

CONFORMED COPY

LOAN NUMBER 3418 TUN

(Gas Infrastructure Development Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 5, 1992

LOAN NUMBER 3418 TUN

GUARANTEE AGREEMENT

AGREEMENT, dated May 5, 1992, between REPUBLIC OF TUNISIA (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) The Guarantor and Societe Tunisienne de l'Electricite et du Gaz -- STEG (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;

WHEREAS: (B) By the Loan Agreement of even date herewith entered into by and between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a Loan in various currencies equivalent to sixty million dollars (\$60,000,000), 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 as provided in this Agreement; and

WHEREAS: (C) 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.

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 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, in the Preamble to this Agreement and in the Preamble to and Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Provision of Funds

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, 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

Other Covenants

Section 3.01. (a) The Guarantor and the Bank shall, from time to time, at the request of either party, exchange views with regard to the Guarantor's gas pricing policies and its plans in respect of the overall development of the gas energy sector.

(b) The Guarantor agrees, as long as it exercises, direct or indirect, control over the setting of prices of the gas companies (including the Borrower) operating within its territory, to establish prices for gas sold by such companies which would allow the companies, under conditions of efficient operation at reasonable levels of capacity utilization, to cover their operating costs, including taxes, earn an adequate return on funds invested in them, meet their financial obligations and make a reasonable contribution to future investment for expansion of capacity.

Section 3.02. The Guarantor shall take all action necessary to maintain the domestic market prices of Refined Petroleum Products, so as to ensure that at all times said prices shall reflect their respective Economic Cost.

Section 3.03. The Guarantor shall, not later than June 30, 1994 and on the basis of a methodology acceptable to the Bank, adjust its electricity tariffs so as to ensure that said tariffs shall cover the Long Run Marginal Cost of electricity supplied within the Borrower's territory.

Section 3.04. The Guarantor shall take all action necessary to: (i) not later than June 30, 1994, cause the price of gas

transferred from ETAP to the Borrower to reflect said gas' Economic Cost; and (ii) promptly adjust both its gas and electricity tariffs, so as to ensure that said tariffs shall reflect their Long Run Marginal Cost of Supply.

Section 3.05. (a) The Guarantor shall enter into contractual arrangements, satisfactory to the Bank, with the Borrower providing for the Guarantor's and the Borrower's respective obligations for the carrying out of the STEG Performance Plan, referred to in Section 3.05 of the Loan Agreement, all with due diligence and efficiency; and

(b) The Guarantor shall exercise its rights and comply with its obligations under said contractual arrangements in such a manner so as to protect the interests of the Guarantor and the Bank, and to execute the recommendations of the STEG Performance Plan and accomplish the purposes of the Project, and, except as the Bank shall otherwise agree, the Guarantor shall not assign, amend, abrogate or waive any of the said contractual arrangements.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Minister of Planning and Regional Development 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 Planning and Regional
Development
Place Ali Zouaoui
Tunis
Republic of Tunisia

Cable address:	Telex:
MIPLAN Tunis	15117

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/ Ismail Khelil

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ C.K. Koch-Weser

Regional Vice President
Middle East and North Africa

