

No. 8273

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

**Guarantee Agreement—*Metropolitan Water Supply Project*
(with annexed Loan Regulations No. 4 and Loan Agree-
ment between the Bank and the Instituto Nacional de
Obras Sanitarias). Signed at Washington, on 21 April
1966**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
21 July 1966.*

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

**Contrat de garantie — *Projet relatif à l'approvisionnement
en eau des villes* (avec, en annexe, le Règlement n° 4
sur les emprunts et le Contrat d'emprunt entre la
Banque et l'Instituto Nacional de Obras Sanitarias).
Signé à Washington, le 21 avril 1966**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 21 juillet 1966.*

No. 8273. GUARANTEE AGREEMENT¹ (*METROPOLITAN WATER SUPPLY PROJECT*) BETWEEN THE REPUBLIC OF VENEZUELA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 21 APRIL 1966

AGREEMENT, dated April 21, 1966 between the REPUBLIC OF VENEZUELA (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 Instituto Nacional de Obras Sanitarias (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 twenty-one million three hundred thousand dollars (\$21,300,000), 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 February 15, 1961,² subject, however, to the modifications thereof set forth in Section 1.01 of 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.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the terms defined in Section 1.02 of the Loan Agreement shall have the same meanings as therein set forth.

¹ Came into force on 26 May 1966, upon notification by the Bank to the Government of Venezuela.

² See p. 266 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other 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 Guarantee 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 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 to secure a debt maturing not more than one year after the date on which it is originally incurred.

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.

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 imposed under the laws of the Guarantor; provided, however, that the provisions of this Section shall not apply to taxation of 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 Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor 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.

Section 3.06. (a) The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained or of Caracas and Sucre in the Subsidiary Agreements contained, and will take or cause to be taken all reasonable action (including action with respect to prompt payment to the Borrower of bills for services rendered by it) which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations and to enable Caracas and Sucre to perform the covenants, agreements and obligations of Caracas and Sucre in the Subsidiary Agreements contained.

(b) If, in order for the Borrower to comply with its obligations under the Loan Agreement in respect of the Metropolitan Zone System, it shall be necessary

to establish a separate juridical entity for the purposes of such System, the Guarantor covenants that it shall take such action as shall be necessary to accomplish that purpose.

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 Minister of Finance of the Guarantor and such person or persons as he shall appoint in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

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

For the Guarantor :

Republic of Venezuela
Ministro de Hacienda
Caracas, Venezuela

Alternative address for cablegrams and radiograms :

Minhacienda
Caracas

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The Minister of Finance 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 Venezuela :
By Enrique TEJERA PARIS
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 FEBRUARY 1961

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

[Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.]

LOAN AGREEMENT

(METROPOLITAN WATER SUPPLY PROJECT)

AGREEMENT, dated April 21, 1966, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INSTITUTO NACIONAL DE OBRAS SANITARIAS (hereinafter called the Borrower).

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to the Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations):

(a) The second sentence of Section 3.02 of the Loan Regulations shall apply only to withdrawals pursuant to subsection (b) of Section 2.03 of the Loan Agreement.

(b) Section 4.01 of the Loan Regulations is deleted.

(c) Section 9.04 of the Loan Regulations is deleted.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in the Loan Agreement shall have the following meanings:

(a) The term “*Reglamento*” means the *reglamento* of the Borrower as published in the *Gaceta Oficial* of the Guarantor No. 26921 dated August 10, 1962.

(b) The term “*Caracas*” means the Municipal Council of the Federal District of the Guarantor, or any successor thereto.

(c) The term “*Sucre*” means the Municipal Council of the District of Sucre, State of Miranda, of the Guarantor, or any successor thereto.

(d) The term “*Metropolitan Zone*” means the areas of Caracas and Sucre and their suburbs served or to be served by the Metropolitan Zone System of the Borrower.

¹ See above.

(e) The term "Metropolitan Zone System" means the water supply and sewerage facilities in the areas defined in paragraph (d) above.

(f) The term "Outlying Systems" means all water supply and sewerage systems of the Borrower or administered by it other than the Metropolitan Zone System.

(g) The term "Subsidiary Agreements" means the agreements entered into by the Borrower with Caracas and Sucre referred to in Section 5.02 of this Agreement and bearing registration dates of March 21, 1966 and March 16, 1966, respectively.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty-one million three hundred thousand dollars (\$21,300,000).

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 Agreement.

Section 2.03. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Loan Agreement, to withdraw from the Loan Account :

- (a) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Bank of such amounts as shall have been paid for the reasonable cost of goods required for carrying out the civil works included in the Project, such percentage to represent the estimated foreign exchange component of such cost;
- (b) such amounts as shall have been expended for the reasonable foreign exchange cost of goods to be financed under the Loan Agreement and not included in the foregoing, and, if the Bank shall so agree, such amounts as shall be required by the Borrower to meet payments for such goods;

provided, however, that no withdrawals shall be made on account of : (i) expenditures prior to March 1, 1965; or (ii) expenditures made in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account in respect of expenditures pursuant to Section 2.03 (a) of this Agreement or in respect of goods produced in (including services supplied from) the territories of the Borrower shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time from the Loan Account.

Section 2.06. The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.07. 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 2.08. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Section 2.10. Notwithstanding the provisions of Sections 3.03 and 3.04 of the Loan Regulations the Bank and the Borrower may from time to time agree that any portion of the Loan payable in one currency may be made payable in one or more other currencies and from the date specified in such agreement such portion of the Loan and the principal of any Bond representing such portion of the Loan and any premiums and interest payable on or with respect thereto shall be payable in such other currency or currencies.

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 2 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 used in the territories of the Guarantor 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. The Borrower shall carry out and operate the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

Section 5.02. (a) The Borrower shall not modify, terminate, or fail to enforce the Subsidiary Agreements or give any waiver of any material provision thereof without the prior consent of the Bank.

(b) The Borrower shall promptly, effectively and in such manner as to protect the interests of the Bank and the Borrower exercise every power, right and recourse available to it to cause Caracas and Sucre to perform all their obligations under the Subsidiary Agreements.

Section 5.03. (a) The Borrower shall at all times maintain its corporate existence and right to carry on its operations and shall take all steps necessary to acquire, maintain and renew all rights, powers, privileges, concessions and franchises which are necessary or useful in the conduct of the Borrower's business in respect of the Metropolitan Zone System.

(b) The Borrower shall operate and maintain the plants, equipment and property of the Metropolitan Zone System, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering and public utility practices.

(c) The Borrower shall at all times carry on its operations (including the operations of the Metropolitan Zone System), manage its affairs and maintain its financial position, and plan the future expansion of the Metropolitan Zone System, all in accordance with sound business, financial and public utility practices and under the supervision of experienced and competent management entrusted with such executive functions and duties as are established in the *Reglamento*.

(d) The Borrower covenants that the Metropolitan Zone System will function under such rules and regulations satisfactory to the Bank and have such powers, functions, accounting system, and competent and experienced management and staff, as shall be necessary for the carrying out of the Project and the operation, maintenance and expansion of the Metropolitan Zone System in conformity with sound engineering, financial and public utility practices.

Section 5.04. (a) In order to assist it in carrying out the Project, the Borrower shall employ qualified and experienced consultants acceptable to, and upon terms and conditions satisfactory to, the Bank.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all works included in the Project to be constructed by contractors acceptable to the Bank and the Borrower.

Section 5.05. Upon request from time to time by the Bank, the Borrower shall promptly furnish or cause to be furnished to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

Section 5.06. Except as the Bank shall otherwise agree, the Borrower shall have the financial statements of the Borrower in respect of the Metropolitan Zone System (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the Borrower's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 5.07. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either the Bank or the Borrower, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement or of Caracas and Sucre under the Subsidiary Agreements, the administration and financial condition of the Borrower, the operations of the Borrower in respect of the Metropolitan Zone System and other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods financed out of such proceeds, the Project, the administration and financial condition of the Borrower, and its operations in respect of the Metropolitan Zone System.

(c) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement or of Caracas and Sucre under the Subsidiary Agreements.

(d) The Borrower shall: (i) maintain or cause to be maintained 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 in respect of the Metropolitan Zone System; and (ii) shall enable the Bank's representatives to inspect the Project, the goods, all other plants, sites, works, properties and equipment of the Metropolitan Zone System and any relevant records and documents.

Section 5.08. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or assets administered by it 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 the date on which it is originally incurred.

Section 5.09. (a) The Borrower shall insure or cause to be insured with good and reputable insurers all goods financed with the proceeds of the Loan. Such insurance shall cover such marine, transit and other risks incident to purchase and importation of the goods into the territories of the Guarantor and delivery thereof to the site of the Project, and shall be for such amounts, as shall be consistent with sound commercial practices. Except as the Bank shall otherwise agree, any indemnity under such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in a freely convertible currency.

(b) In addition, the Borrower shall, except as the Bank shall otherwise agree, take out and maintain, with good and reputable insurers, insurance covering the Metropolitan Zone System against such risks and in such amounts as shall be consistent with sound public utility and business practices.

Section 5.10. Subject to the exemptions conferred by the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement,¹ the Borrower shall pay or cause to be paid all taxes, 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 the Loan 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 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 5.11. Subject to the exemptions conferred by the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement, the Borrower shall pay or cause to be paid all taxes, 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 the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.12. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall set and maintain rates or cause rates to be set and maintained for its services in respect of the Metropolitan Zone System at such levels as shall be necessary to provide such System with revenues sufficient to cover: (a) operating expenses, including taxes, if any, interest payments on borrowings, and adequate maintenance of its plant and depreciation of its fixed assets reasonably valued; (b) amortization of long-term debt to the extent not covered by depreciation; (c) expenditures for normal year-to-year extensions of such System; and (d) a reasonable portion of future major expansions thereof.

Section 5.13. (a) Except as the Bank shall otherwise agree, the Borrower shall not: (i) during the period of construction of the Project, incur any debt other than debt, on terms and conditions satisfactory to the Bank, incurred for the purposes of financing the Project; and (ii) thereafter incur any debt for the purposes of the Metropolitan Zone

¹ See p. 258 of this volume.

System unless the net revenues of such System for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever is the greater, shall be not less than 1.5 times the maximum debt service requirement for any succeeding fiscal year on all debt of such System, including the debt to be incurred.

For the purposes of this subsection (a) :

1. The term "debt" shall mean all debt maturing by its terms more than one year after the date on which it is originally incurred;
2. Debt shall be deemed to be incurred on the date of execution and delivery of a loan contract or agreement providing therefor;
3. The term "net revenues" shall mean gross revenues collected from all sources, adjusted to take account of the rates in effect in the Metropolitan Zone System at the time of the incurrence of debt even though they were not in effect during the fiscal year or twelve-month period to which such revenues relate, less all operating and administrative expenses, including provision for taxes, if any, but before provision covering depreciation, and interest and other charges on debt;
4. 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
5. Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

(b) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any debt for the purposes of any of the Outlying Systems, unless provision satisfactory to the Bank is made in the contract or agreement providing for such debt whereby repayment of such debt and payment of interest and other charges thereon shall be made only out of properties, revenues or assets other than the properties, revenues or assets of the Metropolitan Zone System.

Section 5.14. The Borrower covenants that the financial and technical operations of the Metropolitan Zone System will be carried on independently from those of the Outlying Systems so as to achieve complete separation of the assets and liabilities, revenues and expenses of the Metropolitan Zone System from those of the Outlying Systems, including such safeguards against the intermingling of the assets and liabilities, revenues and expenses of the Metropolitan Zone System with those of the Outlying Systems as shall, *inter alia*, enable the Borrower to comply with Sections 5.13 and 5.15 of this Agreement.

Section 5.15. (a) The Borrower shall make adequate provision, satisfactory to the Bank, for preventing diversion of the moneys and other resources of the Metropolitan Zone System to the Outlying Systems.

(b) The Borrower shall make or cause to be made adequate provision, satisfactory to the Bank, for preventing the properties, revenues or assets of the Metropolitan Zone System from being used to satisfy any claim against the Borrower not related to the Metropolitan Zone System.

Section 5.16. The Borrower shall make provision satisfactory to the Bank with respect to the recovery by it of its outstanding contributions to and investments in the Metropolitan Zone System.

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 or Section 6.02 of this Agreement 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 the Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. The following are specified as additional events for the purposes of Section 5.02 of the Loan Regulations, namely :

(a) A substantial amendment of the *Reglamento* which adversely affects the Borrower's powers, duties, functions and responsibilities shall have been made.

(b) Caracas or Sucre shall have refused or shall have failed within a reasonable period to take such action as shall be necessary on the part of either of them to enable the Borrower to comply with the Borrower's obligations under the Loan Agreement.

(c) The Guarantor shall, without the agreement of the Bank, have modified or terminated or failed to enforce Clause Eight of the Exchange Agreement between the Guarantor and the Central Bank of Venezuela as published in the *Gaceta Oficial* of the Guarantor No. 892 of January 18, 1964.

Article VII

EFFECTIVE DATE; TERMINATION

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

(a) The Subsidiary Agreements, in terms satisfactory to the Bank, have become effective.

(b) All necessary acts (including municipal ordinances), consents and approvals to be performed or given by Caracas and Sucre or otherwise in order to authorize the carrying out of the Project, with all necessary powers and rights in connection therewith as re-

quired for compliance with the Borrower's obligations under the Loan Agreement have been performed or given to the satisfaction of the Bank.

Section 7.02. The following are specified as additional matters, to be included in the opinion or opinions to be furnished to the Bank :

(a) that the Subsidiary Agreements are valid and are binding on the Borrower, and on Caracas and Sucre, and have become effective; and

(b) that all necessary acts (including municipal ordinances), consents and approvals of Caracas and Sucre or otherwise to be performed or given in order to authorize the carrying out of the Project with all powers and rights in connection therewith as required for compliance with the Borrower's obligations under the Loan Agreement have been duly and validly performed or given.

Section 7.03. If the Loan Agreement and the Guarantee Agreement shall not have come into force and effect by July 1, 1966, the Loan Agreement and the Guarantee Agreement and all obligations of the parties under such Agreements shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be March 31, 1969, or such other date or dates as shall be agreed by the Bank and the Borrower as the Closing Date.

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

For the Borrower :

Instituto Nacional de Obras Sanitarias
Caracas, Venezuela

Alternative address for cablegrams and radiograms :
Sanitobras
Caracas, Venezuela

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
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 J. Burke KNAPP
Vice President

Instituto Nacional de Obras Sanitarias :

By Julio URBINA
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>
April 15, 1969	\$450,000	October 15, 1976	\$700,000
October 15, 1969	460,000	April 15, 1977	720,000
April 15, 1970	475,000	October 15, 1977	740,000
October 15, 1970	490,000	April 15, 1978	760,000
April 15, 1971	505,000	October 15, 1978	785,000
October 15, 1971	520,000	April 15, 1979	810,000
April 15, 1972	535,000	October 15, 1979	835,000
October 15, 1972	550,000	April 15, 1980	860,000
April 15, 1973	565,000	October 15, 1980	885,000
October 15, 1973	585,000	April 15, 1981	910,000
April 15, 1974	600,000	October 15, 1981	935,000
October 15, 1974	620,000	April 15, 1982	965,000
April 15, 1975	640,000	October 15, 1982	995,000
October 15, 1975	655,000	April 15, 1983	1,025,000
April 15, 1976	675,000	October 15, 1983	1,050,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 three years before maturity	½ of 1%
More than three years but not more than six years before maturity	1 ½%
More than six years but not more than eleven years before maturity	2 ½%
More than eleven years but not more than fourteen years before maturity	3 ½%
More than fourteen years but not more than sixteen years before maturity	5%
More than sixteen years before maturity	6%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

1. The Project consists of the construction and operation of improved and expanded facilities for the Metropolitan Zone System with the purpose of increasing and improving the supply of water to the Metropolitan Zone.

2. The Project includes additional intake and pre-treatment works on the Tuy River, transmission-main facilities consisting of a pipeline about 34 kilometers long, pumping stations and tunnels, the La Pereza storage reservoir, a water treatment plant and electricity transmission line, and additional main supply lines and secondary distribution mains.

3. The Project also includes the study, selection and development of an additional source of water for the Metropolitan Zone System.

4. The Project also includes services for the purpose of improving the Borrower's operations in respect of the Metropolitan Zone System.

* * *

The works referred to in paragraph 2 above are expected to be completed by August 1967 except for the supply lines and distribution mains which are expected to be completed by December 1968. The works referred to in paragraph 3 above will not be financed out of the proceeds of the Loan.