

No. 5605

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

**Guarantee Agreement — Guajoyo Hydroeléctric Project
(with annexed Loan Regulations No. 4 and Loan
Agreement between the Bank and Comisión Ejecutiva
Hidroeléctrica del Río Lempa). Signed at Washington,
on 29 July 1960**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
14 March 1961.*

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

**Contrat de garantie — Projet de Guajoyo relatif à l'énergie
hydro-électrique (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 29 juillet 1960**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
14 mars 1961.*

.

No. 5605. GUARANTEE AGREEMENT¹ (*GUAJOYO HYDRO-ELECTRIC PROJECT*) BETWEEN THE REPUBLIC OF EL SALVADOR AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 29 JULY 1960

AGREEMENT, dated July 29, 1960, between 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 Rio 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 eight hundred and forty thousand dollars (\$3,840,000), 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, 1956,³ subject, however, to the modifications thereof set forth in Schedule 3⁴ 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 17 November 1960, upon notification by the Bank to the Government of El Salvador.

² See p. 110 of this volume.

³ See p. 108 of this volume.

⁴ See p. 124 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 create 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 J. Burke KNAPP
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
(GUAJOYO HYDROELECTRIC PROJECT)

AGREEMENT, dated July 29, 1960 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 modifications 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 eight hundred and forty thousand dollars (\$3,840,000).

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.

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.

¹ See p. 108 of this volume.

² See p. 124 of this volume.

Section 2.06. Interest and other charges shall be payable semi-annually on April 15 and October 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 I¹ 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.

(b) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall employ for the carrying out of the Project suitably qualified and competent engineering consultants and contractors. 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.

¹ See p. 122 of this volume.

² See p. 124 of this volume.

(c) Upon request from time to time by the Bank, the Borrower shall promptly furnish to the Bank the plans and specifications for the Project and any material modifications subsequently made therein, in such detail as the Bank shall 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 submit annually to the Bank an audit report of, and financial statements certified by, independent public accountants satisfactory to the Bank; 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 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 5.05. 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 Agreement¹ or the Bonds.

Section 5.06. (a) Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers all goods financed with the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territories of the Guarantor and to delivery thereof to the site of the Project, and shall be for such amounts as shall be consistent with sound commercial practice. Such insurance shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

(b) In addition, the Borrower shall insure against such risks and in such amounts as shall be consistent with sound public utility and business practices.

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 public utility and business 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 create a surplus for financing a reasonable portion of planned expansion.

¹ See p. 102 of this volume.

Section 5.09. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur debt unless the sum of (i) its net revenues for the fiscal year next preceding such incurrence or for the twelve-month period ended prior to such incurrence, whichever is the greater, and (ii) 75 % of the difference between the revenues referred to in (i) above, and the estimate of its net revenues for the twelve months next following a period of six months after the date of completion of works under construction at the time of incurrence of the proposed debt and the works to be financed by the proposed debt shall be not less than 1.5 time the maximum debt service requirement for any succeeding fiscal year on all debt existing on the date the computation is made together with the debt proposed 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 any other indebtedness on the date of execution and delivery of the contract providing for such indebtedness ;

(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 up on any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. The following is specified as an event for the purposes of Section 5.02 (j) of the Loan Regulations : There shall have occurred any event specified in para-

graph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank, dated June 15, 1956, as incorporated in the loan agreement between the Bank and the Borrower dated February 20, 1959.¹

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be October 1, 1963.

Section 7.02. A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. 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 Burke KNAPP
Vice President

Comisión Ejecutiva Hidroeléctrica del Río Lempa :

By Enrique LIMA
Authorized Representative

¹ United Nations, *Treaty Series*, Vol. 362, p. 75.

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> |
|----------------------------|---|----------------------------|---|
| October 15, 1963 | \$43,000 | April 15, 1975 | \$82,000 |
| April 15, 1964 | 44,000 | October 15, 1975 | 84,000 |
| October 15, 1964 | 45,000 | April 15, 1976 | 87,000 |
| April 15, 1965 | 47,000 | October 15, 1976 | 89,000 |
| October 15, 1965 | 48,000 | April 15, 1977 | 92,000 |
| April 15, 1966 | 49,000 | October 15, 1977 | 95,000 |
| October 15, 1966 | 51,000 | April 15, 1978 | 97,000 |
| April 15, 1967 | 52,000 | October 15, 1978 | 100,000 |
| October 15, 1967 | 54,000 | April 15, 1979 | 103,000 |
| April 15, 1968 | 55,000 | October 15, 1979 | 107,000 |
| October 15, 1968 | 57,000 | April 15, 1980 | 109,000 |
| April 15, 1969 | 58,000 | October 15, 1980 | 112,000 |
| October 15, 1969 | 60,000 | April 15, 1981 | 115,000 |
| April 15, 1970 | 62,000 | October 15, 1981 | 119,000 |
| October 15, 1970 | 64,000 | April 15, 1982 | 122,000 |
| April 15, 1971 | 65,000 | October 15, 1982 | 126,000 |
| October 15, 1971 | 67,000 | April 15, 1983 | 129,000 |
| April 15, 1972 | 69,000 | October 15, 1983 | 133,000 |
| October 15, 1972 | 71,000 | April 15, 1984 | 137,000 |
| April 15, 1973 | 73,000 | October 15, 1984 | 141,000 |
| October 15, 1973 | 75,000 | April 15, 1985 | 145,000 |
| April 15, 1974 | 78,000 | October 15, 1985 | 149,000 |
| October 15, 1974 | 80,000 | | |

* 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 | 1 ¾ % |
| More than 11 years but not more than 16 years before maturity | 2 ½ % |
| More than 16 years but not more than 21 years before maturity | 3 ½ % |
| More than 21 years but not more than 23 years before maturity | 4 ¾ % |
| More than 23 years before maturity | 5 ¾ % |

SCHEDULE 2

DESCRIPTION OF PROJECT

The project will consist of : (a) the construction of the Guajoyo generating plant, including intakes, outlets and ancillary works, which will be located near the existing Lake Guija control works, and which will be equipped with one turbine and generator unit of 15 MW capacity ; (b) the construction, adjacent to the Guajoyo generating plant, of a switchyard which will be equipped with a transformer of approximately 16,000 kva capacity with space for an additional transformer unit ; (c) the construction of a single-circuit transmission line approximately 30 kilometers in length from the Guajoyo generating plant to the Santa Ana sub-station ; (d) the addition at the San Salvador sub-station of a 15,000 to 20,000 kva transformer ; and (e) the addition at the Santa Ana and San Salvador sub-stations of the necessary circuit breakers and accessory equipment.

SCHEDULE 3

MODIFICATIONS 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 as follows :

(a) By the deletion of Section 2.02.

(b) By the deletion of the first five lines of Section 5.02 and the substitution therefor of the following lines :

“SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account :”

(c) By the deletion of the last paragraph of Section 5.02 and the substitution therefor of the following paragraph :

“The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier ; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section.”

(d) By the deletion of Section 9.03 and the substitution therefor of the following section :

“SECTION 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01, except as shall be otherwise agreed by the Borrower and the Bank, the Loan Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and the Guarantor notice of its acceptance of the evidence required by Section 9.01.”

(e) By the deletion of paragraph 14 of Section 10.01 and the substitution therefor of the following paragraph :

“14. The term ‘external debt’ means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium.”

LETTER RELATING TO THE LOAN AGREEMENT

COMISIÓN EJECUTIVA HIDROELÉCTRICA DEL RÍO LEMPA
SAN SALVADOR, EL SALVADOR, C.A.

July 29, 1960

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

Gentlemen :

Referring to the Loan Agreement (*Guajoyo Hydroelectric Project*) of even date herewith,¹ between Comisión Ejecutiva Hidroeléctrica del Río Lempa and International Bank for Reconstruction and Development, providing for a loan in various currencies equivalent to \$3,840,000, there is attached hereto a list of goods² to be purchased out of the proceeds of the Loan, to which we request your approval in accordance with Section 3.01 of said Loan Agreement.

Pursuant to Section 4.01 of Loan Regulations No. 4 we also request your agreement that, subject to the provisions of said Loan Agreement, withdrawals may be made from the Loan Account provided for in said Loan Agreement on account of payments made before the Effective Date but subsequent to June 30, 1960.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Sincerely yours,

Comisión Ejecutiva Hidroeléctrica del Río Lempa :

By Enrique LIMA
Authorized Representative

Confirmed:

International Bank for
Reconstruction and Development :

By W. A. B. ILIFF
Vice President

¹ See p. 110 of this volume.

² See p. 128 of this volume.

LIST OF GOODS

| | <i>In U.S.\$ Equivalents</i> |
|---|----------------------------------|
| I. Construction and equipment for the Guajoyo power plant including turbine, generator, step-up substation and equipment, accessories and spare parts | \$2,600,000 |
| II. Transmission line and additions to the Santa Ana and San Salvador substations | 510,000 |
| III. Engineering, administration and Consultants' fee | 420,000 |
| IV. Unallocated | 310,000 |
| TOTAL | <u>\$3,840,000</u> |