

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7743-TN

Guarantee Agreement

(Energy Efficiency Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 8, 2009

GUARANTEE AGREEMENT

AGREEMENT, dated July 8, 2009, entered into between REPUBLIC OF TUNISIA (“Guarantor”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) (“Guarantee Agreement”) in connection with the Loan Agreement of same date between the Bank and Banque de Financement des Petites et Moyennes Entreprises (“Borrower”) (“Loan Agreement”). The Guarantor and the Bank hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

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

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

ARTICLE II – GUARANTEE

Section 2.01. The Guarantor declares its commitment to the objectives of the Project. To this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of all Loan Payments payable by the Borrower pursuant to the Loan Agreement.,

ARTICLE III - PROJECT

Section 3.01. The Guarantor declares its commitment to the objectives of the Project and the Program. To this end, the Guarantor shall cause ANME to assist the Borrower to implement the Project in accordance with the provisions of Article V of the General Conditions.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall cause ANME to carry out its assistance to the Borrower for the implementation of the Project in accordance with the provisions of Schedule 1 to this Agreement.

ARTICLE IV – REPRESENTATIVE; ADDRESSES

Section 4.01. The Guarantor's Representative is the Guarantor's Minister of Development and International Cooperation.

Section 4.02. The Guarantor's Address is:

Ministry of Development and International Cooperation
Place Ali Zouaoui
1069 Tunis
Republic of Tunisia

Cable address:

MCIIE

Facsimile:

216 71 351 666

Section 4.03. 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:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(202) 477-6391

AGREED in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF TUNISIA

By /s/ Habib Mansour
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shamshad Akhtar
Authorized Representative

SCHEDULE 1**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Guarantor shall cause ANME, until the completion of the Project, to maintain the PIU in a form and with functions, staffing and resources satisfactory to the Bank.
2. The Guarantor shall cause ANME, until the completion of the Project, to cooperate with the Borrower as necessary for the implementation of the Project.

B. Anti-Corruption

The Guarantor shall cause ANME to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Sub-projects

The Guarantor shall cause ANME to: (i) receive and evaluate the applications prepared by the Beneficiaries regarding the proposed Sub-projects; and (ii) screen and approve the Sub-projects submitted by the Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Bank, as set forth in the Operations Manual.

D. Safeguards

1. The Guarantor shall cause ANME to: (i) take all necessary measures to implement the Project in accordance with the Operations Manual, the Environmental Framework and the EMPs, and shall not amend, suspend, abrogate, repeal or waive any provisions of the Operations Manual, the Environmental Framework and the EMPs, without prior approval of the Bank; (ii) ensure that no Sub-project shall involve any involuntary resettlement or land acquisition; and (iii) ensure that adequate information on the implementation of the Environmental Framework and the EMPs is suitably included in the Project Reports referred to in Section II.A of this Schedule.
2. The Guarantor shall cause ANME, before any Sub-project shall be submitted to the Borrower for financing under the Loan, to: (i) screen and approve such Sub-project in accordance with the provisions of the Operations Manual and the Environmental Framework; and (ii) as the case may be, require the Beneficiary to subject the Sub-project to an environmental assessment and to

address the environmental impacts of such Sub-project, including through the preparation of an EMP, as required, in a manner satisfactory to ANME, all in accordance with the provisions of the Operations Manual and the Environmental Framework.

3. The Guarantor shall cause ANME to: (i) submit to the Bank for its review and approval all the documents regarding the first two (2) screened Sub-projects for which the relevant Beneficiaries shall have to prepare an EMP; and (ii) approve any such Sub-project only after the Bank has approved in writing such Sub-project.

4. The Guarantor shall cause ANME to, after the Borrower has entered into a Sub-loan Agreement with a Beneficiary, oversee the carrying out of the Sub-project and in particular to ensure that the Sub-project is carried out in conformity with the provisions of such Sub-loan Agreement, the Operations Manual, the Environmental Framework and the EMPs.

Section II. Project Monitoring Reporting and Evaluation.

A. Project Reports

The Guarantor shall cause ANME to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of 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. Technical Audits

The Guarantor shall cause ANME to perform technical audits of the Sub-projects to be carried out under the Project in accordance with the provisions of the Operations Manual. Such audits shall in particular review the procurement arrangements for the activities included in the Sub-projects, in accordance with the provisions of the Operations Manual.

Section III. Procurement

The Guarantor shall cause ANME to inform the Beneficiaries that all goods and works required for the Sub-projects and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.