Global Environment Facility
Trust Fund Grant Agreement

(Energy Efficiency/Industrial Sector Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated December 13, 2004
GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated December 13, 2004, between REPUBLIC OF TUNISIA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said
request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2;

(E) the Project will be carried out by the Recipient through, respectively, ANME and SOTUGAR with the Recipient’s assistance and, as part of such assistance, the Recipient will make available to ANME and SOTUGAR part of the proceeds of the GEF Trust Fund Grant as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient 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 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans, dated May 30, 1995 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

(i) Article I;
(ii) Sections 2.01 (1), (2), (3), (4), (5), (6), (7), (8), (9), (14), (15), (16), (18) and (21), 2.02 and 2.03;
(iii) Section 3.01;
(iv) Section 4.01 and 4.06;
(v) Article V;
(vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (g), (h), (i), (k), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
(vii) Section 8.01 (b);
(viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
(ix) Sections 10.01, 10.03 and 10.04;
(x) Article XI; and
(xi) Sections 12.01 (c), 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:
(i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6) and 6.02 (f) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;

(ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;

(iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;

(iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;

(v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and

(vi) the following new paragraph (q) shall be added immediately after paragraph (p) of Section 2.01 to read as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”

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

(a) “ANME” means *Agence Nationale pour la Maîtrise de l’Energie*, the National Agency for Energy Conservation, established and operating in accordance with the Recipient’s Law No. 2004-72, dated August 2, 2004;

(b) “Beneficiary” means an ESCO, a local financial institution and/or other financial intermediary or private industrial enterprise which has met the criteria specified in the Operations Manual for the making of Sub-grants, and to which or for whose benefit a Sub-grant is made or proposed to be made;

(c) “Category” means, individually, a category of items set forth in the table in Paragraph 1 of Schedule 1 to this Agreement, and the term “Categories” means, collectively, more than one Category;

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

(e) “Convention” means the convention, in form and substance satisfactory to the Bank, dated September 1, 2004, entered into between ANME and SOTUGAR for the administration of the Partial Guarantee Fund under Part B.1 of the Project;

(f) “ESCOs” means Energy Services Companies duly established and validly operating under the Recipient’s laws;
(g) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(h) “FODEC” means *Fonds de Développement de la Compétitivité*, the Fund established and operating under the Recipient’s Law no. 94-127 dated December 26, 1994, for the purpose of enhancing the competitiveness of the industrial sector in the Recipient’s territory;

(i) “Mid-term Review” means the review to be carried out pursuant to Part C of Schedule 4 to this Agreement;

(j) “MOIE” means the Recipient’s Ministry of Industry and Energy or any successor thereto;

(k) “Partial Guarantee Fund” means the Partial Guarantee Fund established by the Recipient in its Central Bank under Part B.1 of the Project and administered by ANME in accordance with the Convention;

(l) “PMU” means *Unité de Gestion du Projet*, the Project Management Unit established within ANME by the Recipient pursuant to a decision dated September 1, 2004, and to be maintained in accordance with paragraph 4 of Part A of Schedule 4 to this Agreement;

(m) “Operations Manual” means the operations manual dated September 1, 2004, in form and substance satisfactory to the Bank, setting out details of all procedures, guidelines, timetables and eligibility criteria required for the Project, including the
financial, administrative, institutional and operational arrangements relating to the
carrying out of the Project;

(n) “Procurement Plan” means the Recipient’s procurement plan, dated
September 1, 2004, covering the initial 18 month period (or longer) of Project
implementation, as the same shall be updated from time to time in accordance with the
provisions of Section 3.04 to this Agreement, to cover succeeding 18 month periods (or
longer) of Project implementation;

(o) “Project Executing Agencies” means, collectively, ANME and
SOTUGAR;

(p) “Project Steering Committee” means Comité de Pilotage, the Project
Steering Committee established by the Recipient within ANME, and to be maintained in
accordance with paragraph 5 of Part A of Schedule 4 to this Agreement;

(q) “SMEs” means small and medium-scale enterprises established pursuant
to the Recipient’s laws and operating in the territory of the Recipient;

(r) “SOTUGAR” means Société Tunisienne de Garantie, a guarantee facility
established as a joint-stock company with public participation and financial autonomy,
and operating under the Recipient’s Law no 2000-93 dated December 3, 2000;

(s) “Management Fee” means the management fee provided by ANME to
SOTUGAR for the operations of the Partial Guarantee Fund, under Part B.2 of the
Project;
(t) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement;

(u) “Sub-grant” means a sub-grant made by ANME under the Project or, as the case may be, a guarantee facility provided under the Project by SOTUGAR to a Beneficiary;

(v) “Sub-grant Agreement” means the agreement to be entered into between a Project Executing Agency and a Beneficiary pursuant to paragraph 2 (c) of Part B of Schedule 4 to this Agreement, as the same may be amended from time to time; and such term includes all schedules to the Sub-grant Agreement;

(w) “Sub-project” means a private sector energy efficiency investment, to be carried out under the Project, and eligible for financing under a Sub-grant in accordance with the procedures and eligibility criteria set forth in Part B of Schedule 4 to this Agreement and in the Operations Manual; and

(x) “Technical Centers” means the Recipient’s technical centers established and operating under the Recipient’s laws, in charge of developing monitoring and verification procedures for energy efficiency investments.
ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to eight million five hundred thousand Dollars ($8,500,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services required for Part C of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant; and (ii) for amounts paid (or if the Bank shall so agree, to be paid) on account of withdrawals made in respect of Sub-Grants under Parts A and B.1 of the Project and in respect of the Management Fee under Part B.2 of the Project.

(b) The Recipient may, for the purposes of Parts A, B.2 and C of the Project (the ANME Special Account) and Part B.1 of the Project (the SOTUGAR Special Account), open and maintain in Dollars separate special deposit accounts in its Central Bank, on terms and conditions satisfactory to the Bank. Deposits into, and payments out of each Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.
Section 2.03. The Closing Date shall be December 31, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.
ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end (i) shall carry out Parts A, B.2 and C of the Project through ANME and (ii) shall carry out Part B.1 of the Project through SOTUGAR, all with due diligence and efficiency and in conformity with appropriate energy efficiency, environmental, financial, technical and administrative practices and with due regard to ecological and environmental factors, 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 Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement and the Operations Manual.

Section 3.02. The Recipient shall, in respect of Parts A, B.2 and C of the Project, make available to ANME, through budgetary allocations, the proceeds of the GEF Trust Fund Grant allocated from time to time to Categories (1 (a)), 2 and (3).

Section 3.03. The Recipient shall, in respect of Part B.1 of the Project, make available to SOTUGAR, through budgetary allocations, the proceeds of the GEF Trust Fund Grant allocated from time to time to Category (1)(b).
Section 3.04. (a) Except as the Bank shall otherwise agree, procurement of the goods and consultants’ services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 3.05. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient 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 Recipient on said plan.
ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Recipient’s Special Accounts for each fiscal year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure for the Project, the Recipient shall:

(i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in Part C of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:
(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds; 

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and 

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Bank not later than 45 days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each Financial Monitoring Report shall be furnished to the Bank not later than 45 days after each subsequent calendar semester, and shall cover such calendar semester.
ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely that the Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the Project Executing Agencies, or for the suspension of the operations of any of the Project Executing Agencies.
ARTICLE VI

Effective Date; Termination

Section 6.01. This Agreement shall become effective upon its execution by the parties.

Section 6.02. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.
ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Development and International Cooperation of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Development and International Cooperation
Place Ali Zouaoui
Tunis
Republic of Tunisia

Cable Address: MCCIIE  Telex: 18060  Facsimile: 216-71-351666 /216-71-799069

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  Telex: 248423 (MCI)  Washington, D.C. 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 Tunis, Republic of Tunisia, as of the day and year first above written.

REPUBLIC OF TUNISIA

By /s/ Mohamed Nouri Jouini
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(as an implementing agency of the Global Environment Facility)

By /s/ Theodore O. Ahlers
Country Director, Maghreb Countries
Middle-East and North Africa
SCHEDULE 1
Withdrawal of the Proceeds of the GEF Trust Fund Grant

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

<table>
<thead>
<tr>
<th>Category</th>
<th>GEF Trust Fund Grant Allocated (Expressed in United States Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-grants for Sub-projects under Parts A and B.1 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) ANME</td>
<td>2,500,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(b) SOTUGAR</td>
<td>3,500,000</td>
<td>100% of 75% of debt guaranteed</td>
</tr>
<tr>
<td>(2) Management Fee under Part B.2 of the Project</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services and training under Part C of the Project</td>
<td>1,600,000</td>
<td>87% for services of consultants domiciled within territory of the Recipient and 79% for services of other consultants</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>8,500,000</td>
<td></td>
</tr>
</tbody>
</table>
2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

   (a) payments made for expenditures prior to the date of this Agreement; and

   (b) a Sub-project under Category (1) unless: (i) the Sub-project has met the eligibility criteria set forth or referred to in the Operations Manual and the provisions of Part B of Schedule 4 to this Agreement; and (ii) a Sub-grant Agreement has been signed in respect of such Sub-project.

3. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) Sub-grants for Sub-projects under contracts costing less than $100,000 equivalent per contract under Part A of the Project and under contracts costing less than $200,000 equivalent per contract under Part B.1 of the Project; (b) services under contracts costing less than $100,000 equivalent per contract in the case of consulting firms; (c) services under contracts costing less than $50,000 equivalent per contract in the case of individual consultants; (d) the Management Fee; and (e) training, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

4. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.
SCHEDULE 2

Description of the Project

The objective of the Project is to facilitate the development of a sustainable market of energy efficiency Sub-projects through: (i) the removal of institutional and capacity-related barriers; and (ii) the establishment of energy services companies (ESCOs).

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives.

Part A  GEF Pilot Phase for Energy Efficiency Investments

1. The carrying out of a financing program to develop and carry out, on a pilot basis, a financial intermediation mechanism administered by ANME, for the financing, through Sub-grants, of private sector energy efficiency investments.

2. The provision of subsidies for Sub-grants amounting to a maximum of 10% of the Sub-grant value.

Part B  Partial Guarantee Fund

1. Establishment by the Recipient in its Central Bank of a Partial Guarantee Fund designed to: (a) provide Sub-grants in the form of guarantee for seventy-five per cent (75%) of the principal debt incurred under Sub-projects carried out by Beneficiaries for energy efficiency investments; (b) increase the probability of commercial financing for
such investments; and (c) facilitate the establishment of a sustainable financial market for energy efficiency investments.

2. Support to the management of the Partial Guarantee Fund through the Management Fee.

Part C: Technical Assistance

Provision of technical assistance, through ANME, to various stakeholders, including: (a) the development of operational rules and procedures under the Project, such as the development of performance-based contracts for ESCOs; (b) the review and strengthening of the Recipient’s institutional and regulatory framework to promote energy efficiency-oriented measures; (c) training of Technical Centers in monitoring and verification skills; (d) specialized training for ESCOs, including the development of performance-based contracting; (e) technical training in energy-efficiency projects for Technical Centers, ESCOs and engineering consulting entities; (f) capacity building training of commercial banks, leasing companies, SOTUGAR and other financial institutions in energy efficiency-related activities and commercial guarantees; (g) dissemination of results of the Project’s indicators through workshops and publications; and (h) strengthening the PMU’s capacity in project management and development of administrative and financial procedures and monitoring and evaluation of environmental indicators.

* * *

The Project is expected to be completed by June 30, 2009.
Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Services (other than Consultants’ Services)

A. Shopping. Goods estimated to cost less than $50,000 equivalent per contract may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.
B. Commercial Practices. Items estimated to cost less than $1,000,000 equivalent per contract and to be financed under Sub-grants made for Subprojects under Part A and B.1 of the Project, may be procured in accordance with commercial practices acceptable to the Bank.

Section III. Particular Methods of Procurement of Consultants’ Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures.

1. Selection Based on Consultants’ Qualifications. Services 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, 3.7 and 3.8 of the Consultant Guidelines.

2. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.
3. **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Bank.

Section IV. **Review by the Bank of Procurement Decisions**

A. **Prior Review.** Except as the Bank shall otherwise determine by notice to the Recipient, the following prior review procedures shall apply:

1. **Consultants’ Services Provided by Firms.**

   (a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more.

   (b) The following prior review procedures shall apply to each contract for consultants’ services provided by a firm to be procured on the basis of single source selection: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Bank for its prior review and approval; (ii) the contract shall be awarded only after the Bank’s approval shall have been given; and (iii) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.
2. **Consultant’s services provided by individuals**

   The prior review shall apply to each contract for consultants’ services provided by individual estimated to cost the equivalent of $50,000 or less; all single source selection; amendments to contracts raising the contract value above the prior review threshold; and all terms of reference regardless of the contract amount.

B. **Post Review**

1. With respect to each contract for goods or services (other than consultants’ services) not governed by Part A of this Section, the post review procedures set forth in paragraph 4 of Appendix 1 to the Procurement Guidelines shall apply.

2. With respect to each contract for consultants’ services not governed by Part A of this Section, the post review procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.
SCHEDULE 4

Implementation Program

A. General

1. The Recipient shall carry out the Project in accordance with the Operations Manual and, except as the Bank shall otherwise agree, the Recipient shall not amend or waive any provision of the Operations Manual if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. The Recipient shall cause each of the Project Executing Agencies to be maintained in a form and with functions, staffing and resources satisfactory to the Bank.

3. (a) ANME shall have overall responsibility for the carrying out, supervision and monitoring of Parts A, B.2 and C of the Project and, to this end, ANME’s functions shall include: (i) the receipt and evaluation of Beneficiaries’ applications for the grant of energy efficiency subsidies under the Project; (ii) overseeing the carrying out of approved Sub-projects; (iii) the monitoring of the operations of the Partial Guarantee Fund; (iv) the monitoring and evaluation of the environmental impact of the Project; and (v) the preparation and issuance of reports required by the Project’s institutional and implementation arrangements.

(b) For purposes of Part C of the Project, the Recipient shall cause ANME to develop model contracts, satisfactory to the Bank, with a view to regulating the relationships between ESCOs and industrial enterprises.
(c) SOTUGAR shall have overall responsibility for the carrying out, supervision and monitoring of Part B.1 of the Project and, to this end, SOTUGAR’s functions shall include: (i) the receipt and evaluation of Beneficiaries’ applications for the grant of energy efficiency subsidies under the Project; (ii) overseeing the carrying out of approved Sub-projects; and (iii) the operation of the Partial Guarantee Fund.

4. The Recipient shall, throughout the duration of the Project, maintain PMU in a form and with functions, staffing and resources satisfactory to the Bank. PMU shall be headed by a qualified Project manager, appointed on terms and conditions satisfactory to the Bank, assisted by an adequate number of competent engineers.

5. The Recipient shall maintain the Project Steering Committee in a form and with functions, staffing and resources satisfactory to the Bank. The Project Steering Committee, which shall consist of representatives of stakeholders, SOTUGAR, Technical Centers, industry federations, the professional association of Tunisian banks and relevant ministries of the Recipient, shall be responsible for the overview and coordination of the implementation of the Project.

B. Procedures and Eligibility Criteria for the Selection of Sub-Projects

1. The Recipient shall require a Beneficiary applying for a Sub-grant to furnish its energy efficiency investment proposal to a Project Executing Agency in accordance with the procedures set forth in the Operations Manual.

2. The Recipient shall cause the Project Executing Agency to: (a) ensure that the investment proposal meets the requisite criteria of the Operations Manual; (b) ensure that
the Beneficiary has the capacity to carry out, manage and maintain the Sub-project in conformity with appropriate administrative, financial, technical, managerial and energy efficiency standards; and (c) approve the Sub-grant and, to that end, enter into a Sub-grant Agreement, satisfactory to the Bank, with the Beneficiary under which proceeds of the GEF Trust Fund Grant will be made available to the Beneficiary for the purposes of the Sub-project.

3. The Sub-grant Agreement shall provide for rights adequate to protect the interests of the Bank and the Recipient, including, to the extent that it shall be appropriate, the right to:

   (a) require the Beneficiary to: (i) carry out the Sub-project with due diligence and efficiency and in accordance with sound administrative, financial, technical, managerial and energy efficiency standards; and (ii) maintain adequate records for the Sub-project;

   (b) require that all goods and services required for the Sub-project shall be procured in accordance with the provisions of Section II 2) of Schedule 3 to this Agreement;

   (c) require that such goods and services shall be used exclusively in the carrying out of the Sub-project;

   (d) require the Beneficiary to allow the Recipient to inspect by itself or jointly with representatives of the Bank, if the Bank shall so request (i) the operations of the Sub-project; and (ii) any relevant records and documents;
require the Beneficiary to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and

suspend or terminate the right of the Beneficiary to the use of the proceeds of the Sub-grant upon the failure by the Beneficiary to perform any of its obligations under the Sub-grant Agreement.

C. Mid-Term Review

The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in the Operations Manual, the carrying out of the Project 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 March 31, 2007, 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 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 achievement of the objectives thereof during the period following such date; and

(c) review, jointly with the Bank and the Project Executing Agencies, by June 30, 2007, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the
efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.
SCHEDULE 5

Special Accounts

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 GEF Trust Fund Grant 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 Allocations” means an amount equivalent to $600,000 in respect of the ANME Special Account for purposes of Parts A, B.2 and C of the Project and an amount equivalent to $500,000 in respect of the SOTUGAR Special Account for purposes of Part B.1 of the Project, to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:
(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the respective 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 Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the respective Special Account such amount or amounts as the Recipient shall have requested.

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

(ii) Prior to or at the time of each such request, the Recipient 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 Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the respective Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All
such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant 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 Recipient out of the respective Special Account, the Recipient 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 any Special Account:

   (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant 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 Recipient 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 Accounts;

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

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories for the respective Special Account, 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 GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. 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 respective 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 any 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 Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the respective 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 any Special Account shall be made until the Recipient 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 any Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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