

No. 4277

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
ECUADOR**

Guarantee Agreement—*Quito Power Project* (with annexed Loan Regulations No. 4 and Loan Agreement—*Quito Power Project*—between the Bank and Empresa Eléctrica Quito S.A.). Signed at Washington, on 29 March 1956

Official text: English.

Registered by the International Bank for Reconstruction and Development on 3 April 1958.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
ÉQUATEUR**

Contrat de garantie — *Projet d'alimentation de Quito en énergie électrique* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt — *Projet d'alimentation de Quito en énergie électrique* — entre la Banque et l'Empresa Eléctrica Quito S.A.). Signé à Washington, le 29 mars 1956

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 3 avril 1958.

No. 4277. GUARANTEE AGREEMENT¹ (*QUITO POWER PROJECT*) BETWEEN THE REPUBLIC OF ECUADOR AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 29 MARCH 1956

AGREEMENT, dated March 29, 1956, between REPUBLIC OF ECUADOR (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Empresa Eléctrica Quito S. A. (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies in an aggregate principal amount equivalent to five million dollars (\$5,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal, interest and other charges on such loan; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee the payment of the principal, interest and other charges on such loan;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1955,² (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other

¹ Came into force on 9 November 1956, upon notification by the Bank to the Government of the Republic of Ecuador.

² See p. 300 of this volume.

charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. The Guarantor shall not take and, within the limits of its constitutional powers, shall not permit any of its political subdivisions or agencies to take, any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower contained in the Loan Agreement; and the Guarantor shall take or cause to be taken all reasonable action which shall be necessary to enable the Borrower to perform such covenants, agreements and obligations.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no external debt hereafter incurred shall enjoy any priority over the Loan by way of a lien on governmental assets or by way of priority in the allocation or realization of foreign exchange. To that end, the Guarantor and Banco Central del Ecuador undertake that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor or of the Banco Central del Ecuador, as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect. Within the limits of its constitutional powers, the Guarantor will make the foregoing undertaking effective with respect to liens on assets of any of the Guarantor's agencies including agencies granted autonomy by the Constitution of Ecuador (other than Banco Central del Ecuador), or any of the Guarantor's political subdivisions or of any agency of any such political subdivision, and to the extent that the Guarantor is unable within the limits of its constitutional powers to make such undertaking effective, the Guarantor will give to the Bank an equivalent lien satisfactory to the Bank. The foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; (iii) any lien arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred; or (iv) any lien solely upon revenues or receipts in currency of the Guarantor which is given by a political subdivision (*consejo provincial* or *municipalidad*) or by an agency of a political subdivision of the Guarantor under arrangements containing no provisions which would result in priority in the allocation or realization of foreign exchange.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The *Ministro del Tesoro* of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Republic of Ecuador
Embassy of Ecuador
2342 Massachusetts Avenue, N.W.
Washington 8, D. C.
United States of America

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Section 5.02. The *Ministro del Tesoro* of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the Guarantor and the Bank, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written, and Banco Central del Ecuador, acting through its duly authorized representative, has evidenced its acceptance of its obligations under Section 3.01 of this Agreement.

Republic of Ecuador :

By B. PERALTA P.

Authorized Representative

Banco Central del Ecuador :

By B. PERALTA P.

Authorized Representative

International Bank for Reconstruction and Development :

By R. L. GARNER

Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1955, AS AMENDED
10 MAY 1956REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[Not published herein. See United Nations, Treaty Series, Vol. 248, p. 66.]

LOAN AGREEMENT (QUITO POWER PROJECT)

AGREEMENT, dated March 29, 1956, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and EMPRESA ELÉCTRICA QUITO S. A. (hereinafter called the Borrower).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1955¹ (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to five million dollars (\$5,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of four and three-fourths per cent ($4\frac{3}{4}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

¹ See above.

Section 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The *Presidente* and the *Gerente* of the Borrower acting jointly and such person or persons as they shall jointly appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) In the carrying out of the Project the Borrower shall employ engineering consultants, and, except as the Bank and the Borrower shall otherwise agree, the Borrower

¹ See p. 312 of this volume.

² See p. 314 of this volume.

shall employ contractors for the construction of the Project. The engineering consultants and the contractors, and the terms and conditions on which they are employed, shall be mutually satisfactory to the Bank and the Borrower. Except as the Bank and the Borrower shall otherwise agree, equipment to be used for the Project and the terms and conditions of its purchase shall be mutually satisfactory to the Bank and the Borrower.

(c) The Borrower shall, if requested to do so, furnish to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein.

(d) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods and the financial condition and operations of the Borrower.

Section 5.02. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.03. Except as the Bank shall otherwise agree, the Borrower shall not incur any long-term indebtedness if, as a result, the long-term indebtedness of the Borrower would exceed the total capital and surplus of the Borrower. For the purposes of this Section :

(a) The term "long-term indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is incurred.

(b) The amount in currency of the Guarantor of debt payable in another currency shall be determined on the basis of the rate of exchange at which such other currency is (at the time when it is necessary to make such determination for the purposes of this Section) obtainable by the Borrower for the purposes of servicing such debt.

(c) The term "capital and surplus" shall mean paid-in capital and surplus determined in accordance with sound accounting practices.

Section 5.04. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price

of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.05. Unless the Bank shall otherwise agree, the Borrower shall not declare or pay any dividend, or make any distribution on any shares of its capital stock, other than a dividend payable solely in shares of its capital stock, nor shall the Borrower acquire any shares of its capital stock for a consideration, if, as a result of any such dividend or distribution (other than those payable solely in shares of its stock) or such acquisition of shares of capital stock the net working capital in the hands of the Borrower would be reduced to an amount less than the aggregate amount of its operating expenses (including administrative and general expenses) for the preceding four calendar months. For purposes of this Section the term "net working capital" shall mean the excess of current assets (cash and those assets which in the regular course of business can be readily converted into cash) over current liabilities (those obligations payable within one year, including payments on funded debt falling due during such period).

Section 5.06. The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.07. The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 5.09. (a) The Borrower shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, maintain and renew all rights, powers, privileges and franchises owned by it and necessary or useful in the operation of its business.

(b) The Borrower shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance

with sound engineering standards; and shall at all times operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices.

(c) The Borrower shall not, without the prior consent of the Bank (i) sell or otherwise dispose of all or substantially all of its property and assets unless the Borrower shall first redeem and pay or make adequate provision satisfactory to the Bank for redemption and payment of all of the Loan which shall be outstanding and unpaid; or (ii) sell or otherwise dispose of all or substantially all of the property included in the Project or any plant included therein unless the Borrower shall first redeem and pay or make adequate provision satisfactory to the Bank for redemption and payment of a proportionate part of the Loan which shall then be outstanding and unpaid equal to the proportionate part of the Project so sold or disposed of. The Borrower may, however, without reference to the foregoing, sell or otherwise dispose of any property which shall have become old, worn-out, obsolete or unnecessary for use in its operations.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) of the Loan Regulations :

- (a) That the Guarantee Agreement has been ratified by the Congress of the Republic of Ecuador;
- (b) That the Borrower has engaged engineering consultants as required by Section 5.01 (b) of this Agreement; and
- (c) That arrangements satisfactory to the Bank have been made by the Borrower for the provision of any additional funds in currency of the Guarantor required for the Project in the event that funds available to the Borrower shall not be sufficient for this purpose.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

The ratification of the Guarantee Agreement by the Congress of the Republic of Ecuador has been duly given.

Section 7.03. A date 180 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1959.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Empresa Eléctrica Quito S.A.
P.O. Box 473
Quito, Ecuador

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By R. L. GARNER
Vice President

Empresa Eléctrica Quito S.A. :
Gonzalo RUIZ CALISTO
President

By R. ESPINOSA PALACIOS
Authorized Representative of the President

R. ESPINOSA PALACIOS
General Manager

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>
February 1, 1959	—	\$5,000,000	February 1, 1968	\$145,000	\$2,847,000
August 1, 1959	\$ 97,000	4,903,000	August 1, 1968	148,000	2,699,000
February 1, 1960	100,000	4,803,000	February 1, 1969	152,000	2,547,000
August 1, 1960	102,000	4,701,000	August 1, 1969	155,000	2,392,000
February 1, 1961	104,000	4,597,000	February 1, 1970	159,000	2,233,000
August 1, 1961	107,000	4,490,000	August 1, 1970	163,000	2,070,000
February 1, 1962	109,000	4,381,000	February 1, 1971	167,000	1,903,000
August 1, 1962	112,000	4,269,000	August 1, 1971	171,000	1,732,000
February 1, 1963	115,000	4,154,000	February 1, 1972	175,000	1,557,000
August 1, 1963	117,000	4,037,000	August 1, 1972	179,000	1,378,000
February 1, 1964	120,000	3,917,000	February 1, 1973	183,000	1,195,000
August 1, 1964	123,000	3,794,000	August 1, 1973	188,000	1,007,000
February 1, 1965	126,000	3,668,000	February 1, 1974	192,000	815,000
August 1, 1965	129,000	3,539,000	August 1, 1974	197,000	618,000
February 1, 1966	132,000	3,407,000	February 1, 1975	201,000	417,000
August 1, 1966	135,000	3,272,000	August 1, 1975	206,000	211,000
February 1, 1967	138,000	3,134,000	February 1, 1976	211,000	
August 1, 1967	142,000	2,992,000			

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 5 years before maturity	½ of 1%
More than 5 years but not more than 10 years before maturity	1%
More than 10 years but not more than 15 years before maturity	1¾%
More than 15 years before maturity	2½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of :

1. The construction and installation of a diesel generating plant in Quito which will have a capacity of 3,000 Kw at an elevation of approximately 2,860 meters above sea level. This plant is expected to come into operation during the third calendar quarter of 1957.

2. The construction of 25 kilometers of 22 Kv single circuit transmission lines strung on wooden poles to bring from Machachi to Quito 1,500 Kw of power to be made available to the Borrower by the Municipality of Machachi. This construction is expected to be completed by June 1957.

3. The construction on the San Pedro River, about 7 kilometers downstream from the existing Guangopolo hydro-electric plant, of a hydro-electric plant, known as Cunucyacu, in which there will be installed four units with a total generating capacity of 14,480 Kw in an underground power house. Water for the operation of the plant will be conveyed from the discharge of the existing Guangopolo hydro-electric plant through a non-pressure tunnel about 6,173 meters long and a canal about 387 meters long, both designed to handle a flow of about 21 cubic meters per second, either through a regulating reservoir with a capacity of about 110,000 cubic meters to be constructed on a plateau above the power house or directly to the forebay from which two steel penstocks, each about 172 meters long, will carry the water to four Francis type turbines to be installed in the underground power house. The gross head on the turbines is to be of about 76 meters. A 22 Kv double circuit transmission line strung on steel towers 6.1 kilometers long will be constructed to connect the plant with an existing 22 Kv line now serving Quito. It is expected that the plant and transmission line will come into operation by the end of 1958.

4. The construction, in place of the overhead distribution system serving a part of the downtown section of Quito, which is the older of the two systems now in service, of a distribution system of adequate capacity which will tie into the other distribution system now serving a part of the downtown section and the suburbs of Quito and adjoining areas. The latter system will be strengthened by the addition of new conductors and transformers of adequate capacity and will be extended into other sections of the city and suburbs and adjoining areas. The distribution systems are expected to be completed in June 1958.

5. The purchase and installation of sufficient meters so that approximately 85% of the customers connected by the time the Project is completed are metered, and the purchase of spare meters.

6. The increase of the Borrower's substation capacity by 14,000 Kva. This increase in capacity is expected to be available by September 1958.