AGREEMENT, dated November 7, 1991, between REPUBLIC OF CYPRUS (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Ayia Napa Sewerage Board (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project;

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to six million dollars ($6,000,000), 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 provided in this Agreement; 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

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in the Loan Agreement (the General Conditions), constitute an integral part of this Agreement.

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

ARTICLE II

Guarantee; Provision of Funds

Section 2.01. 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 provide to the Borrower promptly, as and when needed, in the form of a loan or loans an aggregate amount equivalent to $3,000,000 to enable the Borrower to meet its obligations under the Loan Agreement; and (b) in addition to its obligations pursuant to paragraph (a) 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.

Section 2.03. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor shall:

(a) provide to the Borrower the funds required for the construction of the effluent reuse scheme under Part B of the Project, which effluent reuse scheme shall be owned by the Guarantor and shall be an integral component of the facilities operated by the Borrower;

(b) by completion of construction of said effluent reuse scheme under Part B of the Project or December 31, 1994, whichever is earlier, enter into an agreement, satisfactory to the Bank, with the Borrower providing, inter alia, for:

(i) operation and maintenance by the Borrower of said effluent reuse scheme;

(ii) establishment by the Guarantor, in consultation with the Bank and the Borrower, of the charges on the treated effluent to be used in the territory of the Borrower;

(iii) billing and collection by the Borrower and remittance to the Guarantor of said charges; and

(iv) payment by the Guarantor to the Borrower of a fee for the collection of the charges on the treated effluent.
effluent; and

(c) establishment by the Guarantor of the charges, in consultation with the Bank, and the permissible uses of the treated effluent to be used outside the territory of the Borrower.

ARTICLE III
Other Covenants

Section 3.01. The Guarantor shall carry out, prior to effecting any adjustment in its sewer rates but, in any event, not later than June 30, 1993, a valuation, in accordance with procedures satisfactory to the Bank, of the properties on which said sewer rates are to be levied.

Section 3.02. The Guarantor shall take all measures necessary to enable the Borrower to carry out its obligations under Section 3.03 of the Loan Agreement.

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: Telex:
MINFINANCE 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: Telex:
INTBAFRAD 197688 (TRT),
Washington, D.C. 248423 (RCA),
64145 (WUI) or
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, 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/ M. Sherifis
Authorized Representative
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. Wapenhans
Regional Vice President
Europe, Middle East and North Africa