

No. 8477

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
TUNISIA**

Guarantee Agreement—*Development Finance Company Project* (with related letter, annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Société nationale d'investissement). Signed at Washington, on 16 May 1966

Official text of the Agreement and annexes: English.

Official text of the letter relating to the Guarantee Agreement: French.

Registered by the International Bank for Reconstruction and Development on 20 December 1966.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
TUNISIE**

Contrat de garantie — *Projet de société financière de développement* (avec lettre y relative et, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Société nationale d'investissement). Signé à Washington, le 16 mai 1966

Texte officiel du Contrat et des annexes: anglais.

Texte officiel de la lettre relative au Contrat de garantie: français.

Enregistré par la Banque internationale pour la reconstruction et le développement le 20 décembre 1966.

No. 8477. GUARANTEE AGREEMENT¹ (*DEVELOPMENT FINANCE COMPANY PROJECT*) BETWEEN THE REPUBLIC OF TUNISIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 16 MAY 1966

AGREEMENT, dated May 16, 1966, between REPUBLIC OF TUNISIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and the Borrower, which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to five million dollars (\$5,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal of and interest and other charges on such loan; 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;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,² subject, however, to the modifications thereof set forth in Schedule 2 to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein. The terms defined in the Loan Agreement shall have the same meaning herein.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and

¹ Came into force on 11 July 1966, upon notification by the Bank to the Government of Tunisia.

² See p. 164 of this volume.

punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of, and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Central Bank of Tunisia or any other institution performing the functions of a central bank.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan shall be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for and free from any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall not amend the Government Agreement without the approval of the Bank.

Section 3.07. The Guarantor covenants that it will not take, cause or permit to be taken, any action which would prevent or materially interfere with the carrying on by the Borrower of its operations and affairs in accordance with sound financial and investment standards and practices, or with the performance by the Borrower of its obligations under the Loan Agreement.

Section 3.08. The Guarantor shall make arrangements, satisfactory to the Bank, to protect the Borrower against any loss in connection with the payment of interest or other charges on or the repayment of principal of the Loan or the Bonds as a result of a change in the rate of exchange between Dinars and the foreign currency or currencies in which such payments are to be made.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Agreement and of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secrétaire d'État au Plan et à l'Économie Nationale of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Secrétariat d'État au Plan et à l'Économie Nationale
Place du Gouvernement
Tunis, Tunisia

Alternative address for cablegrams and radiograms :

Secrétariat d'État au Plan et à l'Économie Nationale
Tunis, Tunisia

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The Secrétaire d'État au Plan et à l'Économie Nationale of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 5.03. If the Loan Agreement terminates pursuant to Section 7.03 thereof, this Guarantee Agreement and all obligations of the parties hereunder shall terminate.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Tunisia :

By Rachid DRISS
Authorized Representative

International Bank for Reconstruction and Development :

By George D. WOODS
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS
OTHER THAN MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT

(*DEVELOPMENT FINANCE COMPANY PROJECT*)

AGREEMENT, dated May 16, 1966, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and SOCIÉTÉ NATIONALE D'INVESTISSEMENT (hereinafter called the Borrower), a company duly incorporated under the laws of the Guarantor.

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,¹ subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Loan Agreement have the following meanings :

(a) the term "Statutes" means the statutes of the Borrower, as the same may be amended from time to time;

(b) the term "Government Agreement" means collectively and Conventions No. 1 and No. 2 dated November 16, 1965 and No. 3 dated March 23, 1966, between the Guarantor and the Borrower, and (i) the Letter dated November 17, 1965 and (ii) the Letter of Establishment dated April 11, 1966, from the Secrétaire d'Etat au Plan et à l'Economie Nationale of the Guarantor to the Borrower, as the same may be amended from time to time;

(c) The term "Investment Enterprise" means an enterprise to which the Borrower shall propose to make or shall have made a loan, or in which it shall propose to make or shall have made an investment in accordance with and as provided in Section 3.01 of this Agreement;

(d) the term "Investment Project" means a specific investment project to be carried out by an Investment Enterprise, as submitted to the Bank for approval pursuant to

¹ See above.

Section 3.02 of this Agreement, or in respect of which a request for a credit to the Loan Account shall have been made pursuant to the provisions of Section 2.02 (b) of this Agreement;

(e) the term “Dinars” and the symbol “D” mean currency of the Guarantor;

(f) the term “foreign currency” means any currency other than currency of the Guarantor;

(g) the term “subsidiary” means any company of which a majority of the outstanding voting stock is owned, or which is effectively controlled, by the Borrower or by any one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries;

(h) the term “Corporation” means the International Finance Corporation;

(i) the term “Investment Agreement” means the agreement between the Corporation and the Borrower providing for the purchase by the Corporation of ordinary shares of the Borrower.

Words importing the singular number include the plural number and vice versa.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to five million dollars (\$5,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower. The amount of the Loan shall be credited to the Loan Account in installments as follows :

(a) When any Investment Project shall be approved by the Bank as in Section 3.02 of this Agreement provided, there shall be credited to the Loan Account, such portion of the Loan as the Bank shall approve; provided, however, that unless the Bank shall otherwise agree, such portion of the Loan shall relate only to the estimated foreign currency cost of any such Investment Project.

(b) There shall also be so credited, in respect of all or part of any Investment Project for which the Borrower is to make or has made a loan and for which no credit has been made to the Loan Account pursuant to paragraph (a) of this Section, such portion of the Loan as the Borrower shall from time to time request, but not exceeding such limit with respect to any Investment Project as shall from time to time be agreed by the Bank; provided, however, that unless the Bank shall otherwise agree, such portion of the Loan shall relate only to the estimated foreign currency cost of any such Investment Project. Each request by the Borrower for credit to the Loan Account pursuant to this paragraph (b) shall state the Investment Project for which the portion of the Loan to be credited is requested.

(c) Except as the Bank shall otherwise agree, no credit shall be made to the Loan Account pursuant to paragraph (a) of this Section in respect of any portion of the Loan the proceeds of which are to be invested by the Borrower other than by way of loan, until

the Bank and the Borrower shall have agreed upon the terms and conditions of such investment and upon an amortization schedule for the repayment of such portion of the Loan by the Borrower to the Bank.

(d) The Loan Account may, by agreement between the Bank and the Borrower, be reduced by any amount credited thereto pursuant to paragraph (a) or paragraph (b) of this Section. No such reduction shall be deemed *ipso facto* to be a cancellation of any portion of the Loan.

Section 2.03. Amounts credited to the Loan Account in respect of an Investment Project may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement, and shall be applied exclusively for loans for, or investments in, the Investment Project in respect of which such amounts were credited to the Loan Account.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the amount of each part of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the several dates on which amounts shall be credited to the Loan Account to the respective dates on which (a) they are withdrawn from the Loan Account or are cancelled pursuant to Article V of the Loan Regulations or (b) the Loan Account is reduced in respect of such amounts pursuant to the provisions of Section 2.02 (d) of this Agreement.

Section 2.05. The Borrower shall pay interest on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time at such rate as shall have been notified by the Bank to the Borrower at the time when such part of the Loan was credited to the Loan Account, or at such other time or times as shall have been agreed upon between the Bank and the Borrower, as being the rate then generally applicable to new Bank loans of the same maturity to similar borrowers. Interest shall accrue from the respective dates on which amounts shall be so withdrawn.

Section 2.06. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on May 1 and November 1, in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Agreement as such schedule shall be amended from time to time as determined by the Bank and as reasonably required (i) to conform in relevant part substantially to the aggregate of the several maturities of the amortization schedules applicable to the Investment Projects for which parts of the Loan have been credited to the Loan Account and, in the case of investments other than loans, of the amortization schedules agreed upon pursuant to Section 2.02 (c) of this Agreement and (ii) to take into

account any cancellations pursuant to Article V of the Loan Regulations and any reductions under Section 2.02 (d) of this Agreement, except that payments due hereunder shall be made on May 1 and November 1 in each year. Such amendments of Schedule 1 shall include amendments of the premiums on prepayment and redemption if this is required. The amortization schedules applicable to the Investment Projects shall provide for appropriate periods of grace, and, unless the Bank and the Borrower shall otherwise agree, (i) shall not extend beyond fifteen years from the date when the corresponding amounts are credited to the Loan Account and (ii) shall provide for approximately equal semiannual or more frequent, aggregate payments of principal plus interest, or payments of principal.

Section 2.09. Unless the Bank and the Borrower shall otherwise agree: (a) (i) if any Investment Enterprise shall repay to the Borrower in advance of maturity a part or all of any indebtedness resulting from the relending to such Enterprise of proceeds of the Loan (herein called "sub-loan"), or (ii) if the Borrower shall sell, transfer, assign or otherwise dispose of a part or all of a sub-loan or of an investment made out of proceeds of the Loan in an Investment Enterprise, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date an amount of the Loan equivalent to the amount credited to the Loan Account in respect of such sub-loan or investment, or to the said part thereof, as the case may be, together with the premium specified in Schedule 1 to this Agreement. The policy stated in Section 2.05 (c) of the Loan Regulations with respect to premiums shall apply.

(b) Any amount repaid by the Borrower under this Section shall be applied by the Bank as follows: (i) in the case of a sub-loan to payment of the maturity or maturities of the principal amount of the Loan in amounts corresponding to the amounts of the maturity or maturities of the sub-loan so repaid or disposed of, and (ii) in the case of the disposition of an investment, to the *pro rata* payment of the unpaid amounts of the maturity or maturities of the Loan reflecting the amount of such investment.

(c) The first sentence of Section 2.05 (b) of the Loan Regulations shall not apply to any repayment by the Borrower in accordance with paragraph (a) of this Section.

Article III

DESCRIPTION OF THE PROJECT; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is granted is the financing by the Borrower of development in Tunisia through loans for productive purposes to enterprises in Tunisia which are controlled by private capital, and through other productive investments in such enterprises, all for specific development projects, in accordance with the Statutes of the Borrower and in furtherance of the corporate purposes of the Borrower as therein set forth.

Section 3.02. The proceeds of the Loan shall be applied exclusively to the cost of goods required to carry out such Investment Projects as shall from time to time be

approved by the Bank or in respect of which amounts shall have been credited to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement. Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made by any Investment Enterprise for any Investment Project more than 150 days prior to the date on which the Bank shall have credited to the Loan Account in respect of such Investment Project pursuant to Section 2.02 of this Agreement.

Section 3.03. (a) When submitting an Investment Project to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, containing a description of such Investment Project, the proposed amortization schedule and such other information as the Bank shall reasonably request.

(b) Within thirty days from the date on which the Loan Account shall have been credited pursuant to the provisions of Section 2.02 (b) of this Agreement in respect of an Investment Project, the Borrower shall, if it has not already done so, furnish to the Bank a brief description, in form satisfactory to the Bank of such Investment Project and of the terms and conditions of the Borrower's loan for such Investment Project, and the amortization schedule for such loans.

(c) Except as the Bank and the Borrower shall otherwise agree, requests for approval of Investment Projects pursuant to the provisions of Section 2.02 (a) of this Agreement and for credits to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement shall be submitted on or before December 31, 1968.

Article IV

Bonds

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Président Directeur Général of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, under the supervision of qualified and experienced management and in accordance with its Statutes and the lending and investment policies defined in the statement referred to in Section 7.01 (a) of this Agreement.

Section 5.02. (a) The Borrower shall exercise its rights in relation to each Investment Project financed in whole or in part out of the proceeds of the Loan in such manner as to protect the interests of the Bank and of the Borrower.

(b) The Borrower undertakes that any loan made by it to an Investment Enterprise for an Investment Project to be financed out of the proceeds of the Loan will be granted on terms whereby the Borrower shall obtain, by the written agreement of such Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank and of the Borrower, including the right to require such Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of such Investment Project; the right of the Bank and of the Borrower to inspect such goods and the sites, works and construction included in such Investment Project, the operation thereof and any relevant records and documents; the right to require that such Investment Enterprise shall take out and maintain such insurance, against such risks and in such amount, as shall be consistent with sound practice and that, without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to acquisition, transportation and delivery of the goods financed out of the proceeds of the Loan to the place of use or installation, and that any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods; and the right to obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the operations and financial condition of such Investment Enterprise. Such rights shall include appropriate provision whereby further access by such enterprise to the use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such Investment Enterprise to carry out the terms of such loan.

Section 5.03. (a) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Investment Enterprises, the Investment Projects and the administration, operations and financial condition of the Borrower.

(b) The Borrower shall maintain records adequate to record the progress of the Project and of each Investment Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower. The Borrower shall enable the Bank's representatives to examine such records.

(c) The Borrower shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than five months after the close of the fiscal year to which they apply transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 5.04. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and

financial condition of the Borrower and any other matters relating to the purposes of the Loan.

(b) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.05. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur or permit any subsidiary to incur any indebtedness if, after the incurring of any such indebtedness, the consolidated indebtedness of the Borrower and all its subsidiaries then incurred and outstanding would be greater than three times the consolidated capital and surplus of the Borrower and all its subsidiaries.

For the purposes of this Section :

(a) The term "indebtedness" means any indebtedness incurred by the Borrower or a subsidiary maturing more than one year after the date on which it is originally incurred, including indebtedness assumed or guaranteed by the Borrower or a subsidiary but not including indebtedness guaranteed by the Borrower which is covered by the provisions of the Government Agreement.

(b) The term "incur" with reference to any indebtedness shall include any modification of the terms of payment of such indebtedness. Indebtedness shall be deemed to be incurred (i) under a contract or loan agreement, on the date it is drawn down pursuant to such contract or loan agreement and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee shall have been entered into.

(c) Whenever in connection with this Section it shall be necessary to value in terms of Dinars debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

(d) The term "consolidated indebtedness of the Borrower and all its subsidiaries" shall mean the total amount of indebtedness of the Borrower and all its subsidiaries excluding indebtedness owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary and excluding indebtedness referred to in paragraph (e) (iii) of this Section.

(e) The term "consolidated capital and surplus of the Borrower and all its subsidiaries" shall mean the aggregate of (i) the total unimpaired capital, surplus and free reserves of the Borrower and all its subsidiaries after excluding such items of capital, surplus and free reserves as shall represent equity interest by the Borrower or any subsidiary in the Borrower or any subsidiary; (ii) the amount of the grant made by the Guarantor pursuant to the Government Agreement; and (iii) the amount at the time outstanding but not yet due for payment of the loan from the Guarantor pursuant to the Government Agreement.

Section 5.06. The Borrower undertakes that, except as the Bank shall otherwise agree : (a) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; and (b) if any lien shall be created on any assets of the Borrower, other than under (a) above, as security for any debt, the Borrower shall

grant to the Bank an equivalent lien satisfactory to the Bank; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.07. The Borrower shall take out and maintain with responsible insurers or make other provision satisfactory to the Bank for insurance against such risks and in such amounts as shall be consistent with sound practice.

Section 5.08. (a) The Borrower shall duly perform all its obligations under the Government Agreement. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the Government Agreement.

(b) The Borrower shall not, without the approval of the Bank make any payment in respect of the loan from the Guarantor pursuant to the Government Agreement, except at the times and in the amounts therein originally provided.

Section 5.09. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not (i) amend its Statutes; (ii) sell, lease, transfer or otherwise dispose of its property and assets, except in the ordinary course of business; nor (iii) amend the statement referred to in Section 7.01 (a) of this Agreement, defining the Borrower's lending and investment policies.

Section 5.10. The Borrower shall cause each of its subsidiaries (if any) to observe and perform the obligations of the Borrower hereunder to the extent to which the same may be applied thereto as though such obligations were binding upon each of such subsidiaries.

Section 5.11. Subject to such exemption as shall be conferred by the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement¹ or otherwise, the Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxes on payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.12. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection

¹ See p. 156 of this volume.

with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations, or in Section 6.02 of this Agreement shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. The following additional events are specified for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations :

(a) Any creditor shall, in accordance with the terms of any loan having an original maturity of one year or more, have demanded payment from the Borrower of any part of such loan prior to the agreed maturity thereof;

(b) A resolution shall have been adopted for the dissolution or liquidation of the Borrower;

(c) A default shall have occurred in the payment of principal or service charges or any other payment required under any development credit agreement between the Guarantor and the International Development Association.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations :

(a) the Board of Directors of the Borrower has adopted a statement, corresponding in form and substance to the statement which has been furnished to the Bank, defining the Borrower's lending and investment policies; and

(b) the conditions specified in Section 2.03 of the Investment Agreement have been fulfilled.

Section 7.02. The following are specified as additional matters within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) that the Government Agreement has been duly and validly executed by the Guarantor and the Borrower and constitutes valid and binding obligations of the Guarantor and the Borrower in accordance with its terms; and

(b) that the statement referred to in Section 7.01 (a) of this Agreement has been duly and validly adopted by the Board of Directors of the Borrower.

Section 7.03. If this Loan Agreement shall not have come into force and effect by July 12, 1966, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1970 or such other date as shall be agreed upon between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

For the Borrower :

Société Nationale d'Investissement
68 Avenue Habib-Bourguiba
Tunis, Tunisia

Alternative address for cablegrams and radiograms :

Snitun
Tunis, Tunisia

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By George D. WOODS
President

Société Nationale d'Investissement :

By Slaheddine ABDELLAH
Authorized Representative

SCHEDULE 1
AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
May 1, 1968	\$13,000	November 1, 1976	\$170,000
November 1, 1968	15,000	May 1, 1977	134,000
May 1, 1969	70,000	November 1, 1977	129,000
November 1, 1969	80,000	May 1, 1978	87,000
May 1, 1970	177,000	November 1, 1978	85,000
November 1, 1970	196,000	May 1, 1979	44,000
May 1, 1971	285,000	November 1, 1979	42,000
November 1, 1971	313,000	May 1, 1980	32,000
May 1, 1972	368,000	November 1, 1980	30,000
November 1, 1972	388,000	May 1, 1981	27,000
May 1, 1973	401,000	November 1, 1981	25,000
November 1, 1973	394,000	May 1, 1982	23,000
May 1, 1974	358,000	November 1, 1982	22,000
November 1, 1974	341,000	May 1, 1983	16,000
May 1, 1975	269,000	November 1, 1983	14,000
November 1, 1975	254,000	May 1, 1984	12,000
May 1, 1976	186,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
Not more than three years before maturity	1/2%
More than three years but not more than six years before maturity	1 1/2%
More than six years but not more than eleven years before maturity	2 1/2%
More than eleven years but not more than fourteen years before maturity	3 1/2%
More than fourteen years but not more than sixteen years before maturity	5%
More than sixteen years before maturity	6%

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

- (a) By the deletion of Sections 2.01 and 2.02.
- (b) By the addition to Section 2.05 of the following new subparagraph (d) :

“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in the provisions of paragraph (b) of Section 2.05 and Section 6.16 of these Regulations.”

(c) By the substitution in the second sentence of Section 4.03 of the words “Investment Projects” for the word “Project”.

(d) By the deletion of Section 5.05 and the substitution therefor of the following Section :

“SECTION 5.05. *Application of Reduction of Loan Account and of Cancellation to Maturities.* Except as otherwise agreed between the Bank and the Borrower : (i) any cancellation pursuant to this Article of amounts credited to the Loan Account and any reduction of the Loan Account pursuant to Section 2.02 (d) of the Loan Agreement, in respect of any part of the Loan credited to the Loan Account, shall be applied *pro rata* to the principal amounts of the several maturities which reflect such part of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any such maturity shall not exceed the amount of such maturity remaining after deducting therefrom the principal amount of Bonds of such maturity theretofore delivered or requested pursuant to Article VI and the Bonds or portions of the Loan of such maturity theretofore sold or agreed to be sold by the Bank; and (ii) any cancellation pursuant to this Article of any amount of the Loan not credited to the Loan Account shall be applied *pro rata* to the principal amounts of the several maturities of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any maturity of the Loan shall not exceed the amount of such maturity remaining after deducting the principal amount of any part or parts of the Loan reflected in such maturity.”

(e) By the deletion of Section 6.04 and the substitution therefor of the following section :

“SECTION 6.04. *Interest on Bonds; Service Charge.* Bonds shall bear interest at such rate as the Bank shall request, not in excess, however, of the rate of interest on the portion of the Loan represented by such Bonds. If the rate of interest on any Bond shall be less than the rate of interest on the portion of the Loan represented by such Bond, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of such portion of the Loan at a rate equal to the difference between the interest rate on such portion of the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable.”

(f) By the deletion of paragraph (a) of Section 6.11 and the substitution therefor of the following :

“(a) Bonds representing a portion of the Loan and bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on such portion of the Loan.”

(g) By the deletion of paragraph (b) of Section 6.16 and the substitution therefor of the following paragraph :

“(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the portion of the Loan represented by such Bond, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 6.04 accrued and unpaid at such date on the principal amount of such portion of the Loan represented by such Bond.”

(h) By the deletion of Section 9.04.

(i) By the deletion of paragraph 4 of Section 10.01 and the substitution therefor of the following paragraph :

“4. The term ‘ Loan ’ means the loan provided for in the Loan Agreement, and the term ‘ part of the Loan ’ means the portion of the Loan credited to the Loan Account in respect of an Investment Project.”

(j) By the deletion of paragraph 10 of Section 10.01 and the substitution therefor of the following paragraph :

“10. The term ‘ Loan Account ’ means the account on the books of the Bank to which the amount of each part of the Loan is to be credited as provided in the Loan Agreement.”

(k) By the deletion of paragraph 11 of Section 10.01 and the substitution therefor of the following paragraph :

“11. The term ‘ Project ’ means the project for which the Loan is granted, as described in Section 3.01 of the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower.”

(l) By the deletion of the first sentence of paragraph 12 of Section 10.01 and the substitution therefor of the following sentence :

“12. The term ‘ goods ’ means equipment, supplies and services required by Investment Enterprises to carry out Investment Projects financed out of the proceeds of the Loan.”

LETTER RELATING TO THE GUARANTEE AGREEMENT

[TRANSLATION — TRADUCTION]

REPUBLIC OF TUNISIA

16 May 1966

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

Loan No. 449 TUN

Interest Rates of SNI

Gentlemen,

I have the honour to refer to the Guarantee Agreement of today's date between the Government of Tunisia and yourselves concerning the loan made by you to the Société

Nationale d'Investissement and in particular to that section of the Agreement by which the Government of Tunisia undertook not to take, cause or permit to be taken any action which would prevent or interfere with the carrying on by the Borrower of its operations and affairs in accordance with sound financial and investment standards and practices and to respect its obligations as stipulated in the Loan Agreement.

I am writing to confirm that the Government of Tunisia considers that, in order to enable SNI to carry on its operations and affairs in accordance with sound financial and investment standards and practices, it must operate as an efficient and paying autonomous institution. For that purpose it must have such income in the form of interest and commissions as will enable it, after meeting operating expenses, to leave a margin sufficient to form a suitable reserve and to pay dividends at a rate likely to attract additional capital subscribed by private shareholders. The Government of Tunisia agrees that section 3.07 of the Guarantee Agreement means that the Government will take no action which would prevent SNI from achieving a satisfactory profit level.

The Chairman of SNI has informed me that he intends to apply initially the following rates of interest :

- (a) For loans for periods of up to five years which are discountable at the Banque Centrale de Tunisie, the rate will be 2.5 per cent higher than the rediscount rate of the Banque Centrale.
- (b) For loans for periods of up to five years which are not discountable at the Banque Centrale, the rate will be 7 per cent.
- (c) For all loans for periods of more than five years, the normal rate will be 7.5 per cent irrespective of the source of the funds, although there may be some loans at rates higher than 7.5 per cent.

The Government has no objection to the application of this initial scale. Moreover, should SNI be unable to achieve a satisfactory profit level with these rates, the Government would see nothing objectionable in these rates being modified, if the modifications are needed to improve the profitability of SNI's operations.

Accept, Gentlemen, the assurances of my highest consideration.

Republic of Tunisia :

Rachid DRISS

Authorized Representative