

LOAN GUARANTEE

**Agreement Between the
UNITED STATES OF AMERICA
and TUNISIA**

Signed at Washington June 3, 2014

with

Annexes



NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89—497, approved July 8, 1966
(80 Stat. 271; 1 U.S.C. 113)—

“ . . .the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof.”

TUNISIA

Loan Guarantee

*Agreement signed at Washington June 3, 2014;
Entered into force July 18, 2014.
With annexes.*

LOAN GUARANTEE AGREEMENT
BETWEEN
THE UNITED STATES OF AMERICA
AND
THE REPUBLIC OF TUNISIA

This Agreement (“Agreement”) is between the United States of America (the “United States Government”) and the Republic of Tunisia (the “Government of Tunisia,” “Tunisia” or the “Borrower”) (together “the Parties”).

ARTICLE I. Purpose

Section 1.01. Purpose. The United States Government, acting through the United States Agency for International Development (“USAID”), plans to provide guarantees (“Loan Guarantees” or “Guarantees”) for certain payment obligations with regard to new debt that the Government of Tunisia, acting through the Central Bank of Tunisia, is expected to incur. This guarantee assistance program will support the Government of Tunisia’s economic transition and reform initiatives, as supported by the International Monetary Fund and USAID. It will also support Tunisia’s continued access to the capital markets and provide external financing to Tunisia at affordable rates so that a stable, democratic Tunisia can provide broader economic opportunity for its citizens. The purpose of this Agreement is to set forth the rights and obligations of the Parties with respect to the guarantee assistance program described herein.

ARTICLE II. The Guarantee

Section 2.01. Guarantee Obligations. Subject to the terms herein, USAID shall issue guarantees with respect to the payment obligations of the Borrower for Eligible Notes (as defined in Section 2.02 below). The Guarantees will guarantee one hundred percent (100%) of the Borrower’s repayment of principal under Eligible Notes in an amount not to exceed an aggregate principal amount of five hundred million United States Dollars (U.S. \$500,000,000) together with interest due thereon, for a period of seven (7) years from the date of issuance.

The Guarantees shall be issued in accordance with Title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012 (Div. I, P.L. 112-74), as applied to FY 2013 funding by section 1706(j) of the Further Continuing Appropriations Act, 2013 (Div. F, P.L. 113-6) (the “Act”). The Guarantees constitute, as a matter of domestic U.S. law, obligations of the United States of America, and the full faith and credit of the United States of America is pledged for the full payment and performance of such guarantee obligations. The standard terms and conditions of the Guarantees issued hereunder shall be mutually agreed upon and published by the United States Government

in Title 22, Chapter II, of the United States Code of Federal Regulations for the benefit of the holders of Eligible Notes as defined in Section 2.02 ("Noteholders").

Section 2.02. Eligible Notes and Terms. "Eligible Notes" are United States Dollar-denominated notes or bonds issued by the Borrower: (a) for the purposes of this Agreement; (b) purchased by "Eligible Underwriters," as defined in Section 2.03; and (c) under such terms and conditions, documents and agreements as are in form and substance mutually agreed upon by USAID, the Eligible Underwriters and the Borrower, including, without limitation, offering circulars, note purchase or underwriting agreements, global notes and a fiscal agency agreement (such agreements in their final definitive form being referred to herein as the "Debt Agreements").

Except as otherwise agreed in writing by the Parties, Eligible Notes shall have a term or maturity of seven (7) years with interest paid on a regular basis and principal paid at maturity.

Section 2.03. Eligible Underwriters. Except as otherwise agreed in writing by the Parties, "Eligible Underwriters" are those institutions that: (a) purchase Eligible Notes directly from the Borrower with a view toward distribution to investors; (b) maintain a principal place of business in the United States and are subject to regulation under the laws of the United States (including registration as a broker-dealer under the Securities Exchange Act of 1934, as amended, and membership in the Financial Industry Regulatory Authority); and (c) are financially capable of serving as an underwriter for the issuance of Eligible Notes.

Section 2.04. Installments. Except as otherwise agreed in writing by the Parties, Eligible Notes and the Guarantees issued hereunder shall each be issued in one (1) installment.

Section 2.05. Final Date for Borrowing. The Guarantees shall be issued at the same time as the issuance of the Eligible Notes (the "Closing Date") and shall be evidenced on the reverse side of the global notes evidencing the Eligible Notes. Unless otherwise agreed by the Parties in writing, the final date for the Closing Date (and for the issuance of a Guarantee under this Agreement) shall be September 30, 2014, and the final date to request the issuance of Guarantees under this Agreement shall be ten (10) days before the Closing Date.

ARTICLE III. Fiscal Agent

Section 3.01. Fiscal Agent. The fiscal agent for the Borrower shall be approved by USAID and shall perform its duties pursuant to the terms of a fiscal agency agreement that is agreed to by the Borrower, the fiscal agent and USAID. The costs for such services shall be paid by the Borrower and may be paid from the proceeds of the Eligible Notes made available at the Closing Date.

ARTICLE IV. Conditions Precedent

Section 4.01. Borrower's Conditions Precedent.

- (a) Procedural Requirements and Documentation. Except as otherwise agreed by USAID in writing, prior to the Closing Date the Borrower shall deliver, in form and substance satisfactory to USAID, the following:
- (i) a legal opinion from the *Conseiller Juridique et de la Legislation du Gouvernement* ("Adviser on Legal Affairs and legislation to the Government") or the head of the Legal Department of the Central Bank of Tunisia, as is appropriate, attesting to the validity and enforceability of the Debt Agreements and related agreements, if any, and stating that such agreements have been duly authorized, executed and delivered and constitute legal, valid and binding obligations of the Borrower;
 - (ii) all documents required by the terms of the Debt Agreements and any related agreements to satisfy the conditions precedent therein;
 - (iii) the duly completed and signed Certificate and Request for Issuance of Guarantees in the form of Annex I;
 - (iv) a statement of the name of the person holding the office specified in Section 6.06 and of any additional representatives, together with a specimen signature of each person so designated; and
 - (v) such other documents and representations as USAID may reasonably request with respect to the transactions contemplated by this Agreement.
- (b) Additional Conditions. Additional conditions precedent to the issuance of any Guarantees are attached as Annex II. The United States Government shall determine whether the conditions have been satisfied consistent with Annex II, and, prior to the issuance of any Guarantees, USAID shall provide Borrower with written notification that the issuance of the Guarantees can proceed.

Section 4.02. United States Government's Conditions Precedent. On or prior to the issuance of the Guarantees, USAID shall deliver, in form and substance satisfactory to the Borrower and/or the Eligible Underwriters, such documents, certificates and opinions as may be reasonably required by the Debt Agreements.

Section 4.03. Satisfaction of Conditions Precedent and Notification. The issuance of the Guarantees shall be subject to the satisfaction of the conditions precedent consistent with the terms set forth in Sections 4.01 and 4.02 above.

ARTICLE V. Special Covenants

Section 5.01. Reimbursement and Subrogation. The Borrower agrees that if USAID makes any payment on the Borrower's behalf to or for the benefit of the Noteholders pursuant to the Guarantees, whether or not the Noteholders have applied to USAID for such payment and

whether or not an event of default has occurred under the terms of a Debt Agreement, the Borrower shall promptly reimburse USAID for such payment. USAID shall promptly inform the Borrower of any such payment. In the event of a default, in addition to any common law rights that may apply, by operation of this Agreement, USAID shall become subrogated to all the rights of the Noteholders against the Borrower.

Section 5.02. Late Payment Charge. In the event of a late payment of amounts due USAID, either directly or by way of reimbursement for amounts USAID has paid on behalf of the Borrower, a late payment charge shall accrue on all such amounts. This late payment charge shall accrue to USAID under the same terms and conditions as late payment charges due the Noteholders as such charges, if any, are prescribed in the Eligible Notes.

Section 5.03. Use of Proceeds. The Borrower shall not use the proceeds from the issuance of Eligible Notes for military or paramilitary purposes.

ARTICLE VI. General Provisions

Section 6.01. Consultation. The Parties shall cooperate to ensure that the purpose of this Agreement will be accomplished. With respect to matters relating to the selection of Eligible Underwriters and the fiscal agent referred to in Section 3.01, the issuance of Eligible Notes, the Debt Agreements and related matters, the Parties shall consult through their representatives identified in Section 6.06.

Section 6.02. Reports, Books and Records, Audit and Review. The Borrower shall:

- (a) furnish to the United States Government such information and reports relating to the Eligible Notes, the Debt Agreements, the Guarantees and this Agreement as may be reasonably requested.
- (b) maintain, in accordance with generally accepted accounting principles and practices consistently applied in Tunisia, books and records relating to the Eligible Notes, the Debt Agreements, and this Agreement. Such books and records shall be reviewed by the *Commissaires aux Comptes* ("Commissioners of Accounts") for the Central Bank of Tunisia to the extent provided in the applicable laws of Tunisia and shall be maintained for a minimum of three years after the Eligible Notes have been fully repaid by the Borrower.
- (c) afford authorized representatives of the United States Government the opportunity at all reasonable times to review such books, records and other documents described in this section.

Section 6.03. Other Payments. The Borrower affirms that no payments or other benefits have been received and agrees that none shall be received by any official of the Borrower in connection with the procurement of goods or services financed under the Eligible Notes except fees, taxes or similar payments legally required in the territory of the Borrower.

Section 6.04. Remedies. If the United States Government determines that the terms of this Agreement have been breached or that the conditions precedent for issuing Guarantees set forth in this Agreement or any annex hereto are not satisfied, the United States Government may suspend or terminate the issuance of Guarantees not yet issued after providing notice to the Borrower, taking into account the Parties' preference for resolving any issues through diplomatic efforts. The issuance of any Guarantee by USAID, the payment by USAID to the Noteholders of any amounts pursuant to any Guarantee, the delay or failure of USAID to make any claim for payment, or the delay or failure of USAID to give its written approval to any acceleration of debt by the Noteholders (if such a right of acceleration is provided for in the Eligible Notes) shall not operate as a waiver by USAID of any rights accruing to USAID under this Agreement, the Debt Agreements or any Guarantee.

Section 6.05. Implementation Letters. USAID may from time to time issue Implementation Letters further describing applicable procedures concerning its implementation of this Agreement, or recording the agreement of the Parties on details of implementation of this Agreement.

Section 6.06. Representatives.

(a) For purposes relevant to the immediate implementation of the technical and financial aspects of this Agreement, up to and including the issuance of the Eligible Notes, the Borrower shall be represented by the Directorate-General at the Central Bank of Tunisia indicated in section 6.07.

(b) For purposes relevant to the ongoing management of the technical and financial aspects of this Agreement, including the ongoing management of Borrower's obligations under the Eligible Notes, the Borrower shall be represented by the Directorate-General of the Ministry of Economy and Finance indicated in section 6.07.

(c) For purposes relevant to the implementation of the technical and financial aspects of this Agreement, the United States Government shall be represented by the individual holding or acting in the office of Director, Office of Development Credit, USAID.

(b) Each Party, by written notice, may designate additional representatives. Either Party may accept as authorized any instrument signed by such representatives of the other Party in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 6.07. Communications. Any notice, request, document or other communication submitted by either Party to the other Party under this Agreement shall be in writing or by telegram or cable, shall refer to Tunisia/ USAID Loan Guarantee No. 664-TG-002-A01, and shall be deemed duly given or sent when delivered to such Party at the following addresses:

To the Borrower:

Ministry of Economy and Finance contacts:

Ministère de l'Economie et des Finances
Direction général de la dette et de la coopération financière
Place du Gouvernement, La Kasbah,
1030 Tunis

Tel: 216 71 57 18 42
Fax: 216 71 56 24 15

and the Central Bank of Tunisia contacts:

Banque Centrale de Tunisie
Direction générale des finances extérieures
25 Rue Hedi Nouria – BP 777
1080 Tunis cedex
Tel: 216 71 122 000
Fax: 216 71 340 615

To the United States Government:

United States Agency for International Development
Office of Development Credit, Room 2.10
1300 Pennsylvania Avenue
Washington, D.C. 20523-0214

with a copy to:

United States Agency for International Development
Office of the Middle East, Room 4.9-A
1300 Pennsylvania Avenue
Washington, D.C. 20523-0214

All communications shall be in English, unless the Parties otherwise agree in writing.

Section 6.08. Taxation and Duties. This Agreement, the Eligible Notes and the proceeds therefrom shall be free from any taxation or fees imposed under laws in effect in Tunisia now or in the future.


Section 6.09. Annexes. The Annexes to this Agreement constitute an integral part of this Agreement.

ARTICLE VII. Entry into Force

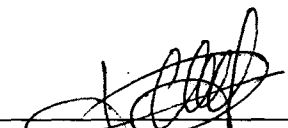
Section 7.01. Entry Into Force. This Agreement shall enter into force on the date of the later notification in an exchange of written notifications in which the Parties notify each other that their respective domestic legal requirements for entry into force of the Agreement have been fulfilled.

DONE at Washington this 31 day of June, 2014, in duplicate, in the English language.

FOR THE UNITED STATES OF
AMERICA:

By: 
Ms. Alina Romanowski
Deputy Assistant Administrator
for the Middle East Bureau, USAID

FOR THE REPUBLIC OF TUNISIA:

By: 
H.E. Mohamed Ezzine Chelaifa
Ambassador of the Republic of
Tunisia to the United States

ANNEX I

to the

LOAN GUARANTEE AGREEMENT
BETWEEN THE UNITED STATES OF AMERICA
AND THE REPUBLIC OF TUNISIA

Tunisia/USAID Loan Guarantee No. 664-TG-002-A01

CERTIFICATE AND REQUEST FOR ISSUANCE OF LOAN
GUARANTEES

The Government of the Republic of Tunisia ("Borrower"), pursuant to the Loan Guarantee Agreement dated as of _____, 2014, between the Borrower and the United States of America (the "Agreement") hereby requests the issuance of Loan Guarantees (as defined in the Agreement) covering the principal amount of U.S. \$500,000,000 and related interest thereon. The estimated date for this action is _____. In connection with this request, the Borrower hereby certifies that it is in full compliance with the terms of the Agreement.

Republic of Tunisia

BY: _____

TITLE: _____

DATE: _____

ANNEX II

to the

LOAN GUARANTEE AGREEMENT

BETWEEN THE UNITED STATES OF AMERICA

AND THE REPUBLIC OF TUNISIA

Whereas this Loan Guarantee Agreement is intended by the Parties to support economic reform that will help revitalize economic activity and broaden economic opportunities for Tunisia's citizens; and

Recognizing that Loan Guarantees issued under this Agreement would have the greatest effect if they are part of a broader reform initiative coordinated by the Government of Tunisia ("Tunisia");

The following economic reform conditions address ongoing reforms in tax administration, customs administration, and investment regulation; strengthen the banking sector; support vulnerable households; and promote the establishment of a solid macroeconomic framework. Unless otherwise agreed by USAID in writing, these conditions shall be satisfied no later than fourteen (14) days prior to the Closing Date and the issuance of Guarantees.

1. The Government of Tunisia (GOT) shall continue to implement appropriate policies to maintain a credible macroeconomic framework consistent with its International Monetary Fund (IMF) Stand-By Arrangement, and shall provide the U.S. government with all macro-fiscal data required for submission to the IMF, as well as any additional data, that the United States may request.
2. Tax reform is critical to private sector development and growth in Tunisia. To integrate the tax recovery function into Tunisia's fiscal administration and strengthen control mechanisms in customs administration, the GOT shall develop a plan to modernize tax administration that will incorporate risk-based audit practices, a code of conduct, and conflict of interest policies. The Ministry of Economy and Finance shall adopt the plan, and the GOT shall provide USAID with a copy of the adopted plan.
3. Customs reform is critical to creating clear rules for investment and international trade, and for enhancing Tunisia's export profile. The GOT shall develop a plan to ensure full compliance with international customs standards, including the Revised Kyoto Convention (RKC) and the World Trade Organization (WTO) Agreement on Trade Facilitation. The Ministry of Economy and Finance shall approve the plan, and the GOT shall provide USAID with a copy of the approved plan.
4. Simplifying and clarifying investment regulation in Tunisia is critical to attracting foreign investment, which is a main priority of the GOT. The GOT shall work with the World Bank and International Finance

Corporation (IFC) to draft a roadmap, including a list of short-term measures that will be adopted to strengthen private investment and an outline of a medium-term framework for improving Tunisia's investment regulations. The GOT shall submit the roadmap to the Council of Ministers and shall provide USAID with a copy of the roadmap, as submitted.

5. To strengthen the banking sector, the GOT must develop a crisis management plan for dealing with insolvent banks, including the clear identification of the agencies responsible for bank resolution and liquidation, the treatment of shareholders, and the tools of resolution. The GOT shall finalize a draft banking resolution framework that is consistent with international best practices and shall submit the draft framework to the Board of the Central Bank of Tunisia. The GOT, through the Ministry of Economy and Finance, shall provide USAID with a copy of the draft bank resolution framework, as submitted for discussion to the Board of the Central Bank of Tunisia.

6. To improve the sustainability of upcoming subsidy reductions and promote more inclusive growth, the GOT shall expand its support for vulnerable households. The GOT shall provide USAID with a copy of the household support program, as submitted to the IMF, and the changes specified in the complementary budget law.