

No. 6909

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
CYPRUS**

Guarantee Agreement—Power Project (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Electricity Authority of Cyprus). Signed at Washington, on 17 April 1963

Official text: English.

Registered by the International Bank for Reconstruction and Development on 18 September 1963.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
CHYPRE**

Contrat de garantie — Projet relatif à l'énergie électrique (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et l'Électricité de Chypre (Electricity Authority of Cyprus)). Signé à Washington, le 17 avril 1963

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 18 septembre 1963.

No. 6909. GUARANTEE AGREEMENT¹ (*POWER PROJECT*)
BETWEEN THE REPUBLIC OF CYPRUS AND THE IN-
TERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT. SIGNED AT WASHINGTON, ON
17 APRIL 1963

AGREEMENT, dated April 17, 1963, between REPUBLIC OF CYPRUS (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS, by an agreement of even date herewith between the Bank and Electricity Authority of Cyprus (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty one million dollars (\$21,000,000), 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 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

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961² (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of

¹ Came into force on 9 August 1963, upon notification by the Bank to the Government of Cyprus.

² See p. 194 of this volume.

and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

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 carrying out 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. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transaction and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including any institutions performing the functions of a central bank.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan

and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

Section 3.07. The Guarantor covenants that it will from time to time grant or cause to be granted to the Borrower rates for the sale of electricity and other services which will provide revenues sufficient : (a) to cover operating expenses, including adequate maintenance and depreciation, taxes and interest ; (b) to meet repayments on long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation ; and (c) to leave a surplus for financing a reasonable portion of future expansion of its power facilities.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by

the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall appoint in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Ministry of Finance
Nicosia, Cyprus

Alternative address for cablegrams and radiograms :

Minfinance
Nicosia

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Cyprus :

By Zenon ROSSIDES
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT

(POWER PROJECT)

AGREEMENT, dated April 17, 1963, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and ELECTRICITY AUTHORITY OF CYPRUS (hereinafter called the Borrower).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961¹ (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty one million dollars (\$21,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the

¹ See above.

Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2¹ to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Chairman of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) To assist it in the carrying out of the Project, the Borrower shall employ suitably qualified and competent engineering consultants satisfactory to the Bank.

¹ See p. 206 of this volume.

(c) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(d) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

(e) The Borrower shall enable the Bank's representatives to inspect the Project, the goods, all other plants, works, properties, equipment and operations of the Borrower and any relevant records and documents ; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the Borrower.

Section 5.02. a) The Bank and the Borrower shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.03. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.04. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement¹ or the Bonds, or the payment of principal, interest or other

¹ See p. 186 of this volume.

charges thereunder ; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.05. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.06. (a) Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers all goods financed out of the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territory of the Guarantor and delivery thereof to the site of the Project, and shall be for such amounts as shall be consistent with sound commercial practices. Such insurance shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

(b) In addition, the Borrower shall, except as the Bank shall otherwise agree, take out and maintain, with responsible insurers, insurance against such risks and in such amounts as shall be consistent with sound public utility and business practices.

Section 5.07. (a) The Borrower shall take all action within its power to maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall operate and maintain its plants, equipment and property, and from time to time shall make all necessary renewals and repairs thereof, all in accordance with sound engineering standards ; and shall at all times operate its plants and equipment and maintain its financial position in accordance with sound management, business and public utility practices.

Section 5.08. The Borrower shall from time to time take all steps necessary or desirable to obtain such adjustments in its rates for the sale of electricity and other services as will provide revenues sufficient : (a) to cover operating expenses, including adequate maintenance and depreciation, taxes and interest ; (b) to meet repayments on long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation ; and (c) to leave a surplus for financing a reasonable portion of future expansion of its power facilities.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations :

(a) The Borrower and the Guarantor shall have entered into an agreement in form satisfactory to the Bank, whereby, unless the Bank shall otherwise agree, the loans made by the Guarantor to the Borrower on June 11, 1953 (£2,494,211), June 11, 1953 (£1,489,800), December 19, 1955 (£1,499,915), September 27, 1958 (£1,600,000), and August 20, 1959 (£800,000), the principal amount of which total £7,883,926, will be subordinated to this Loan in such manner that no repayment of principal will be made under the said loans until this Loan shall have been fully repaid.

(b) The Borrower shall have made arrangements satisfactory to the Bank to obtain funds required to finance the remainder of the cost of the Project.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank, namely, that the agreement referred to in Section 7.01 (a) of this Agreement and the arrangements referred to in Section 7.01 (b) of this Agreement are valid and binding.

Section 7.03. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1966, or such other date as may from time to time be agreed between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

For the Borrower :

Electricity Authority of Cyprus
Photiou Stavrou Pitta Street
Nicosia, Cyprus

Alternative address for cablegrams and radiograms :

Grid
Nicosia

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

Electricity Authority of Cyprus :

By A. M. GULEN
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
March 15, 1967	\$400,000	September 15, 1975 . .	\$635,000
September 15, 1967 . . .	410,000	March 15, 1976	650,000
March 15, 1968	420,000	September 15, 1976 . .	670,000
September 15, 1968 . . .	435,000	March 15, 1977	685,000
March 15, 1969	445,000	September 15, 1977 . .	705,000
September 15, 1969 . . .	455,000	March 15, 1978	725,000
March 15, 1970	470,000	September 15, 1978 . .	745,000
September 15, 1970 . . .	480,000	March 15, 1979	765,000
March 15, 1971	495,000	September 15, 1979 . .	785,000
September 15, 1971 . . .	510,000	March 15, 1980	805,000
March 15, 1972	525,000	September 15, 1980 . .	830,000
September 15, 1972 . . .	540,000	March 15, 1981	850,000
March 15, 1973	550,000	September 15, 1981 . .	875,000
September 15, 1973 . . .	565,000	March 15, 1982	900,000
March 15, 1974	585,000	September 15, 1982 . .	925,000
September 15, 1974 . . .	600,000	March 15, 1983	950,000
March 15, 1975	615,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1/2 %
More than three years but not more than six years before maturity	1 1/2 %
More than six years but not more than eleven years before maturity	2 1/2 %
More than eleven years but not more than sixteen years before maturity	3 1/2 %
More than sixteen years but not more than eighteen years before maturity	4 1/2 %
More than eighteen years before maturity	5 1/2 %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of the construction of a 60 MW steam generating station at Moni, on the southern coast ; the extension of the transmission system by 95 miles of lines ; and the reinforcement and extension of the distribution system to serve larger

loads in Nicosia and other towns which now have electricity and to connect 200 villages now without electricity. The main works are as follows :

a. The generating station at Moni will consist of a semi-outdoor type powerhouse containing two oil-fired boilers, each with a steam capacity of 300,000 lbs/hr., and two 30 MW generating units designed to operate with steam conditions of 900 lbs/sq.in. and 900°F. The station will be designed for future expansion. Appurtenant structures will include an anchorage for ships delivering fuel oil, fuel oil storage tanks, a sea water cooling system, a switch-yard and connections to the transmission system.

b. The extension of the transmission system will consist of 40 miles of double-circuit 66-kv lines designed for 132-kv operation in the future, 55 miles of single-circuit 66-kv lines, four new substations containing 5 step-down transformers of a total capacity of 38 MVA and increase of transformer capacity in existing substations by 26 MVA.

c. The reinforcement and extension of the distribution system will consist of the installation of 610 distribution transformers with a total capacity of 105 MVA, 370 miles of 11-kv overhead lines and underground cables, 700 miles of low-voltage overhead lines, 50 miles of low-voltage underground cables and 37,000 new service lines with meters ; the reconstruction of 170 miles of low-voltage overhead lines and 20,000 service lines with new meters ; and the supply of vehicles and tools for operation and maintenance.
