LOAN NUMBER 2724 GU

Guarantee Agreement

(Power Distribution Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 7, 1988

LOAN NUMBER 2724 GU

GUARANTEE AGREEMENT

AGREEMENT, dated June 7, 1988, between REPUBLIC OF
GUATEMALA (the Guarantor) and INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Instituto Nacional de
Electrificacion (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 seventy million dollars ($70,000,000), 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 last sentence of Section 3.02 deleted (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 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. 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, 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) Except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall take, and cause to be taken, all such legal, financial and administrative action as shall be necessary to ensure that, by January 1, 1989 and at all times thereafter, the accounts payable by public agencies to the Borrower and EEG shall not exceed the sum of amounts billed by the Borrower and EEG during the two months immediately preceding the date on which such calculation is made.

(b) For purposes of this Section, the term "public agency" means any agency or instrumentality of the Guarantor, any political or administrative subdivision thereof or any entity (other than the Borrower and EEG) owned or controlled by, or operating for the account or benefit of, the Guarantor or any such agency, instrumentality or subdivision.

(c) Without rotation to the provisions of paragraph (a) of this Section, the Guarantor shall, in accordance with the terms of the agreement to be entered into pursuant to the provisions of Section 7.01 (b) of the

Loan Agreement, cause EMPAGUA to pay to EEG, not later than July 31, 1987, all the outstanding debt of EMPAGUA.

Section 3.02. (a) The Guarantor shall, promptly as required, take all action necessary on its part to enable: (i) the Borrower and EEG to set and maintain their respective tariffs at levels sufficient to fulfill the Borrower's and EEG's obligations under Sections 5.04 of the Loan Agreement and 4.04 of the Project Agreement, respectively; (ii) the Borrower to comply with the provisions of Section 5.07 of the Loan Agreement; and (iii) the Borrower and EEG to carry out their respective obligations of the Plan of Action.

(b) To the extent that the Guarantor shall comply with its obligations under sub-paragraph (a)(1.) of this Section, the Guarantor's obligations under Section 3.02 of the Chixoy Guarantee Agreement shall be deemed to be complied with.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Ministro de Finanzas 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:

> Ministerio de Finanzas
> 8a Avenida, Calle 21 - Zona 1
> Guatemala, Guatemala

Cable address: Telex:

> MINFIP   9207
> Guatemala   MINFIP GU

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   440098 (ITT)
> Washington, D.C.   248423 (RCA)
or   64145 (WUI)

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 GUATEMALA

By /s/ Oscar Padilla Vidaurre
              Authorized Representative

INTERNATIONAL BANK FOR
   RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husain
                 Regional Vice President
           Latin America and the Caribbean