

CONFORMED COPY

LOAN NUMBER 4319 RO

Guarantee Agreement

(Telecommunications Reform and Privatization Support Project)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 29, 1998

LOAN NUMBER 4319 RO

GUARANTEE AGREEMENT

AGREEMENT, dated May 29, 1998, between ROMANIA (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and the General Inspectorate of Communications (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 equal to thirty million Dollars (\$30,000,000), 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 for Single Currency Loans" of the Bank, dated May 30, 1995, 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, the Preamble to this Agreement 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 Parts B(2) and B(3) 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. The Guarantor shall carry out Parts A and B(1) of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. The Guarantor and the Bank shall, from time to time, at the request of either party, exchange views on the progress achieved in the telecommunications sector reform program, agreed with the Bank, and, after such exchange of views, the Guarantor shall take all actions required to ensure the successful implementation of the program.

Section 3.03. The Guarantor shall:

- (a) by September 30, 1998, submit to the Bank, for its review, a strategy for the privatization of Rom Telecom;
- (b) immediately thereafter, finalize said strategy taking into consideration the Bank's comments thereon; and
- (c) carry out such strategy in accordance with its terms.

Section 3.04. The Guarantor shall:

- (a) by April 30, 1999, submit to the Bank, for its review, a regulatory development program for the Borrower based on principles agreed with the Bank for the telecommunications sector, and immediately thereafter finalize said program taking into consideration the Bank's comments thereon;
- (b) by December 31, 1999, adopt and commence the implementation of said program; and
- (c) by June 30, 2000: (i) submit to the Bank, for its review, policies for

radio frequency assignment, licensing methods and fees for competitive services; (ii) immediately thereafter, finalize said policies taking into consideration the Bank's comments thereon; and (iii) by September 30, 2000, commence the implementation of said policies.

Section 3.05. The Guarantor shall take all measures as may be required on its part to enable the Borrower to comply with its obligations under the Loan Agreement.

Section 3.06. The Guarantor shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon between the Guarantor and the Bank, the carrying out of Parts A and B(1) of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about June 30, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of Parts A and B(1) of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Parts A and B(1) of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by September 30, 2000, or such later date as the Bank shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of Parts A and B(1) of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank views on the matter.

#### 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  
17 Apolodor Street  
Bucharest  
Romania

Telex:

11239

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.

248423 (MCI)  
64145 (MCI),

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.

ROMANIA

By /s/ Mircea Geoana

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kenneth G. Lay

Acting Regional Vice President  
Europe and Central Asia

