B of the Project estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, 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 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 5

## Implementation Program

### Section A: Institutional Arrangements

#### I. Overall Project Implementation and Oversight

1. The Borrower shall ensure overall Project coordination among the executing units through the DGFE and the Coordinating Committee. To that end, the Borrower shall: (i) not later than April 1, 1998, establish, or cause to be established, within the MOA, the Coordinating Committee, headed by the Minister of Agriculture and under institutional arrangements satisfactory to the Bank, to coordinate and oversee Project progress; and (ii) thereafter, maintain, or cause to be maintained, the Coordinating Committee throughout Project implementation.

2. Without limitation upon the provisions of the preceding paragraph 1, the DGFE shall have additional specific responsibility for overall preparation of budget proposals on behalf of the MOA, monitoring of financial and physical progress of the Project, progress evaluation of the achievement of the Accompanying Measures, coordination of disbursements and audit activities, and preparation of the progress and mid-term review reports referred to in Sections C and D of this Schedule.

#### II. Specific Institutional Intervention

Implementation responsibilities shall be allocated as follows: (i) the General Directorate of Rural Engineering (Direction Générale du Génie Rural) shall execute Parts A and B of the Project; (ii) the General Directorate of Water Resources (Direction Générale des Ressources en Eau) shall carry out Parts B and C of the Project; (iii) the Institute of Agriculture Research and Education (Institution de la Recherche et de l'Enseignement Supérieur Agricoles) shall execute Part D of the Project; (iv) the Agricultural Extension and Training Agency (Agence de la Vulgarisation et de la Formation Agricoles) shall be attributed responsibility for Parts E and F of the Project; and (v) the CRDA located in the Borrower's governorate where the Project activity is being implemented shall be responsible for liaising with the DGFE, overseeing technical preparation of the specific investment proposal to be submitted to the Bank pursuant to the provisions of Section B.I (a) (ii) of this Schedule, and assuring coordination across technical units at the local level, with all of the aforementioned executing agencies reporting directly to the DGFE.

Section B: Agriculture Investment Program

I. Approval of Investment Activities

(a) The Borrower, through the DGFE, shall prepare and furnish to the Bank: (i) not later than September 30, 1998, for its review and comments, the Borrower's proposed agriculture sector investment program for Fiscal Year 1999, along with the financing plan therefor; and (ii) not later than October 31, 1998, for its review and approval, a detailed description of activities proposed thereunder to be financed under the Project, including: (A) a technical and economic evaluation of the activities prepared in accordance with criteria and procedures satisfactory to the Bank; and (B) the required environmental assessment reports and/or mitigation plans approved by the ANPE. and (B) the required environmental assessment reports and mitigation plans approved by the ANPE and satisfactory to the Bank.

(b) Thereafter, the Borrower shall finalize the agriculture investment program taking into consideration the Bank's comments thereon and shall take all measures necessary to ensure its efficient implementation.

II. Accompanying Measures

(a) The Borrower shall carry out, or caused to be carried out, the Accompanying Measures with due diligence and efficiency and at all times shall take all action required to achieve the objectives thereof.

(b) Without prejudice to the provisions of Schedule 1 to this Agreement, if the Bank shall have reasonably considered as unsatisfactory the progress made by the Borrower in carrying out the Accompanying Measures, the Bank may withhold further approval of commitments under the Project or any part thereof for Fiscal Year 1999 onwards. Such withholding may continue until the Borrower shall have taken, or shall have caused to be taken, remedial action, satisfactory to the Bank, as shall be necessary to achieve the objectives of the Project and ensure the successful achievement of the Accompanying Measures.

Section C: Project Monitoring

Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower shall, not later than March 31 and September 30 in each Fiscal Year, commencing on September 30, 1998 and until Project completion, prepare and furnish to the Bank for its review a progress report, of such scope and in such detail as the Bank shall reasonably request, describing, in accordance with the Performance Indicators and the parameters set forth by the Accompanying Measures, the progress achieved by the Borrower in the implementation of the Project during the preceding six (6) months.

Section D: Mid-Term Review

The Borrower shall, through the MOA:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, the carrying out of the Project and the Accompanying Measures 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, 1999, 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 and the Accompanying Measures 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 Accompanying Measures and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by October 31, 1999, or such later date as the Bank shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the

Project and the Accompanying Measures and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank views on the matter.

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equal to FRF23,500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to FRF17,600,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed FRF70,500,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in

accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

