

Public Disclosure Authorized

CONFOMMED COPY

LOAN NUMBER 4887-PH

Guarantee Agreement

(Bicol Power Restoration Project)

between

REPUBLIC OF THE PHILIPPINES

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated February 28, 2008

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GUARANTEE AGREEMENT

AGREEMENT, dated February 28, 2008, entered into between REPUBLIC OF THE PHILIPPINES (“Guarantor”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) (“Guarantee Agreement”) in connection with the Loan Agreement of the same date between the Bank and NATIONAL POWER CORPORATION (“Borrower”) (“Loan Agreement”) and the Project Agreement of the same date between the Bank and NATIONAL TRANSMISSION CORPORATION (“TransCo”). The Guarantor and the Bank hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.

Section 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Loan Agreement.

ARTICLE II – GUARANTEE; PROVISION OF FUNDS

Section 2.01. The Guarantor declares its commitment to the objectives of the Project. 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 all Loan Payments payable by the Borrower pursuant to the Loan Agreement and the punctual performance of all the other obligations of the Borrower set forth or referred to in the Loan Agreement.

Section 2.02. (a) 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, promptly to provide the Borrower with the funds needed to meet such expenditures.

(b) Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes to take, or cause to be taken, all measures necessary on its part to enable TransCo, promptly as required, to comply with its obligations under the Project Agreement .

ARTICLE III – REPRESENTATIVE; ADDRESSES

Section 3.01. The Guarantor's Representative is the Secretary of Finance of the Guarantor.

Section 3.02. The Guarantor's Address is:

Secretary of Finance
Department of Finance
Bangko Sentral ng Pilipinas Complex
Manila
Republic of the Philippines

Cable: Fax:

SECFIN 632-523-9216
Manila

Section 3.03. The Bank's Address is:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: Telex: Facsimile:

INTBAFRAD 248423 (MCI) or (202) 477-6391
Washington, D.C. 64145 (MCI)

AGREED at Manila, Republic of the Philippines, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By /s/ Margarito B. Teves

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Bert Hofman

Authorized Representative