

No. 5183

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
EL SALVADOR**

Guarantee Agreement — *Second Río Lempa Hydroelectric Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and Comisión Ejecutiva Hidroeléctrica del Río Lempa). Signed at Washington, on 20 February 1959

Official text: English.

Registered by the International Bank for Reconstruction and Development on 23 June 1960.

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

Contrat de garantie — *Deuxième projet hydro-électrique du Río Lempa* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Comisión Ejecutiva Hidroeléctrica del Río Lempa). Signé à Washington, le 20 février 1959

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 23 juin 1960.

No. 5183. GUARANTEE AGREEMENT¹ (*SECOND RÍO LEMPA HYDROELECTRIC PROJECT*) BETWEEN THE REPUBLIC OF EL SALVADOR AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 20 FEBRUARY 1959

AGREEMENT, dated February 20, 1959, between the REPUBLIC OF EL SALVADOR (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 Comisión Ejecutiva Hidroeléctrica del Río Lempa (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 equivalent to three million dollars (\$3,000,000), 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 hereinafter provided; and

WHEREAS the 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

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,² subject, however, to the modifications thereof set forth in Schedule 3³ to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ Came into force on 18 September 1959, upon notification by the Bank to the Government of El Salvador.

² See p. 84 of this volume.

³ See p. 98 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this 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 charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt hereafter created shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor 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, 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.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including assets of the Banco Central de Reserva de El Salvador.

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.

Section 3.06. The Guarantor, in accordance with the principles presently set forth in the law creating the Borrower, covenants that it will permit the Borrower to earn revenues sufficient: (a) to cover operating expenses, including taxes if any, adequate maintenance, depreciation and interest; (b) to meet repayments on long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation; and (c) to leave a surplus for financing a reasonable portion of planned expansion.

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 de Hacienda* 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 :

Ministro de Hacienda
Palacio Nacional
San Salvador, El Salvador

Alternative address for cablegrams and radiograms :

Ministro Hacienda
San Salvador

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

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

IN WITNESS WHEREOF, the parties hereto, 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.

Republic of El Salvador :
By Hector David CASTRO
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 260, p. 376.*]

LOAN AGREEMENT

(SECOND RÍO LEMPA HYDROELECTRIC PROJECT)

AGREEMENT, dated February 20, 1959, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and COMISIÓN EJECUTIVA HIDROELÉCTRICA DEL RÍO LEMPA (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 June 15, 1956,¹ subject, however, to the modification thereof set forth in Schedule 3² to this Agreement (said Loan Regulations No. 4 as so modified 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 three million dollars (\$3,000,000).

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. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

¹ See above.

² See p. 98 of this volume.

Section 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent ($5\frac{3}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

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 January 15 and July 15 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. Except as the Bank and the Borrower shall otherwise agree, 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* of the Borrower and such person or persons as he shall 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, financial and public utility practices.

¹ See p. 96 of this volume.

² See p. 98 of this volume.

(b) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall employ suitably qualified and competent engineering consultants and contractors for the carrying out of the Project. The selection of the engineering consultants and the nature and scope of their responsibilities shall be the subject of agreement between the Bank and the Borrower.

(c) The Borrower shall furnish to the Bank, promptly as they are prepared, the plans and specifications for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(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 operations and financial condition 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 operations and financial condition 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. 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 5.04. 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 Agreement¹ or the Bonds, or the payment of principal, interest

¹ See p. 76 of this volume.

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 5.05. 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 5.06. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed out of 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 5.07. (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, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct 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 consent of the Bank, sell or otherwise dispose of all or substantially all of its property and assets or all or substantially all 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 or payment of, all of the Loan which shall then be outstanding and unpaid.

Section 5.08. The Borrower, in accordance with the principles presently set forth in the law creating it, covenants that it will take all steps necessary to earn revenues sufficient : (a) to cover operating expenses, including taxes if any, adequate maintenance, depreciation and interest; (b) to meet repayments on long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation; and (c) to leave a surplus for financing a reasonable portion of planned expansion.

Section 5.09. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur debt unless its net revenue for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever is the greater, together with 75% of the annual net revenues reasonably estimated to be obtained from the works under construction and the works to be constructed with the proceeds of the proposed new debt when such works are in full production shall be not

less than 1.5 times the maximum debt service requirement for any succeeding fiscal year on all debt, including the debt to be incurred. For the purposes of this Section :

(a) The term “ debt ” shall mean all indebtedness of the Borrower maturing by its terms more than one year after the date on which it is incurred;

(b) Debt shall be deemed to have been incurred : (i) in the case of a loan from the Guarantor on the date on which the decree of the Legislative Assembly of the Guarantor granting such loan shall enter into force and effect as provided in such decree; and (ii) in the case of a loan from a source other than the Guarantor on the date of execution and delivery of the contract providing for such loan;

(c) The term “ net revenues ” shall mean gross revenues from all sources, adjusted to take account of rates in effect at the time of the calculation even though they were not in effect during such fiscal year or twelve-month period, less all operating and administrative expenses, including provision for taxes, if any, but before provision covering depreciation, interest and other charges on debt;

(d) The term “ debt service requirement ” shall mean the aggregate amount of amortization (including sinking fund payments, if any) interest and other charges on debt; and

(e) The equivalent in currency of the Guarantor of amounts of debt payable in any other currency shall be determined on the basis of the rate of exchange which on the date of calculation is available to the Borrower for the purchase of such other currency for debt service.

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 event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) of the Loan Regulations : all necessary corporate and governmental action shall have been taken to convert, on terms and conditions satisfactory to the Guarantor, the Bank and the Borrower, (a) the Guarantor's local currency contributions made to the Borrower up to October 31, 1958, and amounting to 11,840,435.41 Salvadorean colones and (b) all such

contributions to be made thereafter pursuant to legislative decrees numbers 1986 and 1987 of December 1955, into an equity contribution of the Guarantor to the Borrower's capital.

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 legal opinion or opinions to be furnished to the Bank : that there has been duly and validly taken all corporate and governmental action necessary to convert, on terms and conditions satisfactory to the Guarantor, the Bank and the Borrower, (a) the Guarantor's local currency contributions made to the Borrower up to October 31, 1958, and amounting to 11,840,435.41 Salvadorean colones, and (b) all such contributions to be made thereafter pursuant to legislative decrees numbers 1986 and 1987 of December 1955, into an equity contribution of the Guarantor to the Borrower's capital.

Section 7.03. A date ninety 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 December 31, 1961.

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

For the Borrower :

Comisión Ejecutiva Hidroeléctrica del Río Lempa

Edificio Dueñas

San Salvador, El Salvador

Alternative address for cablegrams and radiograms :

CEL

San Salvador

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington 25, D. C.

United States of America

Alternative address for cablegrams and radiograms :

Intbafrad

Washington, D. C.

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 W. A. B. ILIFF

Vice President

Comisión Ejecutiva Hidroeléctrica del Río Lempa :

By Enrique R. LIMA

Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

| <i>Date Payment Due</i> | <i>Payment of Principal (expressed in dollars) *</i> | <i>Date Payment Due</i> | <i>Payment of Principal (expressed in dollars) *</i> |
|-----------------------------|--|-----------------------------|--|
| Jan. 15, 1962 | \$33,000 | July 15, 1973 | 64,000 |
| July 15, 1962 | 34,000 | Jan. 15, 1974 | 66,000 |
| Jan. 15, 1963 | 35,000 | July 15, 1974 | 68,000 |
| July 15, 1963 | 36,000 | Jan. 15, 1975 | 70,000 |
| Jan. 15, 1964 | 38,000 | July 15, 1975 | 72,000 |
| July 15, 1964 | 39,000 | Jan. 15, 1976 | 74,000 |
| Jan. 15, 1965 | 40,000 | July 15, 1976 | 76,000 |
| July 15, 1965 | 41,000 | Jan. 15, 1977 | 78,000 |
| Jan. 15, 1966 | 42,000 | July 15, 1977 | 80,000 |
| July 15, 1966 | 43,000 | Jan. 15, 1978 | 83,000 |
| Jan. 15, 1967 | 44,000 | July 15, 1978 | 85,000 |
| July 15, 1967 | 46,000 | Jan. 15, 1979 | 88,000 |
| Jan. 15, 1968 | 47,000 | July 15, 1979 | 90,000 |
| July 15, 1968 | 48,000 | Jan. 15, 1980 | 93,000 |
| Jan. 15, 1969 | 50,000 | July 15, 1980 | 95,000 |
| July 15, 1969 | 51,000 | Jan. 15, 1981 | 98,000 |
| Jan. 15, 1970 | 53,000 | July 15, 1981 | 101,000 |
| July 15, 1970 | 54,000 | Jan. 15, 1982 | 104,000 |
| Jan. 15, 1971 | 56,000 | July 15, 1982 | 107,000 |
| July 15, 1971 | 57,000 | Jan. 15, 1983 | 110,000 |
| Jan. 15, 1972 | 59,000 | July 15, 1983 | 113,000 |
| July 15, 1972 | 61,000 | Jan. 15, 1984 | 116,000 |
| Jan. 15, 1973 | 62,000 | | |

* 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 this column 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 3 years before maturity | ½ of 1% |
| More than 3 years but not more than 6 years before maturity | 1% |
| More than 6 years but not more than 11 years before maturity | 1¾% |
| More than 11 years but not more than 16 years before maturity | 2½% |
| More than 16 years but not more than 21 years before maturity | 3½% |
| More than 21 years but not more than 23 years before maturity | 4¾% |
| More than 23 years before maturity | 5¾% |

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of: (a) an addition to the existing Guayabo hydroelectric plant; (b) the sealing off of the present seepage in the vicinity of the Puente Viejo dam at Lake Guija by means of grouting, further excavation of the outlet channel and construction of an earth dike; and (c) an extension of the Borrower's transmission system.

The works to be financed out of the proceeds of the Loan are :

- (1) The installation of a fourth turbo-generator of 15 MW capacity in an addition to the existing underground power house of the Guayabo hydroelectric plant with the attendant intake, surge chamber, tailrace tunnel and substation; and
- (2) Construction of a new 115 kv transmission line from San Salvador to Santa Ana, a distance of about 60 kilometers, with an expansion to the substation at San Salvador and construction of a new substation at Santa Ana.

SCHEDULE 3

MODIFICATION OF LOAN REGULATIONS No. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified by deleting Section 2.02 thereof.
