GUARANTEE AGREEMENT

(Caribbean Development Bank Project)

between

GRENADA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 2, 1976
GUARANTEE AGREEMENT

AGREEMENT, dated December 2, 1976, between GRENADA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) By the Loan Agreements dated April 20, 1976 between the Bank and Caribbean Development Bank (hereinafter called the Borrower) the Bank has agreed to make to the Borrower loans in various currencies equivalent to twenty million dollars ($20,000,000), on the terms and conditions set forth in the Loan Agreements, the proceeds whereof are to be used for sub-loans to finance Investment Projects located in the states and territories of the Borrower's regional members;

(B) The Loan Agreements provide, inter alia, that no proceeds of the Loans may be withdrawn in respect of a sub-loan unless there shall have been provided to the Bank a guarantee satisfactory to the Bank for repayment by the Borrower to the Bank of the part of the Loans equivalent to the full amount of such sub-loan together with all interest and other charges thereon;

(C) The Guarantor, in consideration of the Bank's entering into the Loan Agreements with the Borrower, has agreed for such purposes to provide a guarantee in respect of all sub-loans to the Guarantor or to any agencies or instrumentalities thereof, and, additionally, all sub-loans for the Investment Project or Investment Projects described in the Schedule to this
Agreement, as such schedule may be amended from time to time by agreement between the Guarantor and the Bank.

NOW THEREFORE the parties hereto hereby agree as follows:
ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated March 15, 1974, with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to the Loan Agreements (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreements have the respective meanings therein set forth.
ARTICLE II

Guarantee

Section 2.01. 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 Loans, and the premium, if any, on the prepayment of the Loans all as set forth in the Loan Agreements, provided that the liability of the Guarantor hereunder shall be limited to the aggregate of the amounts of the Loans withdrawn for sub-loans to the Guarantor or to any agencies or instrumentalities thereof, and, additionally, all sub-loans for the Investment Project or Investment Projects described in the Schedule to this Agreement, as such schedule may be amended from time to time by agreement between the Guarantor and the Bank, and not repaid to the Bank, together with any interest, other charges or premium outstanding thereon.
ARTICLE III

Other Covenants

Section 3.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the obligation of the Guarantor to the Bank under Section 2.01 of this Agreement, and the Guarantor, in creating or permitting the creation of such lien, shall make express provision to that effect provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Guarantor shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loans by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as secu-
rity for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Guarantor, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Guarantor or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Guarantor.

Section 3.02. The Guarantor covenants that it will not take, or cause or permit any of its political subdivisions or any of its agencies or any agency of any such political subdivisions to take, any action which would prevent or interfere with the performance by the Borrower of its obligations contained in the Loan Agreements and will take or cause to be taken all reasonable action necessary or appropriate to enable the Borrower to perform such obligations.
ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Minister 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:

The Permanent Secretary
Ministry of Finance and Trade
St. George's
Grenada, W.I.

Cable address:

MINFIN
St. George's
Grenada

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.
IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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.

GRENADA

By/s/George Hosten
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By/s/Gunter K. Wiese
Director
Country Programs Department
Latin America and the Caribbean