

No. 8894

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

Guarantee Agreement—*Power Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Instituto Nacional de Electrificación). Signed at Washington, on 10 March 1967

Official text: English.

Registered by the International Bank for Reconstruction and Development on 2 January 1968.

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

Contrat de garantie — *Projet relatif à l'énergie électrique* (avec, en annexes, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et l'Instituto Nacional de Electrificación). Signé à Washington, le 10 mars 1967

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 2 janvier 1968.

No. 8894. GUARANTEE AGREEMENT¹ (*POWER PROJECT*)
BETWEEN THE REPUBLIC OF GUATEMALA AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT. SIGNED AT WASHINGTON, ON
10 MARCH 1967

AGREEMENT, dated March 10, 1967, between the REPUBLIC OF GUATEMALA (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 the Instituto Nacional de Electrificación (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 fifteen million dollars (\$15,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,³ subject, however, to the modification 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.

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

¹ Came into force on 14 November 1967, upon notification by the Bank to the Government of Guatemala.

² See p. 148 of this volume.

³ See p. 146 of this volume.

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, promptly to make arrangements, satisfactory to the Bank, to provide the Borrower or cause the Borrower to be provided with such funds as and when 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; and (ii) 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 de Guatemala.

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, and free from all restrictions, 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 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 or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The Guarantor covenants that it shall take all action necessary to enable the Borrower's power rates to be set and maintained at such levels as may be required to provide the Borrower with revenues at least sufficient, after covering all its operating and administrative expenses (including taxes, if any, and adequate provision for maintenance and depreciation) on its operations, to produce a reasonable return on the Borrower's average net fixed assets in operation.

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 y Credito Publico* 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 :

Ministerio de Hacienda y Credito Publico
Palacio Nacional
Guatemala City
Guatemala

Alternative address for cablegrams and radiograms :

Minhacienda
Guatemala

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.

Section 5.02. The *Ministro de Hacienda y Credito Publico* 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 Guatemala :

By A. FUENTES MOHR
Authorized Representative

International Bank for Reconstruction and Development :

By George D. WOODS
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
(POWER PROJECT)

AGREEMENT, dated March 10, 1967, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INSTITUTO NACIONAL DE ELECTRIFICACIÓN (hereinafter called the Borrower), an autonomous public entity established by the Decree No. 1287, dated May 27, 1959, of the Congress of the Republic of Guatemala.

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), namely, by the deletion of Section 9.04 and the substitution therefor of the following new Section :

“SECTION 9.04. *Termination of Guarantee Agreement Upon Termination of Loan Agreement.* If, in accordance with the provisions thereof, the Loan Agreement shall be terminated for failure to become effective, the Guarantee Agreement and all obligations of the parties thereunder shall also terminate. The Bank shall promptly give notice of such termination to the Guarantor.”

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

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

Section 2.03. 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.

Section 2.04. 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 2.05. 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

¹ See p. 146 of this volume.

pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

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

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Section 2.08. For the purposes of facilitating the sale of portions of the Loan or Bonds, it is agreed that in connection with any such sale, notwithstanding the provisions of Sections 3.03 and 3.04 of the Loan Regulations, the Bank and the Borrower, with the consent of the Guarantor, may from time to time agree that any portion of the Loan repayable in one currency may be made repayable in one or more other currencies and from the date specified in such agreement such portion of the Loan shall be repayable 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. 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 President of the Consejo Directivo 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) The Borrower shall employ competent and experienced consultants and contractors acceptable to, and to an extent and upon terms and conditions satisfactory to, the Bank and the Borrower.

Section 5.02. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications and the construction and installation schedules for the Project, and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(b) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower.

(c) The Borrower shall enable the Bank's representatives to inspect the Project, the goods, and all other plants, works, properties and equipment of the Borrower, and to examine any relevant records and documents.

(d) The Borrower 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 administration, operations and financial condition of the Borrower.

(e) The Borrower shall have its financial statements (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 5.03. (a) The Bank and the Borrower shall co-operate 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, and the performance by the Borrower of its obligations under this Loan Agreement. 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 this Loan Agreement.

Section 5.04. The Borrower shall at all times conduct its business and operations and maintain its financial position in accordance with sound business, financial and public utility practices under the supervision of qualified and experienced management.

Section 5.05. (a) 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 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; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date in which it is originally incurred.

(b) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not sell, lease, transfer or otherwise dispose of any of its property or assets which shall be required for the efficient operation of its business and undertaking, including the Project.

Section 5.06. Subject to such exemptions as shall be conferred by the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement or otherwise, 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 its territories 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 5.07. The Borrower shall remit to the Bank, at the Bank's request, funds sufficient for the Bank to pay 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 and registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. (a) The Borrower shall take out and maintain with responsible insurers or make other provision satisfactory to the Bank for insurance against such risks and in such amount as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure or cause to be insured the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.09. 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, except as the Bank shall otherwise agree, take all steps which may be necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful for the construction and operation of the Project and the conduct of its business.

Section 5.10. The Borrower shall take from time to time all such action as shall be necessary or advisable to cause its rates for the sale of power to be set and maintained at such levels as may be required to provide revenues from its operations at least sufficient, after covering all operating and administrative expenses of the Borrower (including taxes, if any, and adequate provision for maintenance and depreciation) on its operations, to produce a reasonable return on the Borrower's average net fixed assets in operation.

Section 5.11. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any debt after December 31, 1971 unless its net revenues 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 not be less than 1.4 times the maximum debt service requirements on all debt (including the debt to be incurred) in any succeeding fiscal year. For the purposes of this Section :

- (a) the term " debt " shall mean all debt other than debt incurred in the ordinary course of business maturing by its terms on demand or less than one year from the date on which it is originally incurred;
- (b) debt shall be deemed to be incurred on the date of execution and delivery of a contract, agreement or other instrument providing for such debt or, in the case of a guarantee, on the date of the contract providing for such guarantee;
- (c) the term " net revenues " shall mean gross revenues from all sources adjusted to take account of tariffs in effect at the time of incurrence of debt even though they were not in effect during the fiscal year or twelve-month period to which such revenues relate, less operating and administrative expenses and 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 payments, if any), interest and other charges on debt; and
- (e) whenever it shall be necessary to value in the currency of the Guarantor debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by the Borrower, at the time such valuation is made, for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

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 or in paragraph (a) or paragraph (c) of Section 6.02 of this Agreement shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all

the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. Pursuant to paragraph (j) of Section 5.02 of the Loan Regulations, the following are specified as additional events for the purposes of said Section :

- (a) a default shall have occurred in the payment of principal or service charges or any other payment required under any credit agreement between the International Development Association and the Borrower or between the Guarantor and said Association.
- (b) Failure by the Borrower or the Guarantor to fulfill an obligation to make payment of principal or interest or any other payment required under the Loan Agreement, the Guarantee Agreement or the Bonds, or under any other loan agreement between the Bank and the Borrower or under any loan or guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any development credit agreement between the International Development Association and the Borrower or between the Guarantor and said Association even though such payment has been made by other persons.
- (c) Any provision of (i) the Decree No. 1287 dated May 27, 1959 which established the Borrower or (ii) the agreements for the sale of power between the Borrower and distributing companies which have been furnished to the Bank, shall have been amended, suspended, assigned or abrogated so as to affect adversely the operations or financial condition of the Borrower or the performance by the Borrower of its obligations under the Loan Agreement.

Article VII

EFFECTIVE DATE; TERMINATION

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

- (a) the Borrower shall have satisfied the Bank that the Borrower has acquired or will be able to acquire all land, interests in land, properties and all such rights, privileges and franchises as shall be necessary for the diligent carrying out of the Project and for its operation; and
- (b) the Borrower shall have certified in writing to the Bank that, as of a date to be agreed between the Bank and the Borrower, there has been no material adverse change in its condition since the date of this Agreement.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Borrower has full power and authority to construct and operate the Project and that all corporate and governmental acts, consents and approvals necessary therefor have been duly and validly performed or given.

Section 7.03. If this Loan Agreement shall not have come into force and effect by September 10, 1967 this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1971, or such other date as shall be agreed between the Bank and the Borrower.

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

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.

For the Borrower :

Instituto Nacional de Electrificación
Guatemala City
Guatemala

Alternative address for cablegrams and radiograms :

Inde
Guatemala

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 George D. WOODS
President

Instituto Nacional de Electrificación :

By M. GIRACCA P.
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> |
|-----------------------------|---|-----------------------------|---|
| July 1, 1971 | \$175,000 | July 1, 1982 | 335,000 |
| January 1, 1972 | 180,000 | January 1, 1983 | 345,000 |
| July 1, 1972 | 185,000 | July 1, 1983 | 355,000 |
| January 1, 1973 | 190,000 | January 1, 1984 | 365,000 |
| July 1, 1973 | 195,000 | July 1, 1984 | 380,000 |
| January 1, 1974 | 205,000 | January 1, 1985 | 390,000 |
| July 1, 1974 | 210,000 | July 1, 1985 | 400,000 |
| January 1, 1975 | 215,000 | January 1, 1986 | 415,000 |
| July 1, 1975 | 220,000 | July 1, 1986 | 425,000 |
| January 1, 1976 | 230,000 | January 1, 1987 | 440,000 |
| July 1, 1976 | 235,000 | July 1, 1987 | 450,000 |
| January 1, 1977 | 245,000 | January 1, 1988 | 465,000 |
| July 1, 1977 | 250,000 | July 1, 1988 | 480,000 |
| January 1, 1978 | 260,000 | January 1, 1989 | 495,000 |
| July 1, 1978 | 265,000 | July 1, 1989 | 510,000 |
| January 1, 1979 | 275,000 | January 1, 1990 | 525,000 |
| July 1, 1979 | 280,000 | July 1, 1990 | 540,000 |
| January 1, 1980 | 290,000 | January 1, 1991 | 555,000 |
| July 1, 1980 | 300,000 | July 1, 1991 | 570,000 |
| January 1, 1981 | 310,000 | January 1, 1992 | 590,000 |
| July 1, 1981 | 315,000 | July 1, 1992 | 615,000 |
| January 1, 1982 | 325,000 | | |

* 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% |
| More than three years but not more than six years before maturity | 1% |
| More than six years but not more than eleven years before maturity | 2% |
| More than eleven years but not more than sixteen years before maturity | 3% |
| More than sixteen years but not more than twenty-one years before maturity | 4% |
| More than twenty-one years but not more than twenty-three years before maturity | 5% |
| More than twenty-three years before maturity | 6% |

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the addition of about 80,000 kw of generating capacity to the system of the Borrower in three separate facilities, associated transmission lines and substations, as well as management and engineering services. The Project includes :

- (a) construction of the Jurun Marinala hydroelectric station of 60,000 kw capacity including all associated civil works and substation equipment;
- (b) construction of a 138 kv transmission line about 50 kilometers in length, from Guacalate-Jurun Marinala to Guatemala City;
- (c) installation of a second gas turbine generator of about 15,000 kw at Escuintla;
- (d) installation of a diesel generating plant of about 5,000 kw capacity at Puerto Matias de Galvez;
- (e) consultants' services for organization and management, and supervision of construction;
- (f) consultants' services in connection with feasibility studies for a proposed thermal plant and Atitlan hydroelectric project.

It is expected that the Project will be completed by the middle of 1970.
