

CONFORMED COPY

LOAN NUMBER 4069 TUN

Loan Agreement

(Economic Competitiveness Adjustment Loan)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 2, 1996

LOAN NUMBER 4069 TUN

LOAN AGREEMENT

AGREEMENT, dated August 2, 1996, between the REPUBLIC OF TUNISIA (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated May 13, 1996, from the Borrower describing a program of actions, objectives and policies designed to improve the international competitiveness of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during the execution thereof; and

(B) on the basis, inter alia, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in two tranches as hereinafter provided;

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, with the modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, is modified to read:

" 'Project' means the program, referred to in the Preamble to the Loan Agreement, in support of which the Loan is

made.";

(b) Section 4.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, withdrawals from the Loan Account shall be made in the currency of the deposit accounts specified in Section 2.02 (a) of the Loan Agreement.";

(c) The last sentence of Section 5.03 is deleted;

(d) Section 9.07 (c) shall be modified to read:

"(c) Not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."; and

(e) Section 9.05 is deleted and Sections 9.06, 9.07 (as modified above), 9.08 and 9.09 are renumbered, respectively, as Sections 9.05, 9.06, 9.07 and 9.08.

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

(a) "Free Trade Agreement" means the Free Trade Agreement concluded on July 17, 1995 between the Borrower and the European Union;

(b) "Central Bank" means the Central Bank of Tunisia (Banque Centrale de Tunisie) established and operating pursuant to the Borrower's Law No. 58-90 dated September 19, 1958, as the same may be amended from time to time;

(c) "Deposit Account" means an account referred to in Section 2.02 (a) of this Agreement; and "Deposit Accounts" means the five Deposit Accounts collectively;

(d) "Dollar Loan Tranche" means the amount specified in Section 2.01 (a) of this Agreement;

(e) "Deutsche Mark " and "DEM" means each the lawful currency of the Federal Republic of Germany;

(f) "French Franc" and "FRF" means each the lawful currency of the Republic of France;

(g) "French Franc Loan Tranche" means the amount specified in Section 2.01 (b) of this Agreement;

(h) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(i) "Loan Tranche" means either the Dollar Loan Tranche or the French Franc Loan Tranche;

(j) "Pound Sterling" and "GBP" means each the lawful currency of the United Kingdom;

(k) "Official Gazette" means the Borrower's Journal Officiel; and

(l) "Yen" and "JPY" means each the lawful currency of Japan.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement:

(a) an amount equal to thirty-seven million five hundred thousand Dollars (\$37,500,000); and

(b) an amount equal to one hundred ninety three million nine hundred thousand French Francs (FRF193,900,000).

Section 2.02. (a) The Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain in its Central Bank, one (1) deposit account in each, respectively, of Dollars, Deutsche Marks, French Francs, Pounds Sterling and Yens, on terms and conditions satisfactory to the Bank. Each withdrawal from the Loan Account shall be deposited by the Bank into the Deposit Account denominated in the currency in which such withdrawal is requested.

(b) Subject to the provisions of paragraphs (c) and (d) of this Section, the Borrower shall be entitled to use the proceeds of the Loan withdrawn from the Loan Account and deposited in the Deposit Accounts in support of the Program.

(c) The Borrower undertakes that the proceeds of the Loan shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Bank shall have determined at any time that any proceeds of the Loan shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Bank, (i) deposit into the Deposit Accounts an amount equal to the amount of said payment, or (ii) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Loan Account for cancellation.

(d) No withdrawal shall be made from the Loan Account after the aggregate of the proceeds of the Loan withdrawn from the Loan Account shall have reached the equivalent of \$37,500,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (i) with the progress achieved by the Borrower in the carrying out of the Program, and (ii) that the actions described in Schedule 3 to this Agreement have been taken. If, after said exchange of views, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

Section 2.03. The Closing Date shall be December 31, 1997 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of a Loan Tranche not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest on the principal amount of each Loan Tranche withdrawn and outstanding from time to time in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.06. Interest and other charges shall be payable in arrears on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of each Loan Tranche in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Schedule 3 to this Agreement.

Section 3.02. Upon the Bank's request, the Borrower shall:

(a) have the Deposit Accounts audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than six (6) months after the date of the Bank's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(c) furnish to the Bank such other information concerning the Deposit Accounts and the audit thereof as the Bank shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. The Minister of International Cooperation and Foreign Investment of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of International Cooperation
and Foreign Investment
149, Avenue de la Liberté
1002 Tunis-Le Belvédère
Republic of Tunisia

Cable address: Telex:

MCIIE

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: Telex:

INTBAFRAD 248423 (MCI) or
Washington, D.C. 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/ Azouz Ennifar

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ John Underwood

Acting Regional Vice President
Middle East and North Africa

SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Loan shall not be used to finance the following expenditures:

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another loan or a credit;
3. expenditures for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Subgroup	Description of Items
112	--	Alcoholic beverages
121	--	Tobacco, unmanufactured, tobacco refuse

122	--	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	--	Radioactive and associated materials
667	--	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated for nuclear reactors
728	--	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	--	Gold, non-monetary (excluding gold ores and concentrates)

4. expenditures for goods intended for a military or para-military purpose or for luxury consumption; and

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party, and any other goods designated as environmentally hazardous by agreement between the Borrower and the Bank.

SCHEDULE 2

Interest and Principal Repayment Provisions

A. General Definitions

For purposes of this Schedule, the following terms have the following meanings:

(a) "Disbursed Amount" means, in respect of each Interest Period, the aggregate principal amount of a Loan Tranche withdrawn from the Loan Account in such Interest Period.

(b) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment date to, but excluding, the next following Interest Payment Date.

(c) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(d) "Rate Fixing Date" means, for each Disbursed Amount, the first day of the Interest Period next following the Interest Period in which such Disbursed Amount is withdrawn.

B. Interest

1. The principal amount of each Loan Tranche shall be divided into Disbursed Amounts. Interest shall accrue on each Disbursed Amount of a Loan Tranche outstanding from time to time at a rate based on a floating rate index prior to its Rate Fixing Date and at a fixed rate from its Rate Fixing Date, as described in paragraph 2 of this Part B.

2. (a) From the date of withdrawal of each amount of each Disbursed Amount of the Dollar Loan Tranche withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on

each such amount shall accrue, at a rate equal to the applicable:

- (i) LIBOR Base Rate; plus
- (ii) LIBOR Total Spread.

(b) From the Rate Fixing Date for each Disbursed Amount of the Dollar Loan Tranche until final repayment thereof, interest on such Disbursed Amount shall accrue, at a rate equal to the applicable:

- (i) Dollar Fixed Base Rate; plus
- (ii) Dollar Fixed Total Spread.

(c) From the date of withdrawal of each amount of each Disbursed Amount of the French Franc Loan Tranche withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on each such amount shall accrue, at a rate equal to the applicable:

- (i) PIBOR Base Rate; plus
- (ii) PIBOR Total Spread.

(d) From the Rate Fixing Date for each Disbursed Amount of the French Franc Loan Tranche until final repayment thereof, interest on such Disbursed Amount shall accrue, at a rate equal to the applicable:

- (i) French franc Fixed Base Rate; plus
- (ii) French franc Fixed Total Spread.

3. For purposes of paragraph 2 of this Part B, the following terms have the following meanings:

(a) "LIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount of the Dollar Loan Tranche is withdrawn, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(b) "LIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount of the Dollar Loan Tranche is withdrawn:

- (i) one half of one percent (1/2 of 1%);
- (ii) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include such Disbursed Amount for such Interest Period;

as reasonably determined by the Bank and expressed as a percentage per annum.

(c) "Dollar Fixed Base Rate" means, for each Disbursed Amount of the Dollar Loan Tranche, the equivalent of the London interbank offered rate for six-month deposits in dollars for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage per annum.

(d) "Dollar Fixed Total Spread" means, for each Disbursed Amount of the Dollar Loan Tranche:

- (i) one-half of one percent (1/2 of 1%);

- (ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus
- (iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount;

as reasonably determined by the Bank and expressed as a percentage per annum.

(e) "PIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount of the French Franc Loan Tranche is withdrawn, the Paris interbank offered rate for six-month deposits in French Francs for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(f) "PIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount of the French Franc Loan Tranche is withdrawn:

- (i) one half of one percent (1/2 of 1%);
- (ii) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the Paris interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include such Disbursed Amount for such Interest Period;

as reasonably determined by the Bank and expressed as a percentage per annum.

(g) "French Franc Fixed Base Rate" means, for each Disbursed Amount of the French Franc Loan Tranche, the equivalent of the Paris interbank offered rate for six-month deposits in French Franc for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage per annum.

(h) "French Franc Fixed Total Spread" means, for each Disbursed Amount of the French Franc Loan Tranche:

- (i) one-half of one percent (1/2 of 1%);
- (ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, below (or above) the Paris interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus
- (iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount;

as reasonably determined by the Bank and expressed as a percentage per annum.

4. The Bank shall notify the Borrower of LIBOR Base Rate, LIBOR Total Spread, Dollar Fixed Base Rate and Dollar Fixed Total Spread applicable to each Disbursed Amount of the Dollar Loan Tranche, and of PIBOR Base Rate, PIBOR Total Spread, French Franc Fixed Base Rate and French Franc

Fixed Total Spread applicable to each Disbursed Amount of the French Franc Loan Tranche, promptly upon the determination thereof.

5. Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Schedule, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in this Schedule, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

C. Repayment

1. Subject to the provisions of paragraph 2 of this Part C, the Borrower shall repay each Disbursed Amount of each Loan Tranche in semiannual installments payable on each March 15 and September 15, the first such installment to be payable on the seventh (7th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount and the last such installment to be payable on the twenty-fourth (24th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount. Each installment shall be one-eighteenth (1/18th) of such Disbursed Amount.

2. Notwithstanding the provisions of paragraph 1 of this Part C, if any installment of principal of each Disbursed Amount of either Loan Tranche would, pursuant to the provisions of said paragraph 1, be payable after September 15, 2011, the Borrower shall also pay on said date the aggregate amount of all such installments.

3. After each Disbursed Amount of a Loan Tranche shall have been withdrawn, the Bank shall promptly notify the Borrower of the amortization schedule for such Disbursed Amount.

SCHEDULE 3

Actions Referred to in Section 2.02 (d) of this Agreement

1. Continued maintenance of a satisfactory macroeconomic framework, consistent with the objectives of the Program, as determined on the basis of macroeconomic indicators acceptable to the Borrower and the Bank.

2. Publication in the Official Gazette of the law ratifying the Free Trade Agreement.

3. Publication in the Official Gazette of the Borrower's 1997 Finance Law including satisfactory provisions on tariff reductions scheduled up to the second year of application of the Free Trade Agreement and the related scheduled reductions in surcharges.

4. Bringing to the point of sale at least fifty-one percent (51%) of the capital of a number of enterprises corresponding to fifty percent (50%) of the net assets of public enterprises producing goods and services established in a list agreed upon between the Borrower and the Bank.

5. Submission to the Chamber of Deputies of a draft law amending Articles 6 and 7 of the Borrower's Law No. 77-13 dated March 7, 1977, so as to abrogate existing chartering privileges extended to Tunisian shipowners.

6. Publication in the Official Gazette of a Law modifying the Borrower's Decree dated February 17, 1949 concerning working conditions of dock labour so as to render them less complex, and more flexible and adapted to the requirements of modern ports.

7. Submission to the Chamber of Deputies of a draft law introducing

new port regulations, and incorporating the redefinition of the functions of the Office des Ports Nationaux Tunisiens and the new regime of maritime domain.

8. Implementation of the plan satisfactory to the Bank to restructure the Borrower's Socit d'Acconage et de Manutention and the Compagnie Tunisienne de Navigation.

9. Publication in the Official Gazette of a Decree mandating the use of, and setting forth the standard format for, an unique document (document unique) for customs declaration on imports and exports.

10. Submission to the Chamber of Deputies of a draft law introducing a Company Code.

