FOREIGN ASSISTANCE
ECONOMIC COOPERATION

Loan Guarantee

Agreement Between the

UNITED STATES OF AMERICA

and TUNISIA

Signed at Tunis and Washington June 3 and
June 6, 2016

with

Annex

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

Foreign Assistance Economic Cooperation: Loan Guarantee

Agreement signed at Tunis and Washington June 3 and June 6, 2016;
Entered into force August 2, 2016.
With annex.

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") and the Republic of Tunisia ("Tunisia" or the "Borrower") (together the "Parties").

ARTICLE I. Purpose

The United States, 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 Tunisia, acting through the Central Bank of Tunisia, is expected to incur. This guarantee assistance program is intended to reinforce Tunisia's economic reform program, as supported by the International Monetary Fund and USAID, support Tunisia's continued access to the capital markets, and provide external financing to Tunisia at affordable rates. 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 shall 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 up to five (5) years ("Maximum Term") from the date of issuance. The Guarantees shall be issued in accordance with Section 7034(o) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2016 (Div. K, P.L. 114-113). The Guarantees constitute, as a matter of domestic U.S. law, obligations of the United States, and the full faith and credit of the United States 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 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 the guarantee assistance program described in Article I 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 maturity of no more than the Maximum Term 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 broker-dealers 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. The costs for the services of Eligible Underwriters shall be paid by the Borrower and may be paid from the proceeds of the Eligible Notes made available at the issuance of the Eligible Notes (the "Closing Date").

Section 2.04. Installments. Except as otherwise agreed in writing by the Parties, Eligible Notes and the Guarantees shall 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 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 Closing Date shall be no later than thirty (30) days after the entry into force of this Agreement.

ARTICLE III. Fiscal Agent

The fiscal agent for the Borrower shall be selected by Tunisia and approved by USAID in writing 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. Except as otherwise agreed by USAID in writing, prior to the issuance of the Guarantees the following must have occurred:

(a) Programmatic Conditions. The programmatic conditions precedent set forth in the Annex must have been satisfied, and Tunisia must have provided to USAID all material, in form and substance satisfactory to USAID, necessary for the United States to determine that such programmatic conditions precedent have been satisfied at least ten (10) days prior to the commencement of marketing of the Eligible Notes (the "Marketing Date").

(b) Pricing Conditions. Tunisa must have required the Eligible Underwriters to provide USAID with a reasonable estimate of the issuance price at least three (3) business days prior to the Marketing Date.

(c) Procedural Requirements and Documentation. No later than the day before the Marketing Date, the Borrower must have delivered, in form and substance satisfactory to USAID, the following:

(i) the final form of a legal opinion from the *Conseillerjuridique* et de *la Legislation du Gouvernement* ("Adviser on Legal Affairs and legislation to the Government") 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) the final form of the Debt Agreements, all documents required by the terms of the Debt Agreements, and any related agreements to satisfy the conditions precedent therein, except the final pricing will be completed after the Marketing Date;

(iii) a statement of the names of the persons holding the offices specified in Section 6.06 and those of any additional representatives, together with a specimen signature of each person so designated; and

(iv) such other documents and representations as USAID may reasonably request with respect to the transactions contemplated by this Agreement.

Section 4.02. United States' Conditions Precedent. Except as otherwise agreed byTunisia in writing, upon or prior to the issuance of the Guarantees, USAID must have delivered, 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, and, prior to the Closing Date, USAID shall provide the Borrower with written notification that the conditions in the Annex have been satisfied and that the issuance of the Guarantees can proceed.

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 the Debt Agreements, ("Default") the Borrower shall promptly reimburse USAID for such payment. USAID shall promptly inform the Borrower of any such payment.

If (i) USAID makes any such payment described above and the Borrower has not repaid USAID that full amount within thirty (30) days of USAID making such payment; (ii) USAID makes a similar payment on Borrower's behalf for any other outstanding debt issued byTunisia and guaranteed by USAID ("Prior Debt") and the Borrower has not repaid USAID the full amount of such similar payment within thirty (30) days of USAID making such payment; or (iii) the Borrower informs USAID that it does not intend to service the Debt Agreements or the corresponding debt agreements for the Prior Debt ("Prior Debt Agreements") in full, USAID has the right, but not the obligation, without notice or consent, to accelerate the debt owed to USAID by the Borrower under the Debt Agreements and the Prior Debt Agreements as if the Borrower had defaulted on all future payments due under the Debt Agreements and the Prior Debt Agreements. If USAID exercises this right, the net present value of all unpaid (including future) principal and interest payments due under the Debt Agreements and the Prior Debt Agreements shall be immediately due and payable to USAID on the date USAID notifies the Borrower in writing that USAID is exercising this right and, in return, USAID shall assume the obligation to make all further payments due to the fiscal agent under the Debt Agreements and Prior Debt Agreements. Interest shall begin accruing immediately on the amount owed to USAID at a reasonable rate provided by USAID in its notice of acceleration. The interest rate shall be in the sole discretion of USAID, but shall not be less than the applicable U.S. Treasury rate used to calculate the net present value and shall not be greater than one hundred (100) basis points above the applicable U.S. Treasury rate. The United States shall calculate the net present value using the applicable U.S. Treasury rate.

In the event of a Default, USAID shall become subrogated to all the rights of the Noteholders against the Borrower in respect of the relevant payment.

Section 5.02. <u>Late Payment Charge</u>. In the event USAID makes payments on behalf of the Borrower under the Guarantees, a late payment charge shall accrue on all such amounts paid by USAID. This late payment charge shall accrue to USAID under the same terms and conditions as late payment charges due the Noteholders, as such charges are prescribed in the Eligible Notes. The late payment charge includes interest and may include other charges prescribed in the Eligible Notes.

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

ARTICLE VI. <u>General Provisions</u>

Section 6.01. <u>Consultation</u>. The Parties shall cooperate to ensure that the purpose of this Agreement is accomplished. With respect to matters relating to the selection of Eligible Underwriters and the fiscal agent referred to in Article III, the issuance of Eligible Notes, and 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, so long as the Eligible Notes shall be outstanding, or any claim under the Guarantees is outstanding, and for a period of three (3) years thereafter:

(a) furnish to the United States 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 by the government of 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

(c) afford authorized representatives of the United States 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. The United States 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, if the United States determines:

(a) that the terms of this Agreement have been breached by Tunisia;

(b) that the conditions precedent for issuing Guarantees set forth in Section 4.01 of this Agreement or any Annex hereto are not satisfied; or

(c) that Tunisia has defaulted on or restructured any debt owed to or guaranteed by the United States, the International Monetary Fund, or the International Bank for Reconstruction and Development.

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 ("Implementation Letters"). For the avoidance of doubt, no such Implementation Letters shall affect the rights and obligations of the Parties hereunder without their express written consent.

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 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 shall be represented by the individual holding the position of or acting as the USAID Assistant Administrator for Middle East Bureau.

(d) 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, and shall refer to the Tunisia/ USAID Loan Guarantee number. All communications shall be in English, unless the Parties agree otherwise in writing, and shall be deemed duly given or sent when delivered to such Party at the following addresses:

To the Borrower:

Ministry of Finance contacts:

Ministère des Finances
Direction général de la dette et de la cooperation financière
Place du Gouvernement, La Kasbah,
1030 Tunis
Tel: 216 71 57 1842
Fax: 216 71 56 24 15

and the Central Bank of Tunisia contacts:

Banque Centrale de Tunisie
Direction général de la gestion des réserves et des marchés
25 Rue Hedi Nouira - BP 777
1080 Tunis cedex
Tel: 216 71 122 000
Fax: 216 71 340 615

To the United States:

United States Agency for International Development

Office of Development Credit, Room 2.10
1300 Pennsylvania Avenue, N.W.
Washington, D.C. 20523

with a copy to:
United States Agency for International Development
Office of the Middle East, Room 4.9-A
1300 Pennsylvania Avenue, N.W.
Washington, D.C. 20523

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. Annex. The Annex to this Agreement constitutes an integral part of this Agreement.

ARTICLE VII. 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. To implement this section, Tunisia shall initiate the exchange of written notifications such that the Agreement would enter into force on the date of the written notification by the United States.

SIGNED at Tunis, Tunisia on the 3rd day of June, 2016, and at Washington, DC, USA on the 6th day of June, 2016 in duplicate, in the English language.

FOR THE UNITED STATES OF AMERICA:	FOR THE REPUBLIC OF TUNISIA:

<u>ANNEX</u>

TO THE

LOAN GUARANTEE AGREEMENT

BETWEEN THE UNITED STATES AMERICA

AND THE REPUBLIC OF TUNISIA:

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

The following economic reform conditions address expected reforms in the areas of a sustainable macroeconomic framework, financial sector reform, reforms to the investment code, business climate reforms, tax reform, customs reform, as well as a Tunisian commitment to issue unenhanced sovereign debt internationally.

1. Tunisia shall fulfill International Monetary Fund (IMF) requested economic reform measures and macroeconomic policies sufficient to obtain IMF Board approval of a new Extended Fund Facility (EFF). Tunisia shall provide evidence to USAID of the measures Tunisia has taken to meet the IMF's requirements for Board approval of the EFF, as well as all macro-fiscal data required for submission to the IMF.

2. The Central Bank of Tunisia, acting on the representation mandate of the Ministry of Finance, shall affirm in writing its commitment to issue unenhanced sovereign debt internationally of equal size as, or greater size than, and in parallel with this U.S. guaranteed issuance and shall provide a written plan of action to USAID for such issuance. In this plan, Tunisia shall affirm its understanding that deepening its regular, unenhanced capital market access is a core objective of this U.S. loan guarantee and that a decision not to issue in parallel would be inconsistent with this commitment. For purposes of the foregoing, "in parallel with this U.S.

guaranteed issuance" refers to the entire period of time from three months prior to the signing of the Agreement through six months after its U.S. guaranteed issuance, and in any instance no later than January 15, 2017. Should Tunisia opt not to proceed with its unenhanced issuance under prevailing market conditions prior to or at the time of its guaranteed issuance, it affirms by signing this Agreement that this period of time provides all necessary flexibility to complete its unenhanced issuance.

3. Tunisia, acting through the Ministry of Finance, shall recapitalize Société Tunisienne de Banque and la Banque de l'Habitat. Tunisia shall commit in writing to USAID to enacting the banking reform law that includes a bank resolution framework and a Central Bank of Tunisia law that aligns with Tunisia's commitments to the IMF. Tunisia shall affirm to USAID in writing its commitment to future efforts to bring the bank resolution framework and Central Bank of Tunisia law in line with international best practices.

4. Tunisia shall affirm to USAID in writing its commitment to adopt before September 30, 2016, the implementation decrees for the new investment code following adoption of the code by the Assembly of the Representatives of the People. The code shall be in line with international best practices with an emphasis on protecting market access, reducing investment restrictions, and moving exemptions from the investment code to the tax code and rationalizing them. Tunisia shall also identify the government offices responsible for implementing the code.

5. Tunisia shall pass and publish new bankruptcy, competition and public-private partnership laws in line with international best practices. Tunisia shall also identify to USAID in writing the government offices responsible for implementing them.

6. To build on Tunisia's initial progress on tax reform in the 2016 budget process, to provide a framework for future reform measures, and to give investors more clarity and confidence in the tax system in the medium term, in preparation for fulfillment of prior actions for the EFF, Tunisia shall provide to USAID a copy of the tax reform strategy approved by the Council of Ministers.

7. Tunisia, acting through the Minister of Finance, shall obtain private sector input on customs reform. Tunisia shall organize two consultations to identify the private sector's challenges in working with Customs: the first with the Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA) and the second with the Fédération Nationale du Textile (FENATEX). Once problem points are identified, Tunisia shall put in place a framework for resolving them. Meeting minutes and a summary of recommendations from the meetings shall be provided to USAID.