
GCF LOAN NUMBER C3536
GCF GRANT NUMBER C3447

Green Climate Fund

Financing Agreement

(Tunisia-Italy Electricity Integration and Renewable Energy Ecosystem Project)

between

SOCIÉTÉ TUNISIENNE DE L'ELECTRICITÉ ET DU GAZ

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Acting as an Accredited Entity of the Green Climate Fund

GCF LOAN NUMBER C3536
GCF GRANT NUMBER C3447

GCF FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between SOCIÉTÉ TUNISIENNE DE L'ELECTRICITÉ ET DU GAZ ("Recipient") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as an Accredited Entity of the Green Climate Fund ("Bank"). The Recipient and the Bank hereby agree as follows:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

- 1.01. The Standard Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix to this Agreement.

ARTICLE II — PROJECT

- 2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out Parts 1, 2, 3.1 and 3.2 of the Project; all in accordance with the provisions of Article II of the Standard Conditions and Schedule 2 to this Agreement.

ARTICLE III — GCF FINANCING

- 3.01. The Bank agrees to extend to the Recipient a non-reimbursable grant and a loan (collectively, "GCF Financing") in the following amounts to assist in financing Parts 2 and 3.2 of the Project:
 - (a) the amount of four million Dollars (USD 4,000,000) ("GCF Grant"); and
 - (b) the amount of twenty million Dollars (USD 20,000,000) ("GCF Loan").
- 3.02. The Recipient may withdraw the proceeds of the GCF Financing in accordance with Section III of Schedule 2 to this Agreement.
- 3.03. The Service Charge is zero point two five per cent (0.25%) per annum on the Withdrawn GCF Loan Balance.
- 3.04. The Payment Dates shall be notified by the Bank to the Recipient, with the first Payment Date falling on the 1st or 15th calendar day immediately following the Effective Date, and the subsequent Payment Dates set semiannually thereafter.

- 3.05. The principal amount of the GCF Loan shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 3.06. The GCF Financing is funded out of the GCF Accredited Entity Trust Fund for which the Bank receives periodic contributions from the GCF. In accordance with Section 3.02 of the Standard Conditions, the Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the GCF under the GCF Accredited Entity Trust Fund, and the Recipient's right to withdraw the GCF Financing proceeds is subject to the availability of such funds.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following, namely, that the Recipient's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

ARTICLE V — TERMINATION

- 5.01. The Effectiveness Deadline is the date one hundred eighty (180) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its President Director General.

- 6.02. For purposes of Section 9.01 of the Standard Conditions:

- (a) the Recipient's address is:

38 rue Kamel Ataturk
BP 190
1080 Tunis; and

- (b) the Recipient's Electronic Address is:

Facsimile: +216 71341401

- 6.03. For purposes of Section 9.01 of the Standard Conditions:

- (a) The Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex: Facsimile:

248423 (MCI) 1-202-477-6391

AGREED as of the Signature Date.

**SOCIETE TUNISIENNE DE L'ELECTRICITE ET DU
GAZ**

By

Faycel Trifa

Authorized Representative

Name: Faycel Trifa

Title: Président Directeur Général

Date: December 13, 2023

**INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT
Acting as an Accredited Entity of the Green Climate Fund**

By

Alexandre Arrobbio

Authorized Representative

Name: Alexandre Arrobbio

Title: Country Manager

Date: December 13, 2023

SCHEDULE 1

Project Description

The objective of the Project is to increase Tunisia's resilient transmission capacity for the trade of electricity with Europe for the benefit of Tunisian households and businesses.

The Project consists of the parts set forth in Schedule 1 to the IBRD Loan Agreement, including the following Project activities:

2. Tunisia Grid Reinforcement

Carrying out of the following grid reinforcement construction works to connect the HVDC converter station referred to in Part 1 of the Project with the existing Tunisian grid:

- (a) a 400/225 kV substation in Grombalia;
- (b) a 400 kV double-circuit overhead transmission line of approximately 65 km length from the VSC HVDC converter station to the 400 kV Grombalia 2 substation; and
- (c) a 400kV double-circuit OHTL of approximately 51 km length from Grombalia 2 substation to the existing Mornaguia substation (including two 400kV underground cables at the substation Mornaguia).

3. Project Preparation and Implementation Support and Technical Assistance for Variable Renewable Energy ("VRE") Deployment

3.2. Strengthening Variable Renewable Energy (VRE) deployment through, *inter alia*:

- (i) the carrying out of pre-feasibility and feasibility studies (including environmental and social risks mitigation assessments and instruments and other relevant studies as needed) for the development of future renewable energy investment(s); and
- (ii) the provision of technical assistance (including legal, financial, technical and transaction advisory services) and training to support the competitive bidding process (including bid evaluation and contract award of power purchase agreements) of future renewable energy IPP investments.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall:

Project Implementing Unit

- (a) maintain, throughout Project implementation, the PIU in charge of the day-to-day management, coordination, implementation, monitoring, and evaluation (including reporting requirements) of Parts 1, 2, 3.1 et 3.2 of the Project; said PIU with functions, composition, and adequate resources acceptable to the Bank, all as further described in the Project Operational Manual; and

Project Operational Manual

- (b) (i) no later than (30) days after the Effective Date (or such later date as shall be agreed by the Bank), prepare a manual acceptable to the Bank (“Project Operational Manual” or “POM”); (ii) immediately thereafter, ensure that Parts 1, 2, 3.1 and 3.2 of the Project are carried out in accordance with the POM; and (iii) ensure that the POM or any of its provisions is not amended, abrogated or waived without the Bank’s prior written consent. In case of conflict between the provisions of the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Project Oversight Committee

2. No later than ninety (90) days after the Effective Date, or such later date as agreed by the Bank, the Recipient shall ensure, with the support of the Guarantor, the establishment, and thereafter operation and maintenance throughout Project implementation, of a Project oversight committee (“Project Oversight Committee”) with composition, terms of reference and functions acceptable to the Bank and defined in the POM to provide strategic guidance and oversight of the Project.

Other Institutional Arrangements

3. Prior to the commencement of any civil works under Parts 1 and 2 of the Project, the Recipient shall select and hire an owner engineer firm with terms of references

and under terms and conditions acceptable to the Bank, responsible of assisting the Recipient in the supervision of the activities under Parts 1 and 2 of the Project.

4. The Recipient shall carry out the activities under Part 3.2 of the Project in close coordination with the ministry in charge of energy, as set forth in the POM.

B. Annual Work and Budget Programs

1. The Recipient shall: (a) not later than November 30 of each calendar year during Project implementation, prepare and furnish to the Bank, a program of Project activities under Parts 1, 2, 3.1 and 3.2 (“Annual Work and Budget Program”) acceptable to the Bank for implementation in the following calendar year, including: (i) a detailed timetable for the sequencing and implementation of said activities; and (ii) the types of Eligible Expenditures required for such activities, a financing plan and a budget; and (b) thereafter carry out each said Annual Work and Budget Program in accordance with its terms and in a manner acceptable to the Bank.

C. Environmental and Social Standards

1. The Recipient shall ensure that the Project (but excluding Part 3.3 of the Project) is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Recipient shall, ensure that the Parts 1, 2, 3.1 and 3.2 of the Project are implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Recipient shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. The Recipient shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Parts 1, 2, 3.1 and 3.2 of the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.
6. The Recipient shall ensure that all bidding documents and contracts for civil works under Parts 1, 2, 3.1 and 3.2 of the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Bank each Project Report (in respect of Parts 1, 2 3.1 and 3.2 of the Project) not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the GCF Financing

A. General

Without limitation upon the provisions of Article II of the Standard Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the GCF Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the GCF Loan Allocated (expressed in USD)	Amount of the GCF Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services and consulting services for Part 2 of the Project	20,000,000	0	100%
(2) Goods, non-consulting services and consulting services under Part 3.2 of the Project	0	4,000,000	100%
TOTAL AMOUNT	20,000,000	4,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed , except that withdrawals up to an aggregate amount not to exceed \$4,000,000 of the GCF Loan and \$800,000 of the GCF Grant may be made for payments made prior to this date but on or after the date falling within twelve (12) months prior to the Signature Date but on or after April 11, 2023, for Eligible Expenditures.
2. The Closing Date is December 28, 2028.

Section IV. Other Undertakings

A. Cooperation with GCF

Without limitation upon the provisions of Sections 2.10 and 2.11 of the Standard Conditions, the Recipient shall cooperate with the Bank and the GCF and facilitate the conduct of any reviews, ad hoc checks, verifications, or evaluations related to Parts 2 and 3.2 of the Project and the GCF Financing as may be requested by the GCF.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the GCF Loan repayable (expressed as a percentage)*
On each Payment Date, beginning on the twenty-first (21 st) Payment Date up to and including the fortieth (40 th) Payment Date	1%
On each Payment Date, beginning on the forty-first (41 st) Payment Date up to and including the eightieth (80 th) Payment Date	2%

* The percentages represent the percentage of the principal amount of the GCF Loan to be repaid.

APPENDIX

Definitions

1. “Annual Work and Budget Program” means an annual work plan and budget for the implementation of the Project referred to in Section I.B of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the Standard Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011 and as of July 1, 2016.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Elmed Interconnector” means the interconnector as defined in the IBRD Loan Agreement.
5. “Elmed Interconnector Steering Committee” means the Committee established pursuant to article 4 of the Intergovernmental Agreement dated April 30, 2019, between Tunisia and Italy for the development of the Elmed Interconnector.
6. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated April 28, 2023, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
7. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social

Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.

8. “IBRD Loan Agreement” means agreement between the Recipient and the Bank of the same date as this Agreement dated June 22, 2023, as such agreement may be amended from time to time, and it includes all appendices, schedules and agreements supplemental to the IBRD Loan Agreement.
9. “IPP” means Independent Power Producer.
10. “Project Oversight Committee” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.
11. “Procurement Regulations” means, for purposes of paragraph 50 of the Appendix to the Standard Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
12. “Project Operational Manual” or “POM” means the manual referred to in Section I. A.1(b) of Schedule 2 to this Agreement, in form and substance acceptable to the Bank, setting forth the details of all operational arrangements for the implementation, monitoring and supervision of Parts 1, 2, 3.1 and 3.2 of the Project, including: (a) the accounting, financial management, auditing and reporting arrangements; (b) the procurement arrangements; (c) the monitoring and evaluation procedures including the selected indicators for measuring Project performance; (d) a gender action plan; and (e) all other relevant arrangements necessary for the carrying out of the Project; as said manual may be amended from time to time with Bank’s prior written consent.
13. “Recipient’s Legislation” means Law No. 62-16 dated May 24, 1962 ratifying Law-Decree (*Décret-Loi*) No. 62-8, dated April 3, 1962, establishing the Borrower, and amended and complemented by Law No. 96-27 dated April 1, 1996; as said legislation is complemented by Decree no. 96-1125 dated June 20, 1996 *fixant les conditions et les modalités d’octroi de la concession de production d’électricité à des personnes privées*, Law No. 2015-12 dated May 11, 2015 *relative à la production d’électricité à partir des énergies renouvelables*, Decree No. 2016-1123 dated August 24, 2016 *fixant les conditions et les modalités de réalisation des projets de production et de vente d’électricité à partir des énergies renouvelable*, Law No. 2019-47 dated May 29, 2019 *relative à l’amélioration du climat des affaires*, and Decree No. 2020-105 dated February 25, 2020 modifying and complementing Decree No. 2016-1123 dated August 24, 2016.
14. “Signature Date” means the later of the two dates on which the Recipient and the Bank signed this Agreement and such definition applies to all references to “the date of the GCF Financing Agreement” in the Standard Conditions.

15. “Standard Conditions” means the “International Bank for Reconstruction and Development and International Development Association Standard Conditions for Financing Made by the Bank Acting as an Accredited Entity of the Green Climate Fund Out of the GCF Accredited Entity Trust Fund”, dated October 8, 2019.
16. “Tunisia” means the Republic of Tunisia, the Guarantor.