

CONFORMED COPY

LOAN NUMBER 4339 LSO

First Guarantee Agreement

(Lesotho Highlands Water Project (Phase 1B))

between

KINGDOM OF LESOTHO

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated December 18, 1998

LOAN NUMBER 4339 LSO

FIRST GUARANTEE AGREEMENT

AGREEMENT, dated December 18, 1998, between Kingdom of Lesotho (the First Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the First Guarantor and Lesotho Highlands Development Authority (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 an agreement (the Second Guarantee Agreement) of even date herewith between the Republic of South Africa (the Second Guarantor) and the Bank, the Second Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan;

(C) 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 Dollars equivalent to forty-five million Dollars (\$45,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the First Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement; and

WHEREAS the First 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 and in the Preamble to, and Section 1.02 of, the Loan Agreement have the respective meanings therein set forth.

## ARTICLE II

### Guarantee

Section 2.01. The First 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 punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

## ARTICLE III

### Other Covenants

Section 3.01. The First Guarantor shall make arrangements satisfactory to the Bank for the carrying out of Parts F and G of the Project referred to in Schedule 2 to the Loan Agreement and shall ensure that such Parts are carried out with due diligence and efficiency and in conformity with appropriate financial and administrative practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project.

Section 3.02. The First Guarantor shall include a sufficient amount in the annual budget of its departments and institutions to fund its share of Project costs including: (a) the cost of its JPTC delegation and its share of the costs of the JPTC Secretariat; (b) the cost of its share of the rehabilitation and maintenance of existing roads and border crossing facilities affected by the Project; (c) its share of the environmental, compensation and rural development costs, in accordance with the Environmental Action Plan; and (d) its share of LHDA's administration costs.

## ARTICLE IV

### Representative of the First Guarantor; Addresses

Section 4.01. The Minister of the First Guarantor responsible for Finance is designated as representative of the First 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 First Guarantor:

Ministry of Finance  
P.O. Box 395  
Maseru 100  
Lesotho

Cable address:

MIFIN

Telex:

4330 LO

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:

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

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.

KINGDOM OF LESOTHO

By /s/ Eunice M. Bulane

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

By /s/ Callisto E. Madavo

Regional Vice President  
Africa

