Project Agreement

(Second Export Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

CENTRE DE PROMOTION DES EXPORTATIONS

Dated July 2, 2004
PROJECT AGREEMENT

AGREEMENT, dated July 2, 2004, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DÉVELOPMENT (the “Bank”) and CENTRE DE PROMOTION DES EXPORTATIONS (the “CEPEX”).

WHEREAS (A) by the Loan Agreement of even date herewith between the Republic of Tunisia (the “Borrower”) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to thirty million three hundred thousand Euros (EUR 30,300,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that CEPEX agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a CEPEX grant agreement (the “CEPEX Grant Agreement”) to be entered into between the Borrower and CEPEX, part of the proceeds of the loan provided for under the Loan Agreement will be made available to CEPEX for purposes of carrying out Part A of the Project; and

WHEREAS (C) CEPEX, in consideration of the Bank’s entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. CEPEX declares its commitment to the objectives of the Project, as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, technical assistance and trade practices, and shall
provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A of the Project.

Section 2.02. (a) For purposes of Part A of the Project, CEPEX shall enter into the CEPEX Grant Agreement with MOF, acting on behalf of the Borrower, providing for the transfer to CEPEX, on a non-reimbursable grant basis, of the proceeds of the Loan allocated from time to time to Categories (1), (2(a)), (3(a)) and (4), under terms and conditions which shall have been approved by the Bank.

(b) CEPEX shall exercise its rights and obligations under the CEPEX Grant Agreement in such manner as to protect the interests of CEPEX and the Bank, and to accomplish the purposes of the Loan and achieve the objectives of the Project, and, except as the Bank shall otherwise agree, CEPEX shall not assign, amend, abrogate or waive CEPEX Grant Agreement, or any provision thereof.

Section 2.03. CEPEX shall, at the request of the Bank, exchange views with the Bank with regard to the progress achieved in carrying out Part A of the Project, the performance of its obligations under this Agreement and the CEPEX Grant Agreement, and such other matters relating to the purposes of the Loan and the achievement of the objectives of the Project.

Section 2.04. CEPEX shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan or the achievement of the objectives of the Project, or the performance by CEPEX of its obligations under this Agreement or under the CEPEX Grant Agreement.

Section 2.05. Not later than October 1, 2004, CEPEX shall appoint a committee (the EMAFII Steering Committee), with representation and terms of reference satisfactory to the Bank, responsible for decisions pertaining to supporting the on-going operations, supervising the execution, and coordinating the administration of EMAFII.

Section 2.06. (a) Unless the Bank shall otherwise agree, CEPEX shall provide Matching Grants to Beneficiaries under EMAFII in accordance with the procedures and on the terms and conditions set forth in the EMAFII Operations Manual.

(b) CEPEX shall exercise its rights in relation to each Matching Grant in such manner as to: (i) protect the interests of the Borrower and of the Bank; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Loan and the objectives of the Project.

(c) Without limitation upon the provisions of this Agreement or those of the EMAFII Operations Manual, the activities to be carried out by CEPEX under Part A of the Project pursuant to EMAFII shall meet the following principal eligibility criteria:
(i) the activity shall contribute directly to the diversification of export products or markets or to increasing value added;

(ii) the activity shall be complementary to other Project activities;

(iii) the activity shall focus on the development of sustainable capacity and expertise for supporting export production and/or marketing, especially in the private sector or in the area of requiring public/private cooperation;

(iv) the activity shall not be intended for a military or paramilitary purpose or for luxury consumption purposes, and shall not be included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower and CEPEX:

<table>
<thead>
<tr>
<th>Group</th>
<th>Subgroup</th>
<th>Description of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>-</td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td>-</td>
<td>Tobacco, unmanufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td>-</td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td>-</td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td>-</td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>Group</td>
<td>Subgroup</td>
<td>Description of Items</td>
</tr>
<tr>
<td>-------</td>
<td>----------</td>
<td>----------------------</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td>-</td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(d) **In respect of each activity to be carried out under Part A of the Project pursuant to EMAFII, CEPEX shall submit to the Bank for its prior approval all details in respect of the eligibility criteria to be met as set out in the EMAFII Operations Manual and such other information as the Bank shall reasonably request from time to time.**

Section 2.07. CEPEX shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of Part A 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 June 30, 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 Part A 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 Part A of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by December 31, 2007, or such later date as the Administrator shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Part A 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.

Section 2.08. CEPEX shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of this Agreement and Part A of the Project.

Section 2.09. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants’ services required for Part A of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of
Schedule 4 to the Loan Agreement, as said provisions may be further elaborated in the Procurement Plan.

**ARTICLE III**

**Management and Operations of CEPEX**

Section 3.01. CEPEX shall carry on its operations and conduct its affairs in accordance with sound administrative, economic, financial, technical assistance and trade practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. CEPEX shall at all times administer and operate the EMAFII in accordance with the EMAFII Operations Manual, and otherwise in accordance with sound administrative, economic, financial and technical assistance and trade practices, and pursuant to the provisions of this Agreement. CEPEX shall not, without the prior written agreement of the Bank, amend or otherwise alter the EMAFII Operations Manual or any provision thereof.

Section 3.03. CEPEX shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

**ARTICLE IV**

**Financial Covenants**

Section 4.01. (a) CEPEX 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 Part A of the Project.

(b) CEPEX shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the CEPEX Special Account for each fiscal year 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 Loan Account were made on the basis of statements of expenditure, CEPEX shall:

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

(ii) 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 Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures; 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 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 with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon CEPEX’s progress reporting obligations set out in Section 2.07 of this Agreement, CEPEX 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 Part A of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

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

(iii) sets forth the status of procurement under Part A of 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 Part A of 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

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of CEPEX thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify CEPEX thereof.

Section 5.03. All this provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party’s address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:
For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391

For CEPEX:

Maison de l’Exportateur
Centre Urbain Nord
1080 Tunis
Republic of Tunisia

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of CEPEX may be taken or executed by its President Director General or such other person or persons as its President Director General shall designate in writing, and CEPEX shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.
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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Christiaan Poortman
Regional Vice President
Middle East and North Africa

CENTRE DE PROMOTION DES EXPORTATIONS

By /s/ Hatem Atallah
Authorized Representative