

CONFORMED COPY

LOAN NUMBER 4339 LSO

Second Guarantee Agreement

(Lesotho Highlands Water Project (Phase 1B))

between

REPUBLIC OF SOUTH AFRICA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated December 18, 1998

LOAN NUMBER 4339 LSO

SECOND GUARANTEE AGREEMENT

AGREEMENT, dated December 18, 1998, between Republic of South Africa (the Second Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Second 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 First Guarantee Agreement) of even date herewith between the Kingdom of Lesotho (the First Guarantor) and the Bank, the First 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 Second Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement; and

WHEREAS the Second 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 Second 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

Representative of the Second Guarantor; Addresses

Section 3.01. The Minister of the Second Guarantor responsible for Finance is designated as representative of the Second Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 3.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Second Guarantor:

Department of Finance
Private Bag X 115
Pretoria 0001
South Africa

Cable address:

Telex:

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.

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.

REPUBLIC OF SOUTH AFRICA

By /s/ Franklin Abraham Sonn

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By /s/ Callisto E. Madavo

Regional Vice President
Africa

