

GUARANTEE CONTRACT

between

THE COMMONWEALTH OF THE BAHAMAS

and the

INTER-AMERICAN DEVELOPMENT BANK

Loan to the WATER AND SEWERAGE CORPORATION

WSC Support Program - New Providence Water Supply and Sanitation Systems Upgrade

December 16, 2011

GUARANTEE CONTRACT

CONTRACT entered into on the 16 day of December, 2011, between THE COMMONWEALTH OF THE BAHAMAS (hereinafter called the “Guarantor”) and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter called the “Bank”).

ANTECEDENTS

Pursuant to Loan Contract No. 2624/OC-BH (hereinafter referred to as the “Loan Contract”) entered into this day, December 16, 2011, between the Bank and the WATER AND SEWERAGE CORPORATION (hereinafter called the “Borrower” or “WSC”), the Bank has agreed to grant to the Borrower financing of up to the sum of eighty-one million dollars of the United States of America (US\$81,000,000), or its equivalent in other currencies forming part of the Single Currency Facility of the Ordinary Capital resources of the Bank, on condition that the Guarantor jointly and severally guarantee the obligations of the Borrower set forth in said Loan Contract and that the Guarantor undertakes to carry out the additional obligations regarding the Guarantor set forth in this Contract.

IN VIEW OF THE FOREGOING, the contracting parties hereby agree as follows:

1. The Guarantor shall be jointly, severally and unconditionally responsible for all the obligations contracted by the Borrower in the aforesaid Loan Contract, with which the Guarantor declares it is familiar in all respects.
2. The Guarantor agrees to provide, or to cause to be provided, the additional national resources necessary to execute the Program referred to in the Loan Contract when the funds contemplated for that purpose shall prove inadequate or not be available at the appropriate time.
3. The Guarantor agrees that in the event any encumbrance is created on its assets or revenues to secure an external debt, it shall at the same time establish an encumbrance on such assets or revenues which shall secure equally and proportionately the fulfillment of the obligations incurred under this Contract. The foregoing provision shall not apply: (i) to any encumbrance created on purchase goods as security for the payment of the unpaid balance of the purchase price; and (ii) to encumbrances created in banking operations to guarantee payment of debts with maturities of not more than one year. The phrase “assets or revenues” for the purpose of this Contract shall mean all types of assets or revenues which belong to or are received by the Guarantor or any of its dependent agencies which are not autonomous entities with their own separate capital.
4. The Guarantor agrees to:
 - (a) Cooperate fully to assure the fulfillment of the purposes of the Financing.
 - (b) Advise the Bank as soon as possible of any condition of which the Guarantor is aware which interferes or might interfere with the accomplishment of the purposes of the Financing or the fulfillment of the obligations of the Borrower.

(c) Furnish to the Bank all information which the latter may reasonably request regarding the situation of the Borrower.

(d) Cooperate with the representatives of the Bank to enable them to discharge their functions in connection with the Loan Contract and the execution of the Program.

(e) Inform the Bank as soon as possible in case it has provided funds for the service of the Loan pursuant to the discharge of its obligations as Guarantor.

5. The Guarantor agrees that the principal, as well as interest, fees, and other charges under the Loan shall be paid without any deduction or restriction and shall be free from all taxes, fees, or other charges which are or may be required by any law in THE COMMONWEALTH OF THE BAHAMAS and that both this Contract and the Loan Contract shall be exempt from all taxes, fees or other charges which may be applicable in connection with the execution, issuance, delivery, registration or implementation thereof.

6. The responsibility of the Guarantor shall be terminated only by the fulfillment of the obligations contracted by the Borrower, and accordingly the Guarantor may not allege in discharge of its responsibility that the Bank has granted extensions or concessions to the Borrower or has failed to exercise or has delayed in the exercise of its rights against the Borrower.

7. Delay by the Bank in the exercise of its rights under this Contract or failure to exercise them, shall not be construed as a waiver by the Bank of any such rights nor as acquiescence in the circumstances that would have empowered it to exercise them.

8. Any controversy arising between the parties as to the interpretation or application of this Contract which is not settled by agreement between them shall be submitted to arbitration in the manner specified in Chapter IX of the General Conditions of the Loan Contract. In any such arbitration, all references to the Borrower in said Chapter shall be considered applicable to the Guarantor. If the controversy affects both the Borrower and the Guarantor, they shall act jointly in appointing an arbitrator.

9. Any notice, request or communication between the parties pursuant to this contract shall be in writing and be deemed as given, made or sent by either party to the other when delivered by any usual means of communication at the following addresses:

For the Guarantor:

Mailing address:

Ministry of Finance
Sir Cecil Wallace-Whitfield Building
Cable Beach
P.O. Box N-3017
Nassau, NP
The Bahamas

Facsimile: (242) 327-1618

For the Bank:

Mailing Address:

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington D.C. 20577
U.S.A.

Facsimile: (202) 623-3096

IN WITNESS WHEREOF, the Guarantor and the Bank, each acting through its duly authorized representative, have signed this Contract in three (3) equally authentic copies in Nassau, The Bahamas, on the date specified above.

THE COMMONWEALTH OF THE
BAHAMAS

INTER-AMERICAN DEVELOPMENT
BANK

The Right Honourable Hubert A. Ingraham
Prime Minister and Minister of Finance

Roberto Vellutini
Vice President for Countries

Witness of Honor

The Honourable Earl D. Deveau
Minister of the Environment