

CONFORMED COPY

LOAN NUMBER 3892 TUN

Guarantee Agreement

(National Rural Finance Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated June 7, 1995

LOAN NUMBER 3892 TUN

GUARANTEE AGREEMENT

AGREEMENT, dated June 7, 1995, between the REPUBLIC OF TUNISIA (the Guarantor) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and the Banque Nationale Agricole (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 various currencies equivalent to sixty-five million dollars (\$65,000,000), 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 and to undertake such other obligations as provided 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 such other obligations as 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" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 7 to 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 Section 1.02 of the Loan Agreement have the respective meanings therein set forth, and the term "National Guarantee Fund" means the Guarantor's National Guarantee Fund (Fonds National de Garantie) established and operating pursuant to Art. 73 of the Guarantor's Law No. 81-100 dated December 31, 1981 and the Guarantor's Decree No. 84-53 dated January 27, 1984, as amended by the Guarantor's Decree No. 93-2374 dated November 22, 1993, and as the same may be amended from time to time.

## ARTICLE II

### Guarantee; Provision of Funds

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, 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 the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

## ARTICLE III

### Part C of the Project

Section 3.01. The Guarantor shall carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, environmental, financial, and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. The Guarantor shall carry out the obligations set forth in Sections 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to plans and schedules, records and reports and maintenance and land acquisition, respectively) in respect of Part C of the Project.

Section 3.03. For purposes of ensuring the timely implementation and viability of Part C of the Project, the Guarantor shall:

(a) carry out the study under Part C of the Project under terms of reference satisfactory to the Bank not later than March 31, 1996; and

(b) on the basis of the conclusions and recommendations of the said study, commence implementation of Part C of the Project not later than November 1, 1996.

Section 3.04. In order to assist the Guarantor in carrying out Part C of the Project, the Guarantor shall employ, as necessary, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

Section 3.05. The Guarantor shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of Part C of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, by February 28, 1997, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of Part C of the Project during the period preceding the date of said report, with a special focus on the measures undertaken in conjunction with the Borrower; and setting out the measures recommended to ensure the efficient carrying out of Part C of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank and the Borrower, by April 30, 1997, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

#### ARTICLE IV

##### Other Covenants

Section 4.01. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor shall promptly take all measures as shall be required on its part in order to enable the Borrower to comply with its obligations set forth in Sections 4.05, 4.06, 4.07 and 4.08 of the Loan Agreement.

Section 4.02. The Guarantor shall at all times take all adequate action satisfactory to the Bank to permit the Borrower to protect itself against risk of loss resulting from changes in the rates of exchange between the currencies (including the currency of the Guarantor) used in its operations.

Section 4.03. (a) The Guarantor shall implement the measures agreed for the execution of its agreement with the Borrower dated March 16, 1995, for complying with the provisions of the Guarantor's Law No. 94-30 dated February 21, 1994, regarding the transfer to the Borrower as quasi-equity (dotation de l'Etat non remboursable) of loans and the guarantee on annual amounts not recovered by the Borrower on the loans so transferred.

Section 4.04. The Guarantor shall implement with due diligence and efficiency:

(a) its agreement with the Borrower dated March 25, 1995, outlining the Borrower's role, responsibilities, and remuneration for administering selected agricultural funds on behalf of the Guarantor; and

(b) its decision dated March 24, 1995, to fully repay to the Borrower the past advances made by it to finance shortfalls in the Guarantor's budgetary funds.

Section 4.05. The Guarantor shall adopt a program which shall allow the Borrower to reduce, not later than June 30, 1996, its exposure to selected public enterprises.

Section 4.06. The Guarantor shall ensure that the drought risk management scheme established by it within the framework of the National Guarantee Fund is suitably maintained, including, in particular: (i) the application of a sustainable level of drought insurance premium rates; (ii) the maintenance of well-defined management and financial procedures; (iii) the possibility to banking institutions that their clients who are farmers be covered against drought risk; (iv) a determination of drought-related losses through independent assessments of the degree of climatic damage in areas directly afflicted by drought; and (v) the availability of technical expertise in agricultural insurance.

#### ARTICLE V

##### Representatives of the Guarantor; Addresses

Section 5.01. 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 5.02. 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  
149, Avenue de la Liberte  
1002 Tunis-Le Belvedere  
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  
Washington, D.C.

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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/ Daniel Ritchie

Acting Regional Vice President  
Middle East and North Africa

