

CONFORMED COPY

LOAN NUMBER 3255 TUN

(Employment and Training Fund Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 24, 1990

LOAN NUMBER 3255 TUN

LOAN AGREEMENT

AGREEMENT, dated September 24, 1990, between REPUBLIC OF TUNISIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS 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" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this 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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period coincides with the calendar year commencing January 1 and ending December 31;

(c) "Governorates" means the administrative divisions of the Borrower, as organized by the Borrower's Decree, dated June 21, 1956, as amended by the Borrower's Law No. 74-47, dated June 5, 1974;

(d) "MFPE" means the Borrower's Ministry of Vocational Training and Employment (Ministcre de la Formation Professionnelle et de l'Emploi), established and operating pursuant to the Borrower's Decree No. 90-875, dated May 25, 1990, or any successor thereto;

(e) "ETF" means the Employment Training Fund (Fonds d'Insertion et d'Adaptation Professionnelle), to be established and thereafter maintained by the Borrower under the supervisory authority of MFPE pursuant to the provisions of Section 3.02 (a) of this Agreement;

(f) "Employment Training Activities" means the activities to be financed in part out of the proceeds of the Loan and carried out under the supervisory authority of MFPE, in accordance with the terms and conditions set forth in the ETF Procedural Manual (as such term is defined hereinafter);

(g) "ETF Procedural Manual" means the procedural manual (Manuel de Procedure du FIAP) to be prepared by the Borrower for contracting, processing, financing and monitoring the carrying out of the Employment Training Activities, referred to in Section 3.02 (b) of this Agreement;

(h) "Beneficiary Governorate" means each Governorate which has fulfilled the eligibility criteria set forth in the ETF Procedural Manual; and

(i) "Recruitment Contracts Program" means the employment promotion program established pursuant to the provisions of the Borrower's Decree No. 1154, dated August 28, 1987.

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 this Agreement, various currencies that shall have an aggregate value equivalent to the amount of twelve million dollars (\$12,000,000), 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 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1994 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 15 and November 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. 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 MFPE, with due diligence and efficiency and in conformity with appropriate administrative, financial, economic, labor and employment practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) The Borrower shall establish and thereafter maintain, or shall cause to be established and thereafter maintained, under the supervisory authority of MFPE and in a form satisfactory to the Bank, an employment training fund (the ETF) for financing the carrying out of the Employment Training Activities; and

(b) the Borrower shall prepare, under terms of reference satisfactory to the Bank, and thereafter furnish to the Bank an ETF procedural manual (the ETF Procedural Manual) setting forth the terms and conditions and related procedures for contracting, processing, financing and monitoring the carrying out of the Employment Training Activities.

Section 3.03. (a) Not later than December 31, 1990, the Borrower shall appoint and thereafter maintain a project coordinator (the Project Coordinator) in MFPE, with functions, qualifications and terms of reference all satisfactory to the Bank, and said Project Coordinator shall be responsible for supervising and coordinating the overall day-to-day administration and implementation of the Project and shall be assisted by the project managers referred to in paragraph (b) of this Section; and

(b) the Borrower shall take or cause to be taken all action necessary to ensure that a project manager is maintained in each Beneficiary Governorate for the purposes of, among other things, assisting the Project Coordinator, referred to in paragraph (a) of this Section, in respect of the overall responsibility for carrying out the Project.

Section 3.04. The Borrower shall establish and thereafter maintain an ETF national management committee (the ETF National Management Committee), with membership and terms of reference all satisfactory to the Bank, for the purposes of supervising the carrying out of Part A of the Project.

Section 3.05. The Borrower shall take all action necessary to ensure that, not later than December 31, 1990, no contractual or similar arrangement shall be entered into under the Recruitment Contracts Program.

Section 3.06. Not later than December 31, 1991, the Borrower shall prepare and furnish to the Bank, for its review and comment, a study on the cost-benefit analysis of the then current employment promotion programs within the Borrower's territory, and shall promptly thereafter, on the basis of said review and taking into account the Bank's recommendations, take all action necessary to carry out said recommendations.

Section 3.07. Not later than December 31, 1992, the Borrower

shall prepare and furnish to the Bank, for its review and comment, a mid-term evaluation study of the quantitative and qualitative impact on the Borrower's labor market of the ETF-financed activities under Part A of the Project, and shall promptly thereafter, on the basis of said review and taking into account the Bank's recommendations, take all action necessary to increase the effectiveness of such impact in respect of alleviating unemployment within the Borrower's territory.

Section 3.08. Not later than June 30, 1991, the Borrower shall take all action necessary to ensure that the maximum allowable period available to MFPE's employment offices to identify a suitable candidate before a commercial enterprise may advertise a notice for employment shall be reduced to two (2) work days.

Section 3.09. The Borrower shall take all action necessary to ensure that the MFPE's multi-service center shall at all times charge and collect from the end beneficiary enterprises the cost of in-company training and staff selection services rendered by such center to said enterprises, such costs to be determined in accordance with a methodology and procedures satisfactory to the Bank.

Section 3.10. 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 separate 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 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 Fiscal 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 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 this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Borrower shall have established, or caused to be established, the ETF in accordance with the provisions of Section 3.02 (a) of this Agreement;

(b) the Borrower shall have furnished, or caused to be furnished, to the Bank the ETF Procedural Manual in accordance with the provisions of Section 3.02 (b) of this Agreement; and

(c) the Borrower shall have established, or caused to be established, the ETF National Management Committee in accordance with the provisions of Section 3.04 of this Agreement.

Section 5.02. The date on hundred twenty (120) days after 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 Planning and Regional Development 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 Planning and Regional Development
Place Ali Zouaoui
Tunis
Republic of Tunisia

Telex:

15117

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INTBAFRAD

197688 (TRT),

Washington, D.C. 248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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/ Mustapha Nabli
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. A. Wapenhans
Regional Vice President
Europe, 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) Expenditures under Part of the Project	9,800,000	50% of amounts disbursed for stipends, training services and related materials and consumables
(2) Goods (including vehicles) and equipment under Part B of the Project	1,300,000	100% of foreign expenditures, 80% of local expenditures
(3) Consultants' services and fellowships under Part B of the Project	700,000	100%
(4) Unallocated	200,000	
TOTAL	12,000,000 =====	

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;

(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; and

(c) the term "consumables" means goods and materials needed for carrying out the Employment Training Activities, such as consumable materials, small tools and various provisions.

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.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to accelerate the adaptation of the Borrower's labor force to existing employment opportunities within the Borrower's territory, through improved training and labor market intermediation; and (ii) to consolidate the Borrower's existing human capital by developing in-company training activities within the Borrower's territory.

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:

The financing of specific employment and training activities to facilitate the placement of unemployed persons and improve the productivity of those employed within the Borrower's territory, which activities shall include the following: (a) training for job placement in a commercial enterprise; (b) training for installation in an independent economic activity; (c) in-company training and extension services; (d) sub-contracting employment and training activities to training and placement enterprises; and (e) provision of allowances for employee interview and relocation.

Part B:

1. Developing and carrying out an integrated institutional development program to strengthen the capabilities of MFPE's agencies responsible for employment and training which program shall include the following: (a) development of a multi-service center for providing human resources development services to commercial enterprises; (b) development, updating and dissemination of occupational and educational information, and strengthening of regional orientation units; (c) monitoring of labor market and training activities; and (d) management and evaluation of ETF.

2. Acquisition and utilization of vehicles, micro-computer hardware and software and office equipment required to carry out the foregoing.

3. Provision of technical assistance and training to assist in the foregoing.

* * *

The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Amortization Schedule

Principal

Payment of

Date Payment Due (expressed in dollars)*

On each May 15 and November 15

beginning May 15, 1996
through November 15, 2007 500,000

* The figure in this column represents 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
(expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:	The interest rate
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 eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods 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 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$300,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Tunisia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Local Shopping:

Sundry equipment estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$350,000, and materials and consumables estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,600,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. (a) With respect to each contract for goods estimated to cost the equivalent of \$250,000 or more, 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 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 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 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Bank has authorized withdrawals on the basis of statements of expenditure.

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants 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.

SCHEDULE 5

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 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 \$1,000,000 to be withdrawn from the Loan Account and deposited into 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 a deposit or deposits 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 in 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the Eligible Categories, less the amount of any 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.

