

CONFORMED COPY

LOAN NUMBER 4357-TUN

Guarantee Agreement

(Transport Sector Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 29, 1998

LOAN NUMBER 4357-TUN

GUARANTEE AGREEMENT

AGREEMENT, dated June 29, 1998, between the REPUBLIC OF TUNISIA (the Guarantor) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and the Office des Ports Nationaux de Tunisie (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project;

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in an amount equal to seventy-eight million two hundred thousand French Francs (FRF78,200,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement and to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower and to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997) with the modification set forth in Section 1.01 of the Loan Agreement (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to and Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee

Section 2.01. 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 the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, all as set forth in the Loan Agreement.

ARTICLE III

Other Covenants

Section 3.01. The Guarantor shall: (i) not later than June 30, 1999, conclude and execute with the Borrower an agreement, satisfactory to the Bank, designed to settle the outstanding financial liability issues arising out of the repayment by the Borrower of the arrears on local loans contracted by it under the Third Port Project (Loan No.1797-TUN); and (ii) not later than December 31, 1999, define with the Borrower the appropriate financial and management framework for the port of Gabès.

Section 3.02. The Guarantor agrees, as long as it exercises control over the setting of tariffs charged by the Borrower, to revise and on that basis to restructure, not later than December 31, 1999, the Borrower's present tariff system so as to: (i) ensure the full coverage of the Borrower's operating costs resulting from its newly-defined functions established under Parts A.3 and A.4 of the Project; (ii) enhance the Borrower's capacity to repay the debt owed by it to the Guarantor along terms specified in a restructuring agreement satisfactory to the Bank; and (iii) allow the Borrower: (A) to increase its tariffs by nine point three percent (9.3%) for its Fiscal Year 1999 and further increase them by nine point three percent (9.3%) for its Fiscal Year 2001, and (B) to meet, under conditions of efficient operation, its financial obligations and covenants under the Loan Agreement.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Minister of International Cooperation and Foreign Investment of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministry of International Cooperation
and Foreign Investment
98, Avenue Mohamed V
1002 Tunis-Belvédère
Republic of Tunisia

Cable address:

MCIIE

Telex:

18060

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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.

REPUBLIC OF TUNISIA

By /s/ Nouredine Majdoub

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Christian Delvoie

Acting Regional Vice President
Middle East and North Africa

