

CONFORMED COPY

LOAN NUMBER 3393 LSO

(Lesotho Highlands Water Project (Phase 1A))

between

KINGDOM OF LESOTHO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 16, 1991

LOAN NUMBER 3393 LSO

GUARANTEE AGREEMENT

AGREEMENT, dated September 16, 1991, between KINGDOM OF LESOTHO (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the 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; and

(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 one hundred and ten million dollars (\$110,000,000), 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 provided in this Agreement and to undertake the other obligations specified 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 modifications set forth in 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, in the Preamble and Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee

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 this 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, all as set forth in the Loan Agreement.

ARTICLE III

Other Covenants

Section 3.01. The Guarantor shall make arrangements satisfactory to the Bank for the carrying out of Part G of the Project and shall ensure that such Part is 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 Part of the Project.

Section 3.02. The 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

Representatives of the Guarantor; Addresses

Section 4.01. The Minister at the time responsible for 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:

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

Cable address:

Telex:

FINMIN
Maseru

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:

Telex:

INTBAFRAD
Washington, D.C.

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.

KINGDOM OF LESOTHO

By /s/ M. P. Phoofolo
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edward V.K. Jaycox
Regional Vice President
Africa

