

CONFORMED COPY

LOAN NUMBER 3055 HU

(Energy Development (Conservation) Project)

between

HUNGARIAN PEOPLE'S REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 30, 1989

LOAN NUMBER 3055 HU

GUARANTEE AGREEMENT

AGREEMENT, dated May 30, 1989, between HUNGARIAN PEOPLE'S REPUBLIC (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and the National Bank of Hungary (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 ten million dollars (\$10,000,000), 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 and to undertake such other obligations 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 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, 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 Part A 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

Section 3.01. The Guarantor shall carry out or cause to be carried out Part B of the Project with due diligence and efficiency and in conformity with appropriate practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. In order to assist in carrying out Part B of the Project, the Guarantor shall employ consultants with qualifications, experience and terms of reference satisfactory to the Bank.

Section 3.03. The Guarantor shall:

(a) take all action required on its part to ensure that the study under Part B of the Project shall be completed, under terms of reference satisfactory to the Bank, and a copy thereof furnished to the Bank by December 31, 1989;

(b) review with the Bank the conclusions and recommendations thereof promptly upon its completion; and

(c) initiate the implementation, within a period not exceeding six months of such review, of the plan developed by the Guarantor thereunder, taking into consideration the Bank's comments thereon.

Section 3.04. The Guarantor shall carry out the obligations set forth in Sections 9.06 and 9.07 of the General Conditions (relating to plans and schedules and records and reports, respectively) in respect of Part B of the Project.

ARTICLE IV

Other Covenants

Section 4.01. The Guarantor shall:

(a) maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part B of the Project of the agencies and institutes of the Guarantor responsible for the carrying out thereof; and

(b) furnish to the Bank: (i) not later than six months after the end of each fiscal year, certified copies of said accounts for such year; and (ii) such other information concerning said records and accounts as the Bank shall from time to time reasonably request.

ARTICLE V

Representatives of the Guarantor; Addresses

Section 5.01. The First Deputy President and the General Manager of the National Bank of Hungary are severally designated as representatives of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

National Bank of Hungary
Department for International
Development Institutions
H-1850 Budapest
Szabadsag ter 8-9
Hungarian People's Republic

Cable address:

BANKO
Budapest

Telex:

227267 SMAFU-H,
225755 BANKO-H or
227028 BANKO-H

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 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.

HUNGARIAN PEOPLE'S REPUBLIC

By /s/ G. Zipper
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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

