Loan Agreement

(Sustainable Municipal Solid Waste Management Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 22, 2007
AGREEMENT dated March 22, 2007, between REPUBLIC OF TUNISIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

**ARTICLE I - GENERAL CONDITIONS; DEFINITIONS**

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II - LOAN**

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of sixteen million eight hundred thousand Euros (EUR 16,800,000) ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.

2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
2.06. The Payment Dates are February 15 and August 15 in each year.

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

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwound, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III - PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through ANGed in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that the Borrower’s Decree No. 2005-2317 dated August 22, 2005, related to the establishment of ANGed has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ANGed to perform any of its obligations under this Agreement.
4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V - EFFECTIVENESS

5.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is the Minister of Development and International Cooperation.

6.02. The Borrower’s Address is:

Ministry of Development and International Cooperation
Place Ali Zouaoui
1000 Tunis
Republic of Tunisia

Facsimile:

216-71-351666/
216-71-799069

6.03. The Bank’s Address is:

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) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Washington, D.C., United States of America, as of the day and year first above written.

REPUBLIC OF TUNISIA

By /s/ Mohamed Nejib Hachana
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Daniela Gressani
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower in strengthening the sustainability of municipal solid waste management through: (i) the establishment of a solid waste management planning and implementation system; and (ii) the closing and rehabilitation of certain environmentally damaging dump sites.

The Project consists of the following parts:

1. Institutional Support and Capacity Building

   (a) ANGed Institutional Support & Capacity Building

   Provision of technical assistance to ANGed to: (i) identify, plan and carry out capacity building activities for ANGed with a view to ensure integrated municipal solid waste management with regard to collection, transport, transfer, recycling, valorization and final disposal of said waste; (ii) propose cost optimization and the establishment of financial monitoring systems support; (iii) carrying out studies on the evaluation and optimization of use of certain disposal sites; and (iv) establish a management system for the monitoring and control of emission reductions and CDM activities of the Project.

   (b) Regional Planning, Inter-Communality and Cost Optimization

   Development of necessary expertise for reducing cost and increasing revenues of solid waste management system at municipal levels with private sector participation including: (i) development of master plans for the sustainable management of municipal solid waste in selected governorates; (ii) design of inter-communality schemes for selected governorates; and (iii) piloting an inter-communality scheme at the Nabeul governorate.

   (c) Institutional Support and Capacity Building for ANPE

   Carrying out of activities identified in the context of the Equivalence and Acceptability Report on the use of the Borrower’s system for environmental assessment in the municipal solid waste sector, including: (i) review of the terms of reference of the municipal solid waste sector; (ii) development of sectoral guidelines for environmental assessments; and (iii) building the requisite capacity to review environmental assessments in the waste sector.
(d) **Mitigation of Social Impacts**

Identification and initiation of communication activities for the improvement of the livelihood of waste collectors in selected dump sites, and discussion of options for the reinstatement of said collectors and mitigation of social risks caused by the closing and rehabilitation of dump sites by private operators and/or by ANGed.

2. **Infrastructure Construction, Landfill Gas Collection and Treatment, and Dump Sites Rehabilitation**

   (a) **Landfill Construction**

   Construction of a cell in the Djebel Chekir landfill in the Greater Tunis area.

   (b) **Collection and Treatment of Landfill Gases**

   Designing, building and operating a system of gas collection and flaring of the biogas for the Djebel Chekir landfill, and the first cell of each of the nine (9) new landfills in Bizerte, Sousse, Monastir, Kairouan, Sfax, Gabes, Jerba, Nabeul and Medenine, all in accordance with international standards and norms.

   (c) **Rehabilitation of Dump Sites**

   Rehabilitation of about seven (7) dump sites in selected governorates and municipalities.

3. **Project Management**

   Provision of technical assistance, including the provision of equipment and training to PMU staff, to assist in the carrying out and monitoring of the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. The Borrower shall, until the completion of the Project, maintain a Project Management Unit within ANGed, with terms of reference and with a composition satisfactory to the Bank. The PMU shall be responsible for overall Project oversight, supervision, monitoring and coordination.

2. The Borrower shall, until the completion of the Project, maintain a Steering Committee, to be chaired by the Minister of Environment and Sustainable Development or his representative, and to include representatives from ministries and any other structures and persons concerned by the Project. The SC shall be responsible, inter alia, for providing oversight and strategic direction to the Project and for facilitating inter-agency collaboration and cooperation.

3. The Borrower shall: (i) cause the Project to be carried out in conformity with the provisions of the Environmental Legislation, the EMPs, the Equivalence and Acceptability Report and the RPF; (ii) shall inform the Bank of any developments in the legislation, rules or procedures of, or applicable to, the Borrower that may affect the implementation of the Project; and (iii) shall not change, modify or otherwise amend said EMPs, Report and RPF without prior concurrence of the Bank.

4. The Borrower shall cause ANGed to ensure that:

   (a) prior to the carrying out of any Project activities not identified, assessed, nor included in the EA, such activities shall be subject to an environmental assessment, under terms of reference and in form and substance satisfactory to the Bank; and

   (b) mitigating and monitoring measures of the selected landfills are carried out in accordance with the EMPs.

5. The Borrower shall, in the context of the reports referred to in Section II. Part A of this Schedule, cause to be prepared and provided to the Bank for its review semestrial reports on the implementation of the EMPs. The Bank may provide comments as appropriate on said reports, notably to agree with ANGed on remedial actions to be taken by ANGed to achieve compliance with the Environmental Legislation and the RPF.
Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project, including the status of the implementation of the EMPs, and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar semester, interim un-audited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have the Project Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I, III and IV of the Consultant Guidelines and with the provisions of this Schedule.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular
contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding. For purposes of Part 2(b) of the Project, the contract shall be awarded on the basis of International Competitive Bidding following the design, build and operate approach.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding of the Borrower may be used for procurement of goods and works for the Project, provided that the following provisions are complied with:</td>
</tr>
<tr>
<td>(i) the bid document clearly explains the bid evaluation, award criteria and bidder qualification criteria;</td>
</tr>
<tr>
<td>(ii) technical, administrative and financial envelopes are publicly and simultaneously opened;</td>
</tr>
<tr>
<td>(iii) bids shall be evaluated on price and any other criteria disclosed in the bid documents and quantified in monetary terms and contracts are awarded to the qualified bidder with the lowest evaluated responsive bid;</td>
</tr>
<tr>
<td>(iv) prior to issuing the first call for bids, a draft standard bidding document to be used under National Competitive Bidding procurement must be submitted to, and found acceptable, by the Bank;</td>
</tr>
<tr>
<td>(v) tenders will be advertised with no less than four (4) weeks notice for bid submission;</td>
</tr>
<tr>
<td>(vi) bidders will be allowed to deliver their bid by hand or by mail before the expiration of the deadline for submitting bids;</td>
</tr>
<tr>
<td>(vii) if foreign firms wish to participate, they shall be allowed to do so and no provision for preferential treatment for national companies or</td>
</tr>
</tbody>
</table>
mandatory association between foreign and national firms shall apply;

(viii) the procedures shall include publication of evaluation results and the award of contract and provisions for bidders to protest; and

(ix) no eligible bidder shall be excluded from participation, except on grounds of not meeting the necessary qualification.

(b) Shopping

(c) Direct Contracting

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection Based on Consultants’ Qualification</td>
</tr>
<tr>
<td>(b) Quality Based Selection</td>
</tr>
<tr>
<td>(c) Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for works estimated to cost the equivalent of $2,500,000 or more; (b) the first two contracts procured on the basis of National Competitive Bidding, regardless of value; (c) all contracts for goods procured on the basis of direct contracting; (d) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; and (e) each contract for individual consultants’ services estimated to cost the equivalent of $50,000 or more. All other contracts shall be subject to Post Review by the Bank. With respect to consultant contracts costing the equivalent of $200,000 or less, the short list may comprise entirely national consultants if a sufficient number of firms exist in the Borrower’s territory and said firms present competitive offers. If, however, foreign firms express interest, these shall be allowed to participate.
Section IV. **Withdrawal of Loan Proceeds**

A. **General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in Euros)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>13,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services</td>
<td>1,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Unallocated</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>16,800,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of Category (2) of this table, Consultants’ Services may include the provision of equipment and training.

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $500,000 equivalent may be made for payments made prior to this date but on or after December 1, 2006, for Eligible Expenditures.

2. The Closing Date is June 30, 2012.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; and (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 February 2012</td>
<td>2.00</td>
</tr>
<tr>
<td>15 August 2012</td>
<td>2.00</td>
</tr>
<tr>
<td>15 February 2013</td>
<td>0.00</td>
</tr>
<tr>
<td>15 August 2013</td>
<td>2.00</td>
</tr>
<tr>
<td>15 February 2014</td>
<td>5.00</td>
</tr>
<tr>
<td>15 August 2014</td>
<td>5.00</td>
</tr>
<tr>
<td>15 February 2015</td>
<td>5.00</td>
</tr>
<tr>
<td>15 August 2015</td>
<td>6.60</td>
</tr>
<tr>
<td>15 February 2016</td>
<td>6.50</td>
</tr>
<tr>
<td>15 August 2016</td>
<td>6.50</td>
</tr>
<tr>
<td>15 February 2017</td>
<td>2.00</td>
</tr>
<tr>
<td>15 August 2017</td>
<td>0.00</td>
</tr>
<tr>
<td>15 February 2018</td>
<td>6.50</td>
</tr>
<tr>
<td>15 August 2018</td>
<td>6.50</td>
</tr>
<tr>
<td>15 February 2019</td>
<td>6.50</td>
</tr>
<tr>
<td>15 August 2019</td>
<td>6.50</td>
</tr>
<tr>
<td>15 February 2020</td>
<td>3.00</td>
</tr>
<tr>
<td>15 August 2020</td>
<td>0.00</td>
</tr>
<tr>
<td>15 February 2021</td>
<td>6.20</td>
</tr>
<tr>
<td>15 August 2021</td>
<td>5.40</td>
</tr>
<tr>
<td>15 February 2022</td>
<td>4.00</td>
</tr>
<tr>
<td>15 August 2022</td>
<td>4.00</td>
</tr>
<tr>
<td>15 February 2023</td>
<td>4.00</td>
</tr>
<tr>
<td>15 August 2023</td>
<td>4.80</td>
</tr>
</tbody>
</table>
2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

1. “ANGed” means Agence Nationale de Gestion des Déchets, the Borrower’s National Agency for Waste Management, established and operating pursuant to the Borrower’s Decree No. 2005-2317 dated August 22, 2005, or any successor thereto.

2. “ANPE” means Agence Nationale pour la Protection de l’Environnement, the Borrower’s National Agency for Environmental Protection, established and operating pursuant to the Borrower’s Law No. 88-20 dated April 13, 1988, the implementation decree No. 88-1784 dated October 18, 1988, and as amended by Law 1992-115 of November 30, 1992, or any successor thereto.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “CDM” means Clean Development Mechanism, as such expression is defined in Article 12 of the 1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change.


6. “Environmental Assessments” or “EAs” means environmental assessments, acceptable to the Bank, prepared by the Borrower, evaluating the environmental impact of the Project and setting forth the mitigating, institutional, and monitoring measures for the Project, as the same may be amended from time to time by agreement between the Borrower and the Bank.

7. “Environmental Legislation” means the Borrower’s set of rules, regulations, legislation, decrees, arrêtés, or decisions, including, but not limited to, Decree No. 1991-2005 of July 11, 2005 on environmental impact assessments, the sectoral terms of reference for the environmental impact study of the municipal solid waste projects, legislation regarding the municipal solid waste management, legislation applicable to classified industries, legislation governing air, water and soil emission standards, and all secondary legislation related thereto.

8. “EMPs” means the environmental management plans, duly prepared by the Borrower, which sets out the environmental mitigation and protection measures in respect of the carrying out of Part 2(b) of the Project, as well as the administrative and monitoring arrangements to ensure the implementation of said measures, as such plan may be amended from time to time with the prior approval of the Bank.


11. “PMU” or “Project Management Unit” means the Borrower’s Project Management Unit established by the Borrower’s Ministerial Decision of January 26, 2006, and referred to in paragraph 1, Section I of Schedule 2 to this Agreement.


13. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated December 18, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

14. “RPF” or “Resettlement Policy Framework” means the Borrower's framework adopted in October 2006 defining the resettlement principles, land acquisition procedures and design criteria to be applied as appropriate to specific dump sites during Project implementation to the satisfaction of the Bank.

15. “SC” or “Steering Committee” means the Borrower’s Project Steering Committee, established by the Borrower’s Ministerial Decision of January 26, 2006, and referred to in paragraph 2, Section I of Schedule 2 to this Agreement.