

CONFIRMED COPY

LOAN NUMBER 1293 AL

GUARANTEE AGREEMENT

(Second Power Project)

between

THE DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 8, 1976

GUARANTEE AGREEMENT

AGREEMENT, dated July 8, 1976, between THE DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith between the Bank and Société Nationale de l'Electricité et du Gaz (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifty-seven million five hundred thousand dollars (\$57,500,000), 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 hereinafter provided; 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 parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated March 15, 1974, with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Section 1.01 of the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, 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 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. In the event that there is reasonable cause to believe that the funds available to the Borrower will be inadequate to complete the Project, the Guarantor specifically undertakes to take all steps as needed to make available to the Borrower such funds as shall be required to complete the Project under terms and conditions which shall be consistent with the provisions of Sections 5.04 and 5.05 of the Loan Agreement.

ARTICLE III

Other Covenants

Section 3.01. (a) The Guarantor undertakes that, except as the Guarantor and the Bank shall otherwise agree, no 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.

(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; 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 administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Guarantor or of any such subdivision.

Section 3.02. Except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall take all steps necessary on its part to ensure that the Borrower shall satisfy the requirements of Section 5.05 of the Loan Agreement.

Section 3.03. Without any limitation or restriction upon the obligations of the Guarantor under Section 2.01 of this Agreement, and except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall take all measures within its power, which may include, if required, measures with respect to tariffs, to ensure that the Borrower shall achieve the rate of return and the surplus ratio referred to in paragraphs (a) and (b), respectively, of Section 5.04 of the Loan Agreement. The Guarantor shall also take any measures which may be required in order to ensure that the Borrower's financial results referred to in Section 5.04 of the Loan Agreement shall not be adversely affected by the results of the Borrower's operations other than electricity.

Section 3.04. The Guarantor shall make all necessary arrangements in order to enable the Borrower to collect promptly its unpaid accounts for electricity supplied and in order to ensure the prompt settlement of arrears between the Borrower and other state enterprises and public departments or agencies.

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:

Ministère des Finances
Palais du Gouvernement
Alger

Cable address:

FINPLAN
Alger

Telex:
91034 Finplan

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
Washington, D.C.

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.

THE DEMOCRATIC AND POPULAR
REPUBLIC OF ALGERIA

By /s/ Mahfoud Aoufi
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Maurice Bart
Acting Regional Vice President
Europe, Middle East and North Africa