No. 12574

SWEDEN and TUNISIA

Development Credit Agreement—Tunisia Water Supply Project (with schedules, annex and related letter). Signed at Washington on 16 January 1969

Authentic text: English.

Registered by Sweden on 14 June 1973.

SUÈDE et TUNISIE

Contrat de crédit de développement — Projet d'adduction d'eau pour la Tunisie (avec appendices, annexe et lettre connexe). Signé à Washington le 16 janvier 1969

Texte authentique: anglais.

Enregistré par la Suède le 14 juin 1973.

DEVELOPMENT CREDIT AGREEMENT¹

(TUNISIA WATER SUPPLY PROJECT)

BETWEEN THE KINGDOM OF SWEDEN AND THE REPUBLIC OF TUNISIA (HEREINAFTER CALLED THE AGREEMENT)

WHEREAS the Kingdom of Sweden and the Republic of Tunisia, desiring to strengthen the traditional cooperation and cordial relations between the two countries, have agreed that as a contribution to the economic and social development of Tunisia, the Kingdom of Sweden (hereinafter called the Lender) shall extend to the Republic of Tunisia (hereinafter called the Borrower) a development credit (hereinafter called the Credit) to assist in the financing of a program for the further development of the Borrower's water supply facilities (hereinafter called the Project).

Whereas Société Nationale d'Exploitation et de Distribution des Eaux (hereinafter called Sonede), a government-owned, autonomous water supply organization its entering into a loan agreement of even date² with the International Bank for Reconstruction and Development (hereinafter called the Bank) with regard to assistance towards financing the Project (hereinafter called the Bank Agreement).

WHEREAS the Borrower is entering into a guarantee agreement³ with the Bank, guaranteeing the obligations of Sonede according to the Bank Agreement (hereinafter called the Guarantee Agreement).

WHEREAS the Borrower is entering into an agreement with SONEDE (hereinafter called the Subsidiary Loan Agreement) to relend the proceeds of the Credit to SONEDE for the carrying out of the Project.

Now THEREFORE the parties hereto hereby agree as follows:

Article I. THE CREDIT

- The Lender shall make available to the Borrower a development credit in an amount of twenty-six million Swedish Kronor (SKr 26,000,000) subject to the provisions of the Agreement, of which the attached annex forms an integral part, and to such other provisions as may be agreed upon between the parties.
- The Credit shall be available for withdrawal in an amount of SKr 6,000,000 on the effective date of the Agreement, in an amount of SKr 14,000,000 on July 15, 1969, and in its entirety on July 15, 1970.

Article II. USE OF THE PROCEEDS OF THE CREDIT

- The Borrower shall cause the proceeds of the Credit to be used by SONEDE, in accordance with more detailed provisions to be agreed upon between the parties, to assist, jointly with the loan provided for under the Bank Agreement, exclusively in financing the Project as described in Schedule 1 to the Agreement.
- The Borrower shall cause the goods and services financed out of the proceeds of the Credit to be used exclusively in the carrying out of the Project.

¹ Came into force on 16 January 1969 by signature, with effect from 9 June 1969, the date when the related Guarantee Agreement between the Bank and Tunisia (see foot-note 3 below) became effective, in accordance with article VIII (1).

<sup>See foot-note 2, p. 166 of this volume.
See p. 165 of this volume.</sup>

3. Except as the Lender shall otherwise agree, the Borrower shall cause the goods and services financed out of the proceeds of the Credit to be procured through international competitive bidding in accordance with methods and procedures satisfactory to the Lender.

Article III. THE SPECIAL ACCOUNT

1. The amount to be made available in accordance with article I shall be paid by the Lender, as required to meet requests by the Borrower for withdrawals, to the credit on account in Swedish Kronor opened in the books of the Sveriges Riksbank, Stockholm, acting as agent for the Lender. The account, which shall be held in favour of Sonede acting as agent for the Borrower, shall be denominated Special Account No. 3 (hereinafter called the Special Account).

Article IV. WITHDRAWAL FROM THE SPECIAL ACCOUNT

- 1. The specific allocation of the proceeds of the Credit and the provisions for changes in such allocation are set forth in Schedule 2 to the Agreement.
- 2. Sonede acting on behalf of the Borrower shall be entitled to withdraw from the Special Account in respect of the reasonable cost of goods required for the Project and to be financed under the Agreement one-fourth (or, if the Lender shall so agree, such other fraction thereof, as shall not be eligible for financing under the Bank Agreement) of:
 - (i) such amounts as shall have been paid (or, if the Lender shall so agree, as shall be required to meet payments to be made) in currencies other than the currency of the Borrower for expenditures under Categories 1, 2 and 3 of the allocation of the proceeds of the Credit set forth in Schedule 2 to the Agreement;
 - (ii) the equivalent of forty-eight per cent (48%) of the invoice price of the items in Category 2 of the allocation of the proceeds of the Credit set forth in Schedule 2 to the Agreement fabricated and procured in the territories of the Borrower and therefore ineligible for financing under paragraph (i) above, such percentage being a reasonable estimate of the foreign exchange cost of the imported components and materials:
- (iii) the equivalent of fifty-six per cent (56%) of the invoice price of the items in Category 1 of the allocation of the proceeds of the Credit set forth in Schedule 2 to the Agreement purchased through local importers and therefore ineligible for financing under paragraph (i) above, such percentage being a reasonable estimate of the foreign exchange cost of such items;
- (iv) such amounts as shall be required to meet payments to be made in currencies other than the currency of the Borrower for expenditures under Category 7 of the allocation of the proceeds of the Credit set forth in Schedule 2 to the Agreement; and
- (v) the equivalent of forty-eight per cent (48%) of such amounts as shall have been paid (or, if the Lender shall so agree, as shall be required to meet payments to be made) for expenditures under Categories 4, 5 or 6 of said Schedule 2, provided, however, that if there shall be an increase in the estimate of such expenditures, the Lender may by notice to Sonede acting on behalf of the Borrower adjust the above percentage as required in order that withdrawals of the amount of the Credit then allocated to such Categories and not withdrawn may continue pro rata with the expenditures remaining to be made under such Categories.

- 3. If for purposes of financing the Project a currency other than Swedish Kronor shall be required and if a request shall be made to withdraw any proceeds of the Swedish Credit in such other currency, the Sveriges Riksbank shall remit the requested foreign currency amount and shall debit the Special Account with the Swedish Kronor equivalent of such amount calculated on the basis of the current market selling rate or, if no such current rate applies, such rate as may be reasonably determined by the Lender.
- 4. Upon the request of Sonede, acting on behalf of the Borrower, and upon such terms and conditions as shall be agreed between the Lender and the Borrower, the Lender may enter into special commitments in writing to pay amounts to Sonede or others in respect of the cost of goods to be financed under the Agreement, notwith-standing any subsequent suspension or cancellation. Should such special commitment require payments in a currency other than Swedish Kronor, the Lender will debit the Special Account the equivalent amount of such payments in Swedish Kronor when such special commitments are entered into.
- 5. Not withdrawals shall be made on account of expenditures made before the Date of Signature of the Agreement. The closing date for withdrawals shall be December 31, 1973 or such other date as may be agreed upon between the parties.

Article V. Service of the Credit

- 1. The Borrower shall pay to the Lender a service charge at the rate of three-fourths of one per cent $(\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn from the Special Account and outstanding from time to time. The service charge shall be payable semi-annually on March 1 and September 1 in each year. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.
- 2. The Borrower shall repay to the Lender the principal of the Credit withdrawn from the Special Account in semi-annual installments payable on March 1 and September 1 commencing March 1, 1979 and ending September 1, 2018, each installment to and including the installment payable on September 1, 1988 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($\frac{1}{2}\%$) of such principal amount. The Borrower shall have the right to repay in advance of maturity all or any part of the principal amount of one or more maturities of the Credit specified by the Borrower.
- 3. The principal of and service charge on the Credit shall be paid by the Borrower in Swedish Kronor to the Sveriges Riksbank in favour of the Lender.
- 4. The principal of and service charge on the Swedish Credit shall be paid without deduction for, and free from, any taxes and charges and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.
- 5. In regard to the service of the Credit the Borrower undertakes to give the Lender no less favourable treatment than that accorded to other foreign creditors.

Article VI. Particular Covenants

- 1. The Borrower shall cause the Project to be carried out and maintained with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.
- 2. The Borrower shall at all times make or cause to be made available, promptly as needed, all funds, facilities, services and other resources required for carrying out, including maintenance, of the Project.

- 3. (a) The Borrower shall relend the Tunisian Dinar equivalent of the proceeds of the Credit to Sonede on terms and conditions satisfactory to the Lender pursuant to the Agreement and to the Subsidiary Loan Agreement. The Tunisian Dinar equivalent of the proceeds of the Credit shall be determined on the basis of the official rate of exchange.
- (b) The Borrower shall not assign, amend, abrogate or waive any provision of the Subsidiary Loan Agreement nor permit such actions without the approval of the Lender. The Swedish International Development Authority, acting on behalf of the Lender, may give such approval.
- 4. The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Credit, to disclose the use thereof in the Project, and to record the progress of the Project (including the cost thereof).
- 5. The Borrower and the Lender shall cooperate fully to ensure that the purpose of the Credit will be accomplished. To that end, each of them shall furnish or cause to be furnished to the other all such information as it shall reasonably request with regard to the Credit. The Borrower shall promptly inform the Lender of any condition which interferes with, or threatens to interfere with, the accomplishment of the purpose of the Credit or the service thereof.
- 6. The Borrower shall afford all reasonable opportunity for accredited representatives of the Lender to visit any part of the territories of the Borrower for purposes related to the Credit and to inspect all relevant goods, works, records and documents.
- 7. The Borrower shall cause SONEDE to grant Swedish suppliers adequate opportunities of bidding for the goods and services to be financed out of the proceeds of the Credit, and no less favourable treatment than that accorded to suppliers from third countries.

Article VII. MISCELLANEOUS

- 1. The Borrower shall furnish to the Lender evidence of the authority of the person or persons who will, on behalf of the Borrower, take any action or execute any document under the Agreement, and the authenticated specimen signature of each such person.
- 2. Any notice or request under the Agreement and any agreement between the parties contemplated by the Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when delivered through diplomatic channels.

Article VIII. EFFECTIVE DATE; TERMINATION

- 1. The Agreement shall become effective after it has been signed by duly authorized representatives of the parties and concurrently with the Bank Agreement becoming effective.
- 2. The Agreement and all obligations of the parties hereunder, except those set forth in article V and in the annex, shall terminate on a date 25 years after the date of the Agreement or the date upon which both parties shall have fulfilled all obligations, including those set forth in article V, arising from the Agreement, whichever shall be the earlier.

IN WITNESS WHEREOF, The Kingdom of Sweden and the Republic of Tunisia, acting through their representatives thereunto duly authorized, have caused the Agreement to be signed.

DONE in the District of Columbia, United States of America, on the 16th day of January, 1969, in two original copies in English.

For the Kingdom of Sweden:

By Hubert DE Besche Authorized Representative

For the Republic of Tunisia:

By RACHID DRISS Authorized Representative

SCHEDULE 1

DESCRIPTION OF PROJECT

The Project, which represents part of the National Water Supply Program for 1968-1973, consists of (A) engineering and construction of sub-projects for the expansion and improvement of the supply and distribution systems of: (a) the Tunis region; (b) the Sahel (Sousse) region; and (c) the cities of Nabeul and Hammamet; and (B) improvement of Sonede's organization and operations.

- (A) (a) The Tunis sub-project consists of:
 - (i) the construction and installation of a large diameter pipeline and related facilities from Oued Kasseb Dam to Gdir el Goulla Reservoir in the outskirts of Tunis;
 - (ii) the construction and installation of a large diameter feeder line from Gdir el Goulla Reservoir to Rastabia Reservoir in Tunis;
 - (iii) the improvement of existing sources and development of additional ground water sources, including installation of tube wells and pumping stations and the renovation of sections of the pipelines conveying water from the supply facilities south of Tunis: and
 - (iv) the improvements and expansion of distribution systems, including major feeder mains and secondary distribution lines.
 - (b) The Sahel sub-project consists of:
 - (i) the improvement of existing sources and development of additional ground water sources, including installation of tube wells, pumping stations and feeder mains;
 - (ii) the construction of a section of about 40 km of the Sahel pipeline known as phase b;
 - (iii) the construction of sections of trunk pipelines supplying the north Sahel region and of additional storage facilities; and
 - (iv) improvements and expansion to the distribution systems of Sousse, Msaken and Kalaa Kebira, including storage reservoirs, distribution trunk lines and partial renovation of existing secondary mains.
 - (c) The Nabeul-Hammamet sub-project consists of:
 - (i) additional tube wells and pumping stations;
 - (ii) construction of storage reservoirs; and
 - (iii) interconnection of the distribution networks of the two cities.
- (B) Improvement of Sonede's organization and operations.

The present reorganization will be continued in order to improve SONEDE's management and operations by allowing for sound financial policies, better investment planning, recruitment and

training of qualified staff. Efficiency will be increased by reduction of water losses through procurement of water meters and special items for leak detection, level and pressure recording and control.

The Project is expected to be completed by April 30, 1973.

SCHEDULE 2

ALLOCATION OF PROCEEDS OF CREDIT

Categ	ory	Amounts Expressed in Swedish Kronor Equivalent
1.	Supply of equipment (pumps, motors, transformers, control, measuring, and maintenance equipment, valves, meters, related accessories, and spare parts for above items)	1,560,000
2.	Cast iron or asbestos cement pipes and related fitting	1,300,000
3.	Engineering and supervision	1,508,000
4.	Prestressed concrete pipes	7,540,000
5.	Installation of pipes and related works	4,420,000
6.	Other civil works	1,404,000
7.	Interest and other charges	3,900,000
8.	Unallocated	4,368,000
	TOTAL	26,000,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

- 1. If the estimate of the cost of the items included in any of the Categories 1, 2, 3, 4, 5, 6 or 7 shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Lender to Category 8.
- 2. If the estimate of the cost of the items included in any of the Categories 1, 2, 3, 4, 5, 6 or 7 shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit (or, in the case of Categories 4, 5 or 6, an amount equal to 12% of such increase) will be allocated by the Lender, at the request of Sonede, to such Category from Category 8, subject, however, to the requirements for contingencies, as determined by the Lender, in respect of the cost of the items in the other Categories.

ANNEX

The following provisions shall govern the rights and obligations under the Agreement, of which they are considered an integral part with the same force and effect as if they were fully set forth therein.

Paragraph 1. Cancellation and Suspension

The Borrower may by notice to the Lender cancel any amount of the Credit which the Borrower shall not have withdrawn, or with respect to which the Lender shall have not entered into a special commitment pursuant to article IV:4 of the Agreement, prior to the giving of such notice.

If any of the following events shall have happened and be continuing, the Lender may by notice to the Borrower suspend, in whole or in part, the right of the Borrower to make withdrawals from the Special Account:

- (a) A default shall have occurred in the payment of principal or service charge under the Agreement or in the payment of principal, service charge or interest under any other financial commitment entered into by the Borrower in relation to the Lender.
- (b) The Borrower shall have failed to meet any other obligation under the Agreement, any obligation under the Guarantee Agreement or the Subsidiary Loan Agreement.
- (c) SONEDE shall have failed to meet any obligation under the Bank Agreement or under the Subsidiary Loan Agreement.
- (d) The right of SONEDE to withdraw the proceeds of the Loan provided for in the Bank Agreement shall not have become effective or shall have been suspended or terminated, in whole or in part.
- (e) The outstanding principal of the Loan provided for in the Bank Agreement shall have been declared, or become, due and payable in advance of the agreed maturity thereof.
- (f) Sonede shall have cancelled any part of the Loan provided for in the Bank Agreement without the Borrower's having cancelled a corresponding proportion of the Credit.
- (g) Sonede shall be unable to pay its debts as they mature or any action or proceeding shall have been taken by Sonede or by others whereby any of the property of Sonede shall or may be distributed among its creditors.
- (h) The statutes of Sonede shall have been amended, suspended or abrogated or the Subsidiary Loan Agreement shall have been changed without the agreement of the Lender in such a way as shall materially affect adversely the operations of Sonede.
- (i) An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under the Agreement, or that SONEDE will be able to perform its obligations under the Bank Agreement or the Subsidiary Loan Agreement.

The right of the Borrower to make withdrawals from the Special Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Lender shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Lender in respect of any other or subsequent event described in this paragraph.

If (a) the right of the Borrower to make withdrawals from the Special Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) by the date specified in article IV:5 of the Agreement as the closing date an amount of the Credit shall remain unwithdrawn from the Special Account, the Lender may by notice to the Borrower terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice such amount of the Credit shall be cancelled.

No cancellation or suspension by the Lender shall apply to amounts subject to any special commitment entered into by the Lender pursuant to article IV:4 of the Agreement except as expressly provided in such commitment.

Notwithstanding any cancellation or suspension all the provisions of the Agreement shall continue in full force and effect except as in this Paragraph specifically provided.

Paragraph 2. Remedies of the Lender

If any event specified sub-paragraphs (a), (d), (f), or (g) of paragraph 1 shall occur and shall continue for a period of thirty days, or if any event specified in sub-paragraphs (b), (c), (h) or (i) of paragraph 1 shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Lender to the Borrower, or if the event specified in sub-paragraph (e) of paragraph 1 shall occur, then at any subsequent time the Lender, at his option, may declare the principal of the Credit then outstanding to be due and payable immediately,

and upon any such declaration such principal shall become due and payable immediately, anything in the Agreement to the contrary notwithstanding.

Paragraph 3. Failure to Exercise Rights

No delay in exercising, or omission to exercise any right, power or remedy accruing to either party under the Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Paragraph 4. Arbitration

- (a) Any controversy between the parties to the Agreement and any claim by either party against the other arising under the Agreement which cannot be settled in a satisfactory manner through diplomatic channels, within six months, shall at the request of either party be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.
 - (b) The parties to such arbitration shall be the Lender and the Borrower.
- (c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Lender; a second arbitrator shall be appointed by the Borrower; and the third arbitrator (hereinafter called the presiding arbitrator) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or failing appointment by him, by the Secretary General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the presiding arbitrator. In case any arbitrator appointed in accordance with this paragraph shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.
- (d) Arbitration proceedings may be instituted under this paragraph upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within thirty days after the giving of such notice, the adverse party shall notify the party instituting the proceeding of the name of the arbitrator appointed by such adverse party.
- (e) If, within sixty days after the giving of such notice instituting the arbitration proceeding, the parties shall not have agreed upon a presiding arbitrator, either party may request the appointment of a presiding arbitrator as provided in sub-paragraph (c) of this paragraph.
- (f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the presiding arbitrator. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.
- (g) Subject to the provisions of this paragraph and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.
- (h) The Arbitral Tribunal shall afford to the parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this paragraph shall be final and binding upon the parties to the Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this paragraph.
- (i) The provisions for arbitration set forth in this paragraph shall be in lieu of any other procedure for the determination of controversies between the parties to the Agreement and any claims by either party against the other party arising thereunder.
- (j) Service of any notice or process in connection with any proceeding under this paragraph or in connection with any proceeding to enforce any award rendered pursuant to this paragraph shall be made through diplomatic channels.

RELATED LETTER

THE KINGDOM OF SWEDEN

January 16, 1969

Secrétaire d'Etat au Plan et à l'Economie Nationale Place du Gouvernement Tunis, Tunisia

Dear Sir:

With reference to the Development Credit Agreement of today's date (hereinafter called the Swedish Agreement) between the Kingdom of Sweden and the Republic of Tunisia, I have the honour to propose that the following provisions should govern the implementation of articles II, IV and VI of the Swedish Agreement.

1. Definitions

The terms and abbreviations used in the Swedish Agreement are used also in this letter.

2. Provisions Agreed Between the Borrower and the Bank and Between SONEDE and the Bank

By agreements entered into in conjunction with the Swedish Agreement, the Borrower and SONEDE respectively have undertaken certain obligations towards the Bank. In the case of SONEDE these obligations are included in sections 5.01-5.11 of the Bank Agreement and in schedule 4 to that Agreement, and in the case of the Borrower in sections 3.05-3.10 of the Guarantee Agreement. The provisions in the said sections of the Bank Agreement and the Guarantee Agreement and in the said schedule to the Bank Agreement are agreeable to the Lender, making agreements on such matters, between the Lender and the Borrower, superfluous under present conditions. However, should these conditions change, the Lender and the Borrower shall consult with each other concerning appropriate provisions to take account of such matters.

3. Authority of the Bank to Act on Behalf of the Lender

Unless the Lender otherwise specifies, the Bank may represent the Lender with respect to supplementary agreements, approvals or arrangements with the Borrower regarding:

- (a) matters arising under article IV:2 and IV:4 of the Swedish Agreement;
- (b) the closing date under article IV:5 of the Swedish Agreement;
- (c) Schedule 2 to the Swedish Agreement (Allocation of the Proceeds of the Credit); and
- (d) changes in the provisions on withdrawal procedures as set forth in a Supplementary Letter of even date between the Lender, the Bank and SONEDE.

If the foregoing provisions are acceptable to the Republic of Tunisia I have the honour to suggest that you indicate your agreement by signing the form of confirmation on this letter, retaining a copy for your records, and returning another to me.

I have the honour to renew the assurances of my highest consideration.

Very truly yours,

The Kingdom of Sweden:

[Signed]
HUBERT DE BESCHE
Authorized Representative

Confirmed:

The Republic of Tunisia:

[Signed]

RACHID DRISS
Authorized Representative