

No. 7762

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
BOLIVIA**

Development Credit Agreement—*BPC Power Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Bolivian Power Company Limited). Signed at Washington, on 24 July 1964

Official text: English.

Registered by the International Development Association on 11 May 1965.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT**

et
BOLIVIE

Contrat de crédit de développement — *Projet BPC relatif à l'énergie électrique* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement et le Contrat relatif au Projet entre l'Association et la Bolivian Power Company Limited). Signé à Washington, le 24 juillet 1964

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 11 mai 1965.

No. 7762. DEVELOPMENT CREDIT AGREEMENT¹ (*BPC POWER PROJECT*) BETWEEN THE REPUBLIC OF BOLIVIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 24 JULY 1964

AGREEMENT, dated July 24, 1964, between REPUBLIC OF BOLIVIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower is engaged in the carrying out of a power development program for the construction and expansion of power facilities in its territories and has requested the Association and certain lenders in addition to the Association to assist in the financing of such power development program;

(B) By Agreement of even date herewith (hereinafter called the ENDE Credit Agreement)² the Association has agreed to make a credit (hereinafter called the ENDE Credit) to the Borrower in an amount in various currencies equivalent to ten million dollars (\$10,000,000) on the terms and conditions set forth in such ENDE Credit Agreement for the purpose of assisting in the financing of a portion of such development power program; and

WHEREAS the Association has agreed, on the basis of the foregoing, to provide a credit to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows :

Article I

CREDIT REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,³ with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

¹ Came into force on 25 August 1964, upon notification by the Association to the Government of Bolivia.

² See p. 203 of this volume.

³ See p. 192 of this volume.

(a) Section 3.01 is deleted and the following new Section is substituted therefor :

“ SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

“ (b) The proceeds of the Credit shall be withdrawn from the Credit Account :

“ (i) on account of expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select;

“ (ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

“ (c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made. ”

(b) A new Section 3.04 is inserted after Section 3.03 as follows :

“ SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03. ”

(c) Section 3.04 is renumbered as Section 3.05.

(d) The words “ or the Project Agreement ” are inserted in Section 6.02 after the words “ the Development Credit Agreement ” :

Section 1.02. Whenever used in this Agreement or in any Schedule thereto, unless the context shall otherwise require, the following terms shall have the following meanings :

(a) The term “ BPC ” shall mean Bolivian Power Company Limited, a company duly incorporated under the laws of Nova Scotia, Canada, and operating in the territories of the Borrower pursuant to an agreement (hereinafter called the Concession) with the Municipality of the City of La Paz dated October 28, 1950, approved by the Borrower in Supreme Decree No. 40455 dated November 6, 1950;

(b) The term “ BPC Project Agreement ” shall mean the agreement (and any schedule thereto) between the Association and BPC of even date herewith,¹

¹ See p. 192 of this volume,

and shall include any amendment thereof made by agreement between the Association and BPC;

(c) The term "COMIBOL" shall mean Corporación Minera de Bolivia, an autonomous agency of the Borrower;

(d) The term "foreign currency" shall mean any currency other than the currency of the Borrower;

(e) The term "Subsidiary Loan Agreement" shall mean the Loan Agreement between the Borrower and BPC referred to in Section 3.01 of this Agreement;

(f) The term "General Agreement" shall mean the agreement dated December 13, 1963 between the Borrower and BPC (and the letters of the Minister of Finance of the Borrower to BPC dated June 10, 1964, and BPC's acceptance thereof relating thereto) defining, *inter alia*, the areas to be served by the Borrower, BPC and other power entities, respectively, and certain financial and administrative arrangements including the payment of debt owed by the Borrower to BPC;

(g) The term "Rate of Return" shall mean the rate of return set forth in the General Agreement;

(h) The term "COMIBOL Agreement" shall mean the agreement contained in the exchange of letters dated April 30, 1963, May 6, 1963, May 7, 1963, May 26, 1963, and October 28, 1963, between BPC and COMIBOL setting forth the terms and conditions for the payment of debt owed by COMIBOL to BPC;

(i) The term "Interconnection Letter" shall mean the letter dated April 29, 1964 between BPC and the Empresa Nacional de Electricidad of Corporación Boliviana de Fomento; and

(j) The terms "CBF" and "Company" shall have the respective meanings set forth in the ENDE Credit Agreement.

Article II

THE CREDIT

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

Section 2.02. The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement.

Section 2.03. (a) The Borrower shall be entitled, subject to the provisions of this Development Credit Agreement, to withdraw from the Credit Account (i) such amounts as shall have been expended for the reasonable foreign currency cost of goods required for the carrying out of the Project; and (ii), if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable foreign currency cost of such goods.

(b) Except as the Association shall otherwise agree, no withdrawals shall be made on account of expenditures prior to June 1, 1963.

Section 2.04. The Borrower shall pay to the Association (a) a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time, and (b) a service charge at the same rate on the principal amount outstanding of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

Section 2.05. Service charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each May 1 and November 1 commencing November 1, 1974, and ending May 1, 2014, each instalment to and including the instalment payable on May 1, 1984 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF CREDIT

Section 3.01. The Borrower shall relend the proceeds of the Credit to BPC pursuant to a Loan Agreement on terms and conditions satisfactory to the Borrower, the Association and BPC.

Article IV

PARTICULAR COVENANTS

Section 4.01. The Borrower shall, so long as the BPC Project Agreement shall not have terminated in accordance with its terms, duly perform its obligations under the General Agreement and shall promptly grant, or cause to be granted, to BPC and maintain, or cause to be maintained, electric tariffs designed to produce to BPC revenues sufficient to provide the Rate of Return. Except as the Association shall otherwise agree, the Borrower shall not amend, assign, abrogate or waive any provision of the General Agreement or of the Subsidiary Loan Agreement.

Section 4.02. The Borrower shall cause COMIBOL duly to perform its obligation under the COMIBOL Agreement. Except as the Association shall otherwise agree, the Borrower shall not take, cause or permit to be taken, any action which shall have the effect of amending, abrogating or waiving any provision of such agreement.

Section 4.03. The Borrower shall not take any action that would interfere with the performance of any obligation of BPC under the BPC Project Agreement.

Section 4.04. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit 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 Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

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

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.05. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.06. This Agreement and the BPC Project Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on, or in connection with, the execution, issue, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02

of the Regulations, or in paragraph (a) or sub-paragraphs (i) or (iii) of paragraph (b) or paragraph (d) of Section 5.02 of this Agreement, shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit 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 to the contrary notwithstanding.

Section 5.02. For the purposes of Section 5.02 of the Regulations, the following additional events are specified :

(a) A default shall have occurred in the performance of any covenant or agreement on the part of BPC under the BPC Project Agreement.

(b) Before the BPC Project Agreement shall have terminated in accordance with its terms :

- (i) the Concession shall have been abrogated or terminated or any material provision of such Concession shall have been modified, abrogated or waived without prior agreement between the Borrower and the Association; or
- (ii) BPC shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by BPC or by others whereby any of the property of BPC shall or may be distributed among its creditors; or
- (iii) the Borrower or any other authority having jurisdiction shall have taken any action for (a) the dissolution of BPC or for the suspension of its operations, or (b) the acquisition of the ownership, possession or control of any of the property or assets of BPC necessary for the proper and efficient operation of its business.

(c) An extraordinary situation shall have arisen which shall make it improbable that BPC will be able to perform its obligations under the BPC Project Agreement.

(d) A default shall have occurred in the performance of any covenant or agreement on the part of the Borrower under the ENDE Credit Agreement other than in respect of the payment by the Borrower of the principal or service charges or any other payments required under said Agreement.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations :

(a) the ENDE Credit Agreement shall have become effective in accordance with its terms;

(b) the execution and delivery of the BPC Project Agreement on behalf of BPC shall have been duly authorized or ratified by all necessary corporate action;

(c) the Borrower and BPC shall have entered into the Subsidiary Loan Agreement and the execution and delivery of such Subsidiary Loan Agreement on behalf of the Borrower and BPC shall have been duly authorized or ratified by all necessary governmental and corporate action.

Section 6.02. The following are specified as additional matters, within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association :

(a) that the BPC Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, BPC and constitutes a valid and binding obligation of BPC in accordance with its terms;

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and BPC and constitutes a valid and binding obligation of the Borrower and BPC in accordance with its terms;

(c) that the General Agreement and the COMIBOL Agreement have been duly authorized or ratified, and executed and delivered on behalf of, the Borrower, COMIBOL and BPC, respectively, and constitute valid and binding obligations of the Borrower, COMIBOL and BPC in accordance with their respective terms.

Section 6.03. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1967 or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministerio de Economía Nacional
La Paz, Bolivia

Alternative address for cablegrams and radiograms :

Mineconomía
La Paz

For the Association :

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D.C.

Section 7.03. (a) The Minister of National Economy of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

(b) The Borrower irrevocably designates BPC for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.03 of this Agreement and Article IV of the Regulations, in respect of amounts expended or to be expended for the Project in accordance with the Development Credit Agreement and the Project Agreement.

Section 7.04. If any notice is given by the Association to the Borrower under the provisions of Section 5.02 and Section 5.03 of the Regulations, copy of the same shall be promptly dispatched by the Association to BPC.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit 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.

The Republic of Bolivia :
By Eduardo ARAUCO PAZ
Authorized Representative

International Development Association :
By G. M. WILSON
Vice President

SCHEDULE

DESCRIPTION OF PROJECT

The Project consists of the construction of the Chururaqui hydroelectric plant and of other generating system improvements located in the Zongo Valley, of transmission lines, substations and related distribution systems for delivery of power from this plant to the City of La Paz, and of the interconnection between the BPC and the Company's transmission systems in the Oruro area. The Projects includes :

- (1) The construction of (i) a canal, (ii) a free flow tunnel, (iii) a forebay at Cruz Grande, and (iv) a penstock for leading water from the tailrace of the existing Sainani plant to the new plant.
- (2) The construction of a powerhouse suitable for two units and installation of the first of these units only consisting of a 16,300 HP impulse turbine and a 11,000 kw generator.
- (3) The construction of a 66 kv transmission line for connecting the Chururaqui plant to the existing transmission system serving the City of La Paz, and the construction of other transmission lines and substations for increasing the capacity of the La Paz primary system.
- (4) The improvement and extension of the City of La Paz distribution system.
- (5) Additions of equipment to the Oruro transmission system to facilitate interconnection with the Company system at the Catavi mine.
- (6) Other generating system improvements.

It is estimated that the Project will be completed by the end of 1967.

LETTER RELATED TO THE DEVELOPMENT CREDIT AGREEMENT

EMBAJADA DE BOLIVIA¹
WASHINGTON

July 24, 1964

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Dear Sirs :

Currency of Repayment
Credit No. 62 BO (BPC Power Project)

We refer to the Development Credit Agreement (*BPC Power Project*) of even date² between Republic of Bolivia and International Development Association and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

¹ Embassy of Bolivia.

² See p. 172 of this volume.

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United States of America.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) or than one theretofore designated pursuant to this clause (ii) or selected pursuant to clause (iv) we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice, we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty-day period, be payable in the currency so selected.
- (v) For the purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

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

Very truly yours,

Republic of Bolivia :
By Eduardo ARAUCO PAZ
Authorized Representative

Confirmed :

International Development Association :

By Alfred E. MATTER

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]

PROJECT AGREEMENT
(*BPC POWER PROJECT*)

AGREEMENT, dated July 24, 1964, between the INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and BOLIVIAN POWER COMPANY LIMITED, a company duly incorporated under the laws of Nova Scotia, Canada (hereinafter called BPC).

WHEREAS by a development credit agreement of even date herewith¹ (hereinafter called the Development Credit Agreement) between Republic of Bolivia (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to five million dollars (\$5,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that BPC agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth; and

WHEREAS BPC, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Except where the context otherwise requires, the several terms defined in the Development Credit Agreement shall have the same meaning as in such Development Credit Agreement wherever used in this Agreement.

Article II

PARTICULAR COVENANTS

Section 2.01. BPC shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, commercial and financial practices.

¹ See p. 172 of this volume.

Section 2.02. (a) BPC shall cause the proceeds of the Credit relented by the Borrower pursuant to the Subsidiary Loan Agreement to be applied exclusively to financing the cost of goods required to carry out the Project. The specific goods to be so financed out of the proceeds of the Credit and the methods and procedures for the procurement of such goods shall be determined by agreement between the Association and BPC, subject to modification by further agreement between them.

(b) Except as the Association and BPC shall otherwise agree, BPC (i) shall use or cause to be used all goods so financed out of the proceeds of the Credit exclusively in the carrying out and operation of the Project; (ii) shall obtain title to such goods free and clear of all incumbrances; and (iii) shall not sell or dispose of any goods purchased or paid for out of the proceeds of the Credit, other than such goods as shall have become worn out or obsolete.

Section 2.03. BPC shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, BPC shall not amend, assign, abrogate or waive any provision of the Subsidiary Loan Agreement.

Section 2.04. (a) BPC shall furnish to the Association, promptly upon their preparation, the plans, specifications and the construction schedule for the Project and any material modifications subsequently made therein, in such detail as the Association shall from time to time request.

(b) BPC shall maintain or cause to be maintained records adequate to identify the goods financed out of such proceeds of the Credit as shall be relented by the Borrower to BPC, to disclose the use of such goods, 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 BPC; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents and all other plants, sites, works, properties and equipment of BPC or its subsidiaries (if any); and shall furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit relented by the Borrower to BPC, the Project, the goods and the administration and the operations and financial condition of BPC.

Section 2.05. (a) BPC and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request.

(b) BPC and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and to the administration, operations and financial condition of BPC. BPC shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the performance by BPC of its obligations under this Project Agreement, or which shall increase or threaten to increase materially the estimated cost of the Project.

Section 2.06. BPC shall insure or cause to be insured with responsible insurers all imported goods financed out of the proceeds of the Credit. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of such goods into the territories of the Borrower and delivery thereof to BPC and shall be for such amounts, as shall be consistent with sound commercial practices. Such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in dollars.

Section 2.07. (a) BPC shall at all times maintain its corporate existence and right to carry on operations and shall, except as the Association shall otherwise agree, take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) BPC shall (i) operate and maintain all its plants, equipment and property and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering and public utility practices; (ii) at all times manage its affairs, operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices; and (iii) take out and maintain insurance against such risks and in such amounts as shall be consistent with sound business and public utility practices.

(c) Except as the Association shall otherwise agree, BPC shall not sell, lease, transfer or assign any of its property or assets, except in the normal course of its business.

Section 2.08. Except as the Association shall otherwise agree, BPC shall not incur and shall not permit its subsidiaries (if any) to incur any indebtedness unless the net consolidated revenues of BPC and its subsidiaries (if any) in the twelve consecutive months immediately preceding such incurrence shall be at least 1.5 times the estimated maximum debt service requirements for any succeeding twelve-month period following such incurrences on all indebtedness of BPC and its subsidiaries (if any), including the indebtedness proposed to be incurred. For the purposes of this Section :

(a) the term "indebtedness" shall include the assumption and guarantee of indebtedness and shall mean all indebtedness of BPC and its subsidiaries (if any) maturing by its terms more than one year after the date of its incurrence but excluding any indebtedness between BPC and its subsidiaries (if any) or between such subsidiaries;

(b) indebtedness shall be deemed to be incurred on the date of execution and delivery of the contract or loan agreement providing for such indebtedness;

(c) the term "net consolidated revenues" shall mean gross revenues from all sources, excluding any revenues arising from transactions between BPC and its subsidiaries (if any) or between such subsidiaries, adjusted to take account of tariffs in effect at the time of incurrence of the indebtedness even though they were not in effect during the twelve consecutive months to which such revenues related, less operating and administrative expenses, including provision for taxes if any, but before provision for depreciation, interest and other charges on debt;

(d) the term "debt service requirements" shall mean the aggregate amount of amortization (including sinking fund contributions), interest and other charges on debt including the debt to be incurred;

(e) whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, indebtedness payable in another currency, such valuation shall be made on the basis of the prevailing rate of exchange at which such other currency is, at the time of such valuation, lawfully obtainable for the purposes of servicing such indebtedness; and

(f) the term "subsidiary" shall mean any corporation, at least a majority of the outstanding voting stock of which shall be owned, or which shall be effectively controlled, by BPC or by one or more subsidiaries of BPC or by BPC and one or more of its subsidiaries.

Section 2.09. Except as the Association shall otherwise agree, BPC shall take all steps necessary or desirable to establish and maintain such electric tariffs as will produce revenues sufficient to provide the Rate of Return.

Section 2.10. BPC shall have its accounts regularly audited by an independent accountant or accounting firm acceptable to the Association and shall furnish to the Association promptly upon their preparation its annual financial statements (balance sheet and profit and loss statement) certified by such accountant or accounting firm.

Section 2.11. BPC shall promptly make and carry out arrangements, satisfactory to the Association, with CBF or the Company, as the case may be, pursuant to the principles set forth in the Interconnection Letter.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This Project Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 8.04 of the Regulations, the Association shall terminate the Development Credit Agreement, the Association shall promptly notify BPC thereof and, upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith cease and determine.

Section 3.02. This Project Agreement shall terminate and all obligations of the Association and BPC hereunder shall cease and determine on the date on which the Subsidiary Loan Agreement shall terminate in accordance with its terms.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice, demand or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail,

telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

The addresses so specified are :

(a) For the Association :

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D.C.

(b) For BPC :

Bolivian Power Company Ltd.
P.O. Box 308
Montreal 1, Canada

Alternative address for cablegrams and radiograms :

Bolivpower, Montreal, Canada

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement or the Development Credit Agreement on behalf of BPC may be taken or executed by the President or Vice President of BPC or such other person or persons as they shall jointly designate in writing.

Section 4.03. BPC shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of BPC, take any action or execute any documents required or permitted to be taken or executed by BPC pursuant to any of the provisions of the Development Credit Agreement or this Project Agreement and the authenticated specimen signature of each such person.

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

International Development Association :

By G. M. WILSON
Vice President

Bolivian Power Company Limited :

By John KAZAKOFF
Authorized Representative
