

CONFORMED COPY

LOAN NUMBER 3583 IRN

Guarantee Agreement

(Power Sector Efficiency Improvement Project)

between

ISLAMIC REPUBLIC OF IRAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 28, 1993

LOAN NUMBER 3583 IRN

GUARANTEE AGREEMENT

AGREEMENT, dated April 28, 1993, between ISLAMIC REPUBLIC OF IRAN (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Tehran Regional Electricity Company (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; and

(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 one hundred sixty-five million dollars (\$165,000,000), 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 Section 1.01 of 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 and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Other Provisions

Section 2.01. (a) 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 commissions 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.

(b) Without limitation to the provisions of paragraph (a) of this Section, the Guarantor shall specifically ensure the taking of all action required on the part of agencies of the Guarantor in order to enable the Borrower to comply with the requirements stated in Section 5.02 of the Loan Agreement.

Section 2.02. The Guarantor shall cause IPO:

(a) to carry out the studies included in Part B of the Project in accordance with terms of reference satisfactory to the Bank and to deal directly with the Bank on all matters related thereto;

(b) to complete the energy sector development study and the commercialization and privatization study by June 30, 1994, and the thermal power rehabilitation study by June 30, 1995;

(c) to review with the Bank and the relevant authorities of the Guarantor, the report containing the findings and recommendations of each such study within three months of the completion thereof; and

(d) to employ, in order to assist it in the carrying out of such studies, consultants whose qualifications, experience and terms of reference shall be satisfactory to the Bank. Any such consultants whose employment shall be financed from the proceeds of the Loan, shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

ARTICLE III

Representative of the Guarantor; Addresses

Section 3.01. The Minister of Economic Affairs and Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 3.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministry of Economic Affairs
and Finance
Nasser Khosrow Avenue
Tehran, Iran

Cable address:

Telex:

MINISTRY OF ECONOMIC
AFFAIRS AND FINANCE
TEHRAN

212838 MEF-IR

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
Washington, D.C.

197688 (TRT),
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.

ISLAMIC REPUBLIC OF IRAN

By /s/ Mohammed Khazaee

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ C. Koch-Weser

Regional Vice President
Middle East and North Africa

