

No. 10286

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

Guarantee Agreement—*Railway Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements, and Loan Agreement between the Bank and the Société nationale des chemins de fer tunisiens). Signed at Washington on 4 June 1969

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 3 February 1970.

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

Contrat de garantie — *Projet relatif aux chemins de fer* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie, et le Contrat d'emprunt entre la Banque et la Société nationale des chemins de fer tunisiens). Signé à Washington le 4 juin 1969

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 3 février 1970.

GUARANTEE AGREEMENT ¹

AGREEMENT, dated June 4, 1969, between REPUBLIC OF TUNISIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement ² of even date herewith between the Bank and Société nationale des chemins de fer tunisiens (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to eight million five hundred thousand dollars (\$8,500,000), 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 hereinafter provided; 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 Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

¹ Came into force on 16 September 1969 upon notification by the Bank to the Government of Tunisia.

² See p. 294 of this volume.

³ See p. 294 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of its other obligations under this 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 Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity and the punctual performance of all the obligations of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes: (i) 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 or for the Borrower's operations during the execution 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; and (ii) to contribute to the equity of the Borrower an amount equivalent to the taxes and duties levied on the importation of all goods required for the Project within six months of their collection.

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 for the Guarantor.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will 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, and free from all restrictions, imposed under the laws of the Guarantor, 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 on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The Guarantor shall enable the Borrower to institute a

comprehensive system of tariffs and other charges pursuant to Section 5.11 of the Loan Agreement and to make from time to time such adjustments thereto as may be necessary to ensure the punctual performance by the Borrower of its obligations under Section 5.12 of the Loan Agreement.

Section 3.06. The Guarantor shall take all such action as shall be necessary on its part to enable the Borrower to perform punctually its obligations under Section 5.09 of the Loan Agreement.

Section 3.07. The Guarantor shall maintain or cause to be maintained the Borrower's communication system in accordance with sound engineering practices.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary of State for Planning and National Economy of the Guarantor and such other person or persons as he shall appoint in writing are designated as authorized representative of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Article V

Section 5.01. The Secretary of State for Planning and National Economy of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Guarantor:

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

Alternative address for cables:

Secrétariat d'Etat au Plan et à l'Economie Nationale
Tunis

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 cables:

Intbafrad
Washington, D.C.

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 J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 271.*]

LOAN AGREEMENT

AGREEMENT, dated June 4, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and SOCIÉTÉ NATIONALE DES CHEMINS DE FER TUNISIENS (hereinafter called the Borrower).

WHEREAS the Guarantor and the Borrower have requested the International Development Association (hereinafter called the Association) and the Bank to assist in the financing of a railway project more particularly described in Schedule 3 to this Agreement;

WHEREAS by an agreement of even date herewith between the Guarantor and the Association (hereinafter called the Development Credit Agreement¹) the Association has agreed to make a credit to the Guarantor for such project in an amount in various currencies equivalent to eight million five hundred thousand dollars (\$8,500,000) upon the terms and conditions set forth in said Development Credit Agreement; and

WHEREAS the Bank has agreed, on the basis *inter alia* of the foregoing, to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969² with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

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

(a) "Credit" means the credit provided for in the Development Credit Agreement;

(b) "Credit Account" means the account established pursuant to Section 2.02 of the Development Credit Agreement;

(c) "Decree No. 104" means the Guarantor's Decree of December 27, 1956, together with the statutes attached thereto, providing for the establishment of the Borrower as the same has been or may be amended from time to time;

(d) "Railways" means the railways operated by the Borrower and includes all railway property, equipment and materials of the Borrower;

(e) "Investment Plan" means the 1969-1972 program of the Guarantor and the Borrower to provide and finance capital goods and services for the rehabilitation, modernization, development, increase in capacity and more effective utilization of

¹ See p. 325 of this volume.

² See p. 294 of this volume.

Railways, as the same may be amended from time to time by agreement between the Guarantor, the Bank and the Borrower, and which is described in summary form in Schedule 3 to this Agreement;

(f) "Tunisian Dinars" and the letter "D" mean dinars in the currency of the Guarantor.

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 eight million five hundred thousand dollars (\$8,500,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan.

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement and in accordance with the allocation of the proceeds of the Loan and of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Bank and the Borrower.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods and services required for the Project and to be financed under this Loan Agreement :

- (i) such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for expenditures under Categories 1, 2, 3 and 4 of the allocation of the proceeds of the Loan and of the Credit set forth in Schedule 1 to this Agreement; and
- (ii) such amounts as shall be required to meet payments to be made to the Bank for interest and other charges which shall have accrued on the Loan on or before December 31, 1972 or such other date as may be agreed between the Bank and the Borrower;

provided, however, that withdrawals from the Loan Account under any of the Categories 1, 2, 3 and 4 shall be made only after the proceeds of the Credit shall have been fully withdrawn or committed.

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

Section 2.05. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Loan Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Loan and of the Credit shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Bank and the Borrower and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan and of the Credit to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 4.02. The Président Directeur général of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project, described in Schedule 3 to this Agreement, with due diligence and efficiency and in conformity with sound railway engineering and financial practices.

(b) In carrying out the Project, the Borrower shall employ competent and experienced consultants acceptable to the Bank upon such terms and conditions as shall have been approved by the Bank.

(c) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and work or procurement schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

Section 5.02. (a) The Borrower shall at all times manage its affairs, maintain its financial position, plan its future expansion and carry on its operations, in accordance with sound business, financial and railroad practices and under the supervision of experienced and competent management.

(b) The Borrower shall at all times employ a qualified and experienced deputy director general; the first such deputy director general shall be appointed not later than July 1, 1970.

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

Section 5.03. The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof, to record the progress of the Project (including the cost thereof), and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower and all financial transactions between the Guarantor and the Borrower with respect to the Project; shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan and of the Credit, the goods and services financed out of such proceeds, the Project, and the administration, operations

and financial condition of the Borrower.

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 performance of its obligations under this Agreement, the administration, operations and financial condition of the Borrower, the Investment Plan and any proposed modification thereof or departure therefrom, and other matters relating to the purposes of the Loan.

(b) 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 and of the Credit, the goods and services to be financed out of the proceeds of the Loan and of the Credit, the Project, the administration, operations and financial condition of the Borrower and the Investment Plan.

(c) 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 this Agreement and of any proposed modification of, or departure from, the Investment Plan.

Section 5.05. (a) The Borrower shall take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall obtain title to all goods financed in whole or in part with the proceeds of the Loan and of the Credit free and clear of all encumbrances.

(c) The Borrower shall at all times operate and maintain or cause to be maintained its plants, equipment, communications system and property, and promptly make all necessary repairs and renewals thereof, in accordance with sound engineering and railroad practices.

(d) The Borrower shall not, without the prior approval of the Bank, sell, lease, transfer or otherwise dispose of any of its property or assets which shall be required for the efficient operation of its business and undertaking nor set up any subsidiary unless the Borrower shall first pay or redeem, or make adequate provision satisfactory to the Bank for repayment or redemption of, all of the Loan and the Bonds which shall then be outstanding and unpaid.

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. (a) 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 amount as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure, or cause to be insured, the imported goods to be financed out of the proceeds of the Loan and of the Credit against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.08. Except as the Bank shall otherwise agree, until the Project has been completed, the Borrower shall not (i) undertake or execute, for its own account or for the account of any third party or parties, any new project or development other than that provided for in the Investment Plan or the Project, or (ii) provide more than six million Tunisian Dinars out of its own funds for any capital expenditures other than for the Project.

Section 5.09. Except as the Bank shall otherwise agree, the Borrower shall discontinue, not later than September 1, 1969, service of Railways on Mateur-Beja section of railway line 3, shall submit to the Bank not later than January 1, 1971 its views and intentions about operations on uneconomic railway lines and shall seek to reach agreement with the Guarantor and the Bank on measures to be taken with respect to such lines.

Section 5.10. Except as the Bank shall otherwise agree, the Borrower shall not carry out activities not directly related to the operation of the Railways.

Section 5.11. The Borrower shall as soon as practicable institute a comprehensive system of tariffs and other charges, which shall be reasonably related to the costs of providing its services and facilities, and shall not: (a) grant any exemptions

therefrom, or (b) except for classes of users, grant any preferential treatment. When granted, such preferential treatment shall be reasonable.

Section 5.12. (a) Except as the Bank shall otherwise agree, the Borrower shall from time to time make such adjustments in its tariffs and other charges and shall take all such other action as may be necessary to provide the Borrower with revenue sufficient to: (1) achieve a reasonable rate of return, of at least 4%, for the fiscal year 1971, 7% for the fiscal year 1973 and above 7% for the fiscal year 1974 and each fiscal year thereafter, on the Borrowers' average net fixed assets after covering all operating expenses, including adequate maintenance and depreciation on all depreciable assets in use, calculated on the basis of the replacement cost of such assets and their useful life, in accordance with sound accountancy principles consistently applied, and (2) enable the Borrower, out of internally-generated resources (i) to meet interest on and amortization of debt, (ii) to maintain adequate working capital, (iii) to establish and maintain reserves adequate to meet contingencies and (iv) to finance a reasonable portion of its capital expenditures, including replacement of assets.

(b) For purposes of this Section: (1) the term "revenue" does not include taxes on fares and rates collected by the Borrower from the users; and (2) the term "average net fixed assets" means the average of the gross value, as revalued from time to time, of fixed assets in use at the beginning and end of each fiscal year less accumulated depreciation at the end of that fiscal year.

Section 5.13. Except as the Bank shall otherwise agree, the Borrower shall not declare or pay any dividend, or make any other distribution, on the capital of the Borrower until all the requirements set forth in Section 5.12 of this Agreement have been met.

Section 5.14. Subject to such exemptions as shall be conferred by the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement,¹ 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 the territories of the Guarantor on or in connection with the execution, issue, delivery or registrations 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 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.

¹ See p. 286 of this volume.

Section 5.15. 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 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. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Guarantor and the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon and upon any such declaration such principal, together with the interest and other charges thereon, shall become due and payable immediately anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified; Decree No. 104 shall have been amended, suspended, or abrogated so as to affect adversely the operations and financial condition of the Borrower or the performance by the Borrower of its obligations under the Loan Agreement.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions: (a) Decree No. 104 shall have been amended: (i) to enable the Borrower to borrow the amounts required for the services under Category 4 of the allocation of the proceeds of the Loan and of the Credit set forth in Schedule 1 to this Agreement; (ii) to increase the number of directors on the board from eight to ten including four directors who represent major classes of users; and (iii) to make the Guarantor responsible for paying to the Borrower complete compensation equal to the total amounts of losses in gross revenues incurred by the Borrower as a result of general or special reductions of tariffs requested by the Guarantor, within not more than two months from the time such losses are incurred; and (b) the conditions precedent to the effectiveness of the Development Credit Agreement shall have been fulfilled subject only to the effectiveness of this Loan Agreement.

Section 7.02. The following is specified as an additional matter within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank: Decree No. 104 has been amended pursuant to Section 7.01 of this Agreement and said amendment has come into full force and effect in the territories of the Guarantor.

Section 7.03. The date July 31, 1969 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1973 or such other date as shall be agreed between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

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 cables:
Intbafrad
Washington, D.C.

For the Borrower:

Société nationale des chemins de fer tunisiens
67 Avenue Farhat Hached
Tunis, Tunisia
Alternative address for cables:
Sonafertu
Tunis

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be 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 J. Burke KNAPP

Vice President

Société nationale des chemins de fer tunisiens:

By Rachid DRISS

Authorized Representative

SCHEDULE 1

ALLOCATION OF THE PROCEEDS OF THE LOAN AND OF THE CREDIT

<i>Category</i>	<i>Amounts Expressed in US \$ Equivalent</i>
1. Rails, sleepers and fittings, track maintenance equipment and bridge materials	7,620,000
2. Diesel locomotives, railcars, trailers and ballast cars including spare parts and components for manufacture of freight cars	6,515,000
3. Workshop equipment	360,000
4. Consulting services	400,000
5. Interest and other charges on the Loan	1,360,000
6. Unallocated	745,000
TOTAL	<u>17,000,000</u>

ALLOCATION OF THE PROCEEDS OF THE CREDIT

1. The amount of the Credit shall be withdrawn from the Credit Account as provided under Article II of the Development Credit Agreement, and shall be applied to expenditures incurred under any of the Categories 1, 2, 3 and 4 until the total of withdrawals and commitments in respect of such expenditures shall have reached the equivalent of \$8,500,000.

ALLOCATION OF THE PROCEEDS OF THE LOAN

2. The amount of the Loan may be withdrawn from the Loan Account as provided under Article II of this Agreement and shall be applied to expenditures incurred under any of the Categories hereof, provided, however, that such amount shall only be applied to expenditures incurred under any of the Categories 1, 2, 3 and 4 after the amount of the Credit shall have been fully withdrawn or committed.

REALLOCATION UPON CHANGE IN COST ESTIMATES

3. If the estimate of the cost of the items included in any of the Categories 1 to 5 shall decrease, the amount then allocated to, and no longer required for, such Category will be reallocated by the Bank and the Association to Category 6.

4. If the estimate of the cost of the items included in any of the Categories 1 to 5 shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan and the Credit will be allocated by the Bank and the Association, at the request of the Borrower, to such Category from Category 6,

subject, however, to the requirements for contingencies, as determined by the Bank and the Association, in respect of the cost of the items in the other Categories.

SCHEDULE 2

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>
October 15, 1973	95,000	October 15, 1984	190,000
April 15, 1974	95,000	April 15, 1985	195,000
October 15, 1974	100,000	October 15, 1985	200,000
April 15, 1975	105,000	April 15, 1986	210,000
October 15, 1975	105,000	October 15, 1986	215,000
April 15, 1976	110,000	April 15, 1987	220,000
October 15, 1976	115,000	October 15, 1987	230,000
April 15, 1977	115,000	April 15, 1988	235,000
October 15, 1977	120,000	October 15, 1988	245,000
April 15, 1978	125,000	April 15, 1989	250,000
October 15, 1978	130,000	October 15, 1989	260,000
April 15, 1979	135,000	April 15, 1990	270,000
October 15, 1979	135,000	October 15, 1990	275,000
April 15, 1980	140,000	April 15, 1991	285,000
October 15, 1980	145,000	October 15, 1991	295,000
April 15, 1981	150,000	April 15, 1992	305,000
October 15, 1981	155,000	October 15, 1992	315,000
April 15, 1982	160,000	April 15, 1993	325,000
October 15, 1982	165,000	October 15, 1993	335,000
April 15, 1983	170,000	April 15, 1994	345,000
October 15, 1983	175,000	October 15, 1994	370,000
April 15, 1984	185,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1/8%
More than three years but not more than six years before maturity	1 1/4%
More than six years but not more than eleven years before maturity	2 1/4%
More than eleven years but not more than sixteen years before maturity	3 3/4%
More than sixteen years but not more than twenty-one years before maturity	5%
More than twenty-one years but not more than twenty-three years before maturity	6%
More than twenty-three years before maturity	6 1/2%

SCHEDULE 3

DESCRIPTION OF INVESTMENT PLAN AND PROJECT

A. *The Investment Plan*

The Investment Plan consists of:

	<i>Estimated Cost Expressed in Tunisian Dinars</i>
(i) The Project	15,350,000
(ii) The Gafsa-Gabes Line	6,000,000
(iii) Signalling Works and Equipping	2,000,000
(iv) Tunis Railway Station	1,400,000
(v) Manoubia Tunnel	300,000
(vi) By-passing of Sousse	300,000
TOTAL	<u><u>25,350,000</u></u>

B. *The Project*

The purpose of the Project is to improve the Borrower's operations and finances, and to rehabilitate and modernize the Railways. Such improvements, rehabilitation and modernization are urgently needed to meet present traffic requirements efficiently,

The Project consists of:

- A. Track renewal and acquisition and installation of bridge material for lines 1/4, TA, 5 and 6, and branch lines Gafsa to M'Dilla and Redeyef to Tabeditt to Seldja-Moulares.
- B. Acquisition and introduction in service of:
 - (i) main line diesel locomotives;
 - (ii) railcars, trailers and ballast cars;
 - (iii) track maintenance equipment;
 - (iv) workshop equipment.
- C. Acquisition of components for, manufacture of, and introduction in service of, freight cars.

- D. The following studies:
- (i) reorganization and modernization of workshops;
 - (ii) costing and rates;
 - (iii) motive power and rolling stock;
 - (iv) modernization of the Tunis area and Metlaoui stations;
 - (v) managerial services.

The Project is expected to be completed by the end of 1972.

SCHEDULE 4

PROCUREMENT

Pursuant to Section 3.02 of this Agreement the goods to be financed out of the proceeds of the Loan and of the Credit will be procured on the basis of international competitive bidding in accordance with the procedures set forth in the Guidelines referred to in said Section 3.02 and in the following supplementary provisions; provided, however, that on grounds of standardization requirements, the contracts for the procurement of elastic fastenings for Roger Sonnevillie type concrete sleepers amounting in the aggregate to about 300,000 dollars equivalent will be awarded on a negotiated basis to the sole concessionaire for the manufacture of this equipment:

1. In respect of contracts amounting to more than 100,000 dollars equivalent:
 - (a) One copy of the invitation to bid and the bid advertisements to be published, the draft forms of contract, the specifications, and all other bid documents together with a complete description of the advertising procedure to be used (including list of publications in which the advertisement will appear and the time to be allowed for bid preparation) will be submitted to the Bank for its review and approval before bids are invited.
 - (b) After bids have been received and analyzed, one copy of the analysis of bids and recommendation for the contract award, together with the reasons for such recommendation, will be furnished to the Bank for its review and approval of the proposed award prior to the award of the contract or the issuance of a letter of intent.
 - (c) If the proposed final contract differs materially from the terms and conditions contained in the respective documents approved by the Bank under subparagraphs (a) and (b) above, then the text of the proposed changes will be submitted by the Borrower to the Bank for its review and approval prior to the execution of the contract.

(d) The Borrower will furnish the Bank with a signed copy of the final contract promptly after execution.

2. Contracts amounting to less than 100,000 dollars equivalent will not be subject to the Bank's approval, however, all bidding documents, including the bid evaluation report and a signed copy of the final contract, will be submitted to the Bank promptly after execution.

3. Prices of non-Tunisian bids will be compared on a c.i.f. landed Tunisian port of entry, exclusive of import duties and similar taxes. If bids incorporate a price escalation clause, a statement of an upper limit of the escalation percentage must be required from bidders and bids which do not meet this requirement must be rejected. Such upper limit will be fully added to the price for purposes of comparison between bids.

4. Prices of Tunisian and non-Tunisian bids will be compared on the basis of the ex-factory price of the Tunisian bids and the c.i.f. landed Tunisian port of entry price of non-Tunisian bids increased by 15% thereof or the actual rate of customs duties and similar taxes, whichever is lower. Production and consumption taxes which are equally levied on Tunisian and non-Tunisian goods will be excluded for purposes of price comparison between Tunisian and non-Tunisian bids.