

CONFORMED COPY

LOAN NUMBER 3940 PH

Guarantee Agreement

(Second Rural Finance Project
Floating Rate Single Currency Loan)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 10, 1995

LOAN NUMBER 3940 PH

GUARANTEE AGREEMENT

AGREEMENT, dated October 10, 1995, between THE REPUBLIC OF THE PHILIPPINES (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and LAND BANK OF THE PHILIPPINES (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Floating Rate Single Currency Loan Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement of even date herewith between the Bank and the Borrower (the Floating Rate Single Currency Loan Agreement), the Bank has agreed to extend to the Borrower a loan in an amount equal to fifty million dollars (\$50,000,000), on the terms and conditions set forth in the Floating Rate Single Currency 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 Floating Rate Single Currency 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 Schedule 4 to the Floating Rate Single Currency 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 this Agreement and in the Preamble to and Section 1.02 of the Floating Rate Single Currency 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 Floating Rate Single Currency 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 Floating Rate Single Currency Loan, and the premium, if any, on the prepayment of the Floating Rate Single Currency Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Floating Rate Single Currency 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 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. Without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor shall take all such actions as shall be necessary to ensure the financial viability of the Borrower in a manner satisfactory to the Bank, including:

(a) the issuance of National Government Bonds to compensate landowners for their land acquired under the Guarantor's Comprehensive Agrarian Reform Program;

(b) excluding from the Borrower's risk assets, land already acquired or to be acquired under the Guarantor's Comprehensive Agrarian Reform Program and land reform mortgages;

(c) providing the adjustment permitted under Section 5 of Republic Act No. 7656 dated November 9, 1993, to enable the Borrower to comply with its obligations under Section 4.05 of the Loan Agreement relating to payment of dividends; and

(d) timely payment to the Borrower of the financial obligations arising under the Guarantor's Comprehensive Agrarian Reform Law, in particular those relating to reimbursements on account of the Borrower's Agrarian Reform Bonds and the Guarantor's National Government Bonds.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Secretary 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:

Secretary of Finance
Department of Finance
Manila
Republic of the Philippines

Cable address:

SECFIN
Manila

Telex:

40268 CB-CONF

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:

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

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.

REPUBLIC OF THE PHILIPPINES

By /s/ Roberto de Ocampo

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Russell Cheetham

Regional Vice President
East Asia and Pacific



