

CONFORMED COPY

LOAN NUMBER 4413 PH

Guarantee Agreement

(Third Rural Finance Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated December 11, 1998

LOAN NUMBER 4413 PH

GUARANTEE AGREEMENT

AGREEMENT, dated December 11, 1998, between 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 Loan Agreement of even date herewith, 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 equal to one hundred fifty million dollars (\$150,000,000), 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

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to so 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 (as amended through December 2, 1997), with the modifications set forth in Schedule 4 to 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 this Agreement 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 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, 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 Loan, and the premium, if any, on the prepayment of 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 Guarantor shall take all actions necessary to cause the Borrower to distribute annual dividends on its common shares in accordance with Section 4.04 of the Loan Agreement, including, but not limited to: (a) adjusting the percentage of the annual net earnings required to be paid as dividends under the relevant law; and (b) by August 1, 1999, proposing legislation for enactment to permit the Borrower to distribute dividends consistent with its obligations under Section 4.04 of the Loan Agreement.

Section 3.02. The Guarantor shall assume the foreign exchange risk in respect of the Loan to the Borrower and, to this end, shall charge the Borrower a fee therefor under arrangements acceptable to the Bank and the Borrower.

## 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:

Department of Finance  
Department of Finance Building  
Roxas Blvd.  
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 (MCI) or  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Manila, Republic of the Philippines, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By /s/ Edgardo B. Espiritu

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Vinay Bhargava

Authorized Representative

