

CONFORMED COPY

LOAN NUMBER 3840 TUN

Loan Agreement

(Rural Roads Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated February 14, 1995

LOAN NUMBER 3840 TUN

LOAN AGREEMENT

AGREEMENT, dated February 14, 1995, 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 (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, 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 11, 1976, as amended from time to time, has been ordinarily cultivating land, or carrying on any trade, occupation, or calling or working for gain, in the area expropriated for the purpose of Part C of the Project;

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

(c) "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;

(d) "Dinar" means the currency of the Borrower;

(e) "DGPC" means the General Directorate of Bridges and Roads (Direction Generale des Ponts et Chaussées) within the MEH (as hereinafter defined), or any successor thereto;

(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) "Impact Indicators" mean the impact indicators agreed with the Borrower to assess the progress of the Borrower in achieving the objectives of the Project, as the same may be updated in accordance with the provisions of Section D of Schedule 5 to this Agreement;

(h) "Institutional Action Plan" means the action plan to be prepared by the IWG (as hereinafter defined) setting forth the specific actions and measures for the implementation of the Program (as hereinafter defined) and referred to in Section 4.02 of this Agreement;

(i) "IWG" means the Interministerial Working Group (Groupe de Travail Interdepartemental) established by the Borrower to carry out preparatory work on the Institutional Action Plan and Part A of the Project;

(j) "MEH" means the Borrower's Ministry of Equipment and Housing (Ministere de l'Equipement et de l'Habitat) established and operating pursuant to the Borrower's Decree No. 74-93 dated February 15, 1974, Decree No. 88-1413 dated July 22, 1988, and Decree No. 92-248 dated February 3, 1992, as amended from time to time;

(k) "Program" means the program of objectives and policies designed to strengthen and further develop the Borrower's roads sector set forth in a letter from the Borrower to the Bank dated November 23, 1994;

(l) "Quarter" means a three-month period commencing on January 1, April 1, July 1 or October 1 in a Fiscal Year;

(m) "selected rural road" means a rural road listed in Schedule 6 to this Agreement and to be upgraded by the Borrower under Part C of the Project; and

(n) "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 fifty-one million five hundred thousand dollars (\$51,500,000), 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 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 dollars 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 7 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 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 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 May 1 and November 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 through the MEH with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial, road 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, the Borrower shall take all necessary measures to ensure that adequate budgetary funds are made available to the MEH at all times for the successful operation and sustainability of the Project, including, in particular, the provision of annual maintenance budgetary resources suitably increased in proportion to the length of the roads being upgraded under Part C of the Project.

(c) Without limitation upon the provisions of paragraphs (a) and (b) 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 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. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) 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 Borrower and the Bank, a plan for the future operation of the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

#### ARTICLE IV

##### Financial and Other 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

(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.

Section 4.02. The Borrower shall:

- (a) cause the IWG to prepare and submit the Institutional Action Plan to the Bank for its review and approval not later than March 31, 1996;
- (b) promptly thereafter, approve the Institutional Action Plan as the same shall have been agreed upon between the Borrower and the Bank; and
- (c) carry out the Institutional Action Plan with due diligence and efficiency and take all actions necessary to ensure the effectiveness thereof, as follows: (i) not later than June 30, 1998, implement a significant portion of the Institutional Action Plan, as said portion shall have been determined to be acceptable to the Bank; and (ii) not later than December 31, 2001, implement the Institutional Action Plan in its entirety.

#### 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  
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/ Azouz Ennifar

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	44,700,000	60%
(2) Consultants' Services and Training	2,100,000	83%
(3) Unallocated	4,700,000	
TOTAL	51,500,000 =====	

2. 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.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) works, under contracts not exceeding \$250,000 equivalent; (ii) services of consulting firms, under contracts not exceeding \$100,000 equivalent; and (iii) services of individual consultants, under contracts not exceeding \$50,000 equivalent, 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 in improving the management of its roads sector, carrying out related suitable budgetary reforms, expanding the participation of the private sector in road maintenance, improving roads standards, reducing rural-urban migration and disparities between urban and rural areas, and benefitting the poorer population groups through the enhanced delivery of social services. To these ends, the Project aims particularly at: (i) improving the maintenance of rural roads; (ii) decentralizing responsibilities for road management; (iii) establishing an appropriate link between budgets and road classification and strengthening budgetary discipline, transparency and accountability; (iv) improving the efficiency of road maintenance works through an increased participation of the private sector; and (v) minimizing life-cycle costs of roads by optimizing the use of unpaved road techniques.

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: Institutional Development

Development and implementation of a program of institutional reforms designed to improve the management of the Borrower's roads sector and its budgetary system, facilitate the participation and development of the private sector role in road maintenance works of the Borrower's rural roads network and establish optimal road standards, consisting of: (i) the reclassification of the rural roads' network; (ii) the establishment of an appropriate link, respectively, between budgets, road standards and resources, and road ownership and classification categories; (iii) the identification of the road maintenance works which can be carried out by the private sector more efficiently and at a lower cost; and (iv) the definition of optimal rural roads standards.

#### Part B: Pilot Periodic Rehabilitation

Carrying out, pursuant to Part A (iii) hereof, of a pilot program to periodically rehabilitate by contract, through the application of different types of road works consisting mainly of regravelling, about 300 kilometers of gravel roads located in ten (10) governorates.

#### Part C: Rural Roads Upgrading

Upgrading of about 715 kilometers of selected rural roads, including paving of selected portions, construction to minimal unpaved standards, and construction in anticipation of possible future paving.

\* \* \*

The Project is expected to be completed by June 30, 2002.

## SCHEDULE 3

### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 1 and November 1	
beginning on May 1, 2000 through May 1, 2011	2,145,000



and on November 1, 2011

2,165,000

---

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Works

Part A: International Competitive Bidding

1. Works under Part C of the Project shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), and in accordance with the following additional procedures.

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part C.2 (a) of this Section, the Bank's prior approval will be required for: (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days; and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. Bidders for works under Part C of the Project shall be prequalified as provided in paragraph 2.10 of the Guidelines.

3. To the extent practicable, contracts for works under Part C of the Project shall be grouped into bid packages estimated to cost the equivalent of \$2,000,000 or more.

Part B: Other Procurement Procedures

Local Competitive Bidding

Works under Part B of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Part C: Review by the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to: (i) each contract for works to be awarded under Part A hereof estimated to cost the equivalent of \$1,000,000 or more; and (ii) the first contract for works to be awarded under Part B hereof, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two (2) conformed copies of the contract required to

be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two (2) conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 7 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

3. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants: (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (ii) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (i) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (ii) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (i) the terms of reference for such contracts; (ii) single-source selection of consulting firms; (iii) assignments of a critical nature, as reasonably determined by the Bank; (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

## SCHEDULE 5

### Implementation Program

#### Section A: Institutional Arrangements

##### 1. General Directorate of Bridges and Roads (DGPC)

(a) The DGPC shall have overall responsibility for the implementation and oversight of the Project. To this end, the Borrower shall take all measures necessary to ensure that the DGPC is provided at all times with staff, financial and physical resources adequate to enable it to carry out its

responsibilities.

(b) For the purposes of ensuring the proper coordination and execution of the Project, the DGPC shall be vested specific responsibility for, inter alia: (i) timely planning and coordination of Project activities; (ii) monitoring progress in the implementation of Project activities; (iii) liaising with the Bank; (iv) preparing the quarterly Project progress reports referred to in Section D.2 (b) hereof for submission to the Bank, and, on those basis, preparing the final Project completion report referred to in Section 9.07 (c) of the General Conditions; and (v) carrying out procurement of works and employing consultants in accordance with the Bank's Guidelines thereon and supervising the execution of works and services under the Project.

## 2. Interministerial Working Group (IWG)

For purposes of ensuring an efficient sustenance of Project activities, the Borrower shall maintain the IWG throughout the period of Project implementation under terms of reference satisfactory to the Bank.

## Section B: Criteria for Selection of Road Periodic Rehabilitation

In order to maximize the benefits to be derived from the Project, the Borrower shall establish, on the basis of guidelines acceptable to the Bank, that the roads selected for periodic rehabilitation under Part B of the Project shall yield an economic rate of return of at least 15%.

## Section C: Environmental Safeguards

1. For each rural road proposed to be upgraded under Part C of the Project, the Borrower shall cause the DGPC:

(a) to prepare and submit for the Bank's review and approval before the award of a contract for works for each said road a standard assessment questionnaire issued by the Bank identifying any potential adverse environmental effects to be produced by the proposed works; and

(b) to follow mitigation guidelines satisfactory to the Bank and the Borrower's Agence Nationale pour la Protection de l'Environnement to screen and mitigate any such adverse environmental effects.

2. In the event a portion of land adjacent to the rural road is required to be expropriated to upgrade a road under Part C of the Project, the Borrower shall ensure that each affected person shall be provided with compensation for said portion of land, consisting at his or her option and subject to the availability of public agricultural land, in either land of equivalent productive potential or cash compensation, determined at the replacement value of the land, or, in the case of a landless affected person, determined in accordance with an alternative procedure satisfactory to the Bank, and, as appropriately, with compensation for other lost immovable assets, determined in accordance with guidelines satisfactory to the Bank.

## Section D: Project Monitoring

1. The Borrower shall furnish to the Bank, or cause the DGPC to furnish to the Bank, not later than June 30, 1995, a list, satisfactory to the Bank, defining the baseline values for public and private agricultural investments in the rural roads' zone of influence to be utilized as parameters for the Impact Indicators.

2. The Borrower shall cause the DGPC:

(a) to maintain operational procedures adequate to enable it to monitor, in accordance with the Impact Indicators, the progress achieved in carrying out the Project and any constraints hindering the achievement of the objectives of the Project;

(b) to prepare and furnish to the Bank, not later than the 30th day after the end of each Quarter in each Fiscal Year beginning with Quarter after the Quarter ending on September 30, 1995, a report, of such scope and in such detail as the Bank shall reasonably request, on the conclusions and recommendations resulting from the monitoring activities performed pursuant to paragraph (a) above during the preceding Quarter and any corrective action proposed to further the progress of the Project, along with proposed Project activities for the following Quarter; and

(c) to afford the Bank a reasonable opportunity to exchange views on said reports, and, thereafter, undertake any remedial measures agreed upon by the Borrower and the Bank to ensure the proper execution of the Project.

#### Section E: Mid-Term Review

The Borrower shall cause the DGPC:

(a) to prepare and submit to the Bank, not later than July 31, 1998 a report, of such scope and in such detail as the Borrower and the Bank shall have agreed, on, inter alia: (i) the progress achieved by the DCPC in carrying out the Project during the precedent mid-term Project implementation period, with special focus on Part A of the Project and Project achievements measured on the basis of the Impact Indicators and the agreed Project objectives and implementation schedule; (ii) the progress under the Institutional Action Plan; (iii) proposed revisions to be introduced to the Impact Indicators; (iv) the commitments and the prospective future disbursements for Project activities; (v) the actual and planned implementation of public agricultural investments in the rural roads' zone of influence; and (vi) a detailed description of the implementation of the arrangements for procurement of works and employment of consultants for all Project components.

(b) not later than October 31, 1998, to exchange views with the IWG and the Bank on said report; and

(c) promptly thereafter, to introduce such modifications into the Impact indicators, as shall have been agreed upon with the Bank, and to take all action which the Borrower and the Bank shall have agreed is required on the part of the DGPC to ensure the successful and timely implementation of the Project and to achieve the objectives thereof.

#### SCHEDULE 6

##### Selected Rural Roads

Unless the Bank may otherwise agree, the rural roads to be upgraded under Part C of the Project shall consist of the following roads:

1. Governorate of Tunis: the Bir Jazzar Road (No. 1008), the Miaou Road (No. 1009), the Cite Lahbib Road (No. 1010), and the Borj Chakir Road (No. 1013);

2. Governorate of Nabeul: the Tabbene Road (No. 322), the El-Haouaria Road (No. 323), the Bayadha Road (No. 324), the Dar Joundi-Jabouza Road (No. 327), the Daroufa Road (No. 328), the Grombalia-Nianou Road (No. 329), the Hannous Road (No. 333), the Bou Argoub-Barrage Masri Road (No. 336), and the Sidi Hamed-Zaouiet Jedidi Road (No. 340);

3. Governorate of Ariana: the Borj Chakir-Bouregba Road (No. 2203), the Bir Jazzar-Mornaguia Road (No. 2205), the Raccordement GP7-RVE 511 Road (No. 2208), the Djedeida-Sidi S. Tebbassi Road (No. 2209), the Mannouba-Sidi Ali Hattab Road (No. 2210), the El Batan-Hathermine Road (No. 2211), the Forna-El Guerat par Mahfoura Road (No. 2212), and the Mornaguia-El Attar par Hmaiem Road (No. 2213);
4. Governorate of Bizerte: the Menzel Zid-Ghabaya-Batia Road (No. 912), the Sidi El Bechir-RVE 356 Road (No. 914), the Alia-Ras Djebel Road (No. 915), the Ain Ksiba-Ras El Ain Road (No. 917);
5. Governorate of Ben Arous: the Bairem-Khlij Road (No. 2301), the Zaouia-Oued Meliane Road (No. 2304), the Zaouia-Sidi Saad Road (No. 2305), and the Sidi Fraj-Hasbine Road (No. 2306);
6. Governorate of Jendouba: the Chemtou El Galaa Road (No. 1305), the Touahria Road (No. 1309), the Zralbia-Hamma Ouechtata Road (No. 1310), the Abdel Jabbar Road (No. 1311), the Etrakhna-El Khiaitia Road (No. 1314), and the Damous Road (No. 1319);
7. Governorate of Zaghuan: the Boucha-Freksine Road (No. 1110) and the Sebbala Hamra Road (No. 1112);
8. Governorate of Monastir: the MC 82-Ksibet El Mediouni Road (No. 1501) and the Cherahil-Sidi Bannour Road (No. 1557);
9. Governorate of Kasserine: the Majel Bel Abbas-Ennadhour Road (No. 509) and the Sbeitla-Khanguet Zazia Road (No. 513);
10. Governorate of Sousse: the Enfidha-Frada-Sidi Saidane Road (No. 1406), the Frada Road (No. 1407) and the Sidi El Heni-Ouled Khechine Road (No. 1408);
11. Governorate of Mahdia: the Zgondia-Krarcha-Hkaima Road (No. 1605), the Boumerdes-Ababsa-Maata Road (No. 1606), the Ksour Essaf-El Hajeb Road (No. 1654), and the Sidi Alouane-Bradaa Road (No. 1657);
12. Governorate of Beja: the Sidi Ahmed Road (No. 1206), the Tarhouni-Amdoun Road (No. 1207), and the Matria-Teboursouk Road (No. 1208);
13. Governorate of Kef: the Zanfouf Road (No. 113), the MC 173 Mellala Road (No. 117), and the Kef-Mahassen Road (No. 121);
14. Governorate of Kairouan: the Sbikha-Sisseb Road (No. 411), the Bouhajla-Jhina Road (No. 413), and the Oueslatia-Ain Mastour Road (No. 414);
15. Governorate of Siliana: the Kesra Bou Abdallah Road (No. 208) and the Jama-Bourouis Road (No. 255);
16. Governorate of Gafsa: the Sidi Boubaker Road (No. 713);
17. Governorate of Sfax: the Rouadhi-Teniour Road (No. 1708) and the Blettech-Bederna Road (No. 1752);
18. Governorate of Medenine: the Beni Khedache-Demmer Road (No. 1806) and the Ajim-El Kantara Road (No. 1810);
19. Governorate of Sidi-Bouزيد: the Gammouda Road (No. 614) and the Regueb-Bir Ali Ben Khelifa Road (No. 616);
20. Governorate of Kebili: the Menchia-Jazira El Baidha Road (No. 2003) and the Fej Errih-Rabta Road (No. 2004);
21. Governorate of Gabes: the Mareth-Lafam Road (No. 814);

22. Governorate of Tataouine: the Ksar Haddada-Oued El Khil Road (No. 1901); and

23. Governorate of Tozeur: the Chamsa-El Hamma Road (No. 2102).

#### SCHEDULE 7

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 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 equivalent to \$2,300,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 commitment 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.





