Guarantee Agreement

(Limassol Sewerage and Drainage Project)

between

REPUBLIC OF CYPRUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 31, 1984
GUARANTEE AGREEMENT

AGREEMENT, dated May 31, 1984, between
REPUBLIC OF CYPRUS (hereinafter called the Guarantor) and INTER-
ATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter
called the Bank).

WHEREAS by the Loan Agreement of even date herewith between
the Bank and the Sewerage Board of Limassol-Amathus (hereinafter
called the Borrower) the Bank has agreed to make to the Borrower
a loan in various currencies equivalent to sixteen million eight
hundred thousand dollars ($16,800,000), on the terms and condi-
tions 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 enter-
ing into the Loan Agreement with the Borrower, has agreed so to
guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the
provisions of the General Conditions Applicable to Loan and Gua-
rantee Agreements of the Bank dated October 27, 1980, with the
same force and effect as if they were fully set forth herein
(General Conditions Applicable to Loan and Guarantee Agreements
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, in the Preamble to this Agreement and in
Section 1.02 of the Loan Agreement have the respective meanings
therein set forth.

ARTICLE II

Guarantee; Provision of Funds

Section 2.01. The Guarantor declares its commitment to the
objectives of the Project as set forth in Schedule 2 to the Loan
Agreement, and, to this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes: (a) to make available to the Borrower, as and when needed, the proceeds of the CERF Loan or any other Loan provided for purposes of the Project; (b) to provide to the Borrower in the form of a loan an amount equivalent to at least $9,800,000 to meet a portion of the estimated expenditures required for the carrying out of the Project; and (c) in addition to its obligations pursuant to paragraphs (a) and (b) of this Section, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

ARTICLE III

Other Covenants

Section 3.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, specific security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto, and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Guarantor, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for
any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Guarantor shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property or as security for the payment of debt incurred for the purpose of financing the purchase of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Guarantor, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Guarantor or any such subdivision, including gold and foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Guarantor.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministry of Finance
Nicosia
Cyprus

Cable address: MINFINANCE
Telex: 3399
Nicosia
For the Bank:

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

Cable address: INTBAFRAD
Telex: 440098 (ITT), 248423 (RCA) or 64145 (WUI)

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

REPUBLIC OF CYPRUS

By /s/ A. J. Jacovides
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ R. Chaufourner
Regional Vice President
Europe, Middle East and North Africa
CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Bank for Reconstruction and Development.

In witness whereof I have signed this Certificate and affixed the Seal of the Bank thereunto this 31st day of May, 1984.

[Signature]

FOR SECRETARY