

No. 10514

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

Guarantee Agreement—*Guri Powerhouse Extension Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Loan Agreement between the Bank and the C.V.G. Electrificación del Caroní C.A.). Signed at Washington on 30 June 1969

Authentic text : English.

Registered by the International Bank for Reconstruction and Development on 2 June 1970.

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

Contrat de garantie — *Projet relatif à l'agrandissement de la centrale de Guri* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat d'emprunt entre la Banque et la C.V.G. Electrificación del Caroní C.A.). Signé à Washington le 30 juin 1969

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 2 juin 1970.

GUARANTEE AGREEMENT ¹

AGREEMENT, dated June 30, 1969, 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 C.V.G. Electrificación del Caroní C.A. (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 thirty-one million dollars (\$31,000,000), 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 Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, (said General Conditions Applicable to Loan and Guarantee Agreements being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings as in the General Conditions or in the Loan Agreement set forth.

¹ Came into force on 10 September 1969, upon notification by the Bank to the Government of Venezuela.

² See p. 214 of this volume.

³ See p. 214 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of 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 either by making additional equity investment in the Borrower either directly or through C.V.G., or otherwise.

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 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 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. 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 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. The Guarantor shall, in accordance with its laws, take all such reasonable action (including the provision of adequate funds) as shall be necessary or advisable in order to complete, as soon as possible but not later than June 30, 1971 or such other date as shall be agreed between the Guarantor and the Bank, the conversion from 50-cycle to 60-cycle operation of all electrical facilities and equipment of C. A. La Electricidad de Caracas and of its customers in order to permit the interconnection of the Borrower's power system with the power system of such company.

Section 3.07. The Guarantor shall cause CADAFE to comply with its obligations contained in the electricity Interconnection Contract dated August 23, 1968 between the Borrower and CADAFE and C.A. La Electricidad de Caracas, and promptly to make payments due by CADAFE to the Borrower thereunder.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, 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 8.10 of the General Conditions.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 10.01 of the General Conditions.

For the Guarantor :

Republic of Venezuela
Ministro de Hacienda
Ministerio de Hacienda
Caracas, Venezuela

Alternative address for cables :

Minhacienda
Caracas

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 cables :

Intbafrad
Washington, D.C.

Section 5.02. The Minister of Finance of the Guarantor is designated for the purposes of Section 10.03 of the General Conditions.

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 Carlos PÉREZ DE LA COVA
Authorized Representative

International Bank for Reconstruction and Development :
By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS
[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]

LOAN AGREEMENT

AGREEMENT, dated June 30, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and C.V.G. ELECTRIFICACIÓN DEL CARONÍ C. A. (hereinafter called the Borrower).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,¹ with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements being hereinafter called the General Conditions).

¹ See above.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings :

(a) The term " CVG " means Corporación Venezolana de Guayana, a public *organismo* of the Guarantor created and existing under Decree Number 430 of December 29, 1960, of the Guarantor, and owning and controlling substantially all of the capital stock of the Borrower, or any successor to CVG.

(b) The term " Prior Loan Agreements " means the Loan Agreement (*Guri Hydroelectric Project*) dated September 20, 1963¹ and the Loan Agreement (*Extra-High Voltage Transmission Project*) dated January 26, 1967², both between the Bank and the Borrower, and the term " Prior Projects " means the projects provided for therein.

(c) The term " Prior Guarantee Agreements " means the Guarantee Agreement (*Guri Hydroelectric Project*) dated September 20, 1963¹ and the Guarantee Agreement (*Extra-High Voltage Transmission Project*), dated January 26, 1967², both between the Guarantor and the Bank.

(d) The term " Borrower " means C. V. G. Electrificación del Caroní C. A., or any successor thereto, and includes any subsidiaries of the Borrower and any companies or businesses owned or effectively controlled by it.

(e) The term " CADAFE " means C.A. de Administración y Fomento Eléctrico, a *sociedad anónima* created and existing under the laws of the Guarantor, or any successor or successors thereto.

(f) The term " *Estatutos* " means the *estatutos* of the Borrower as published in the *Gaceta Municipal* of the Federal District of the Guarantor, dated August 2, 1963, with such amendments as have been made up to the date of this Agreement.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to thirty-one million dollars (\$31,000,000).

Section 2.02. (a) 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.

(b) 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 and in accordance with the Allocation of the Proceeds of the Loan

¹ United Nations, *Treaty Series*, vol. 482, p. 227.

² *Ibid.*, vol. 596, p. 35.

set forth in Schedule 1 to this Agreement, as such Allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Bank and the Borrower.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) in respect of the reasonable cost of goods or services required for the Project to be financed under the Loan Agreement.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}$ %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of the Loan Agreement to expenditures on the Project described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree: (i) the goods and services to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Bank and the Borrower, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank for the purpose of determining compliance with the foregoing.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 4.02. The *Presidente* of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 8.10 of the General Conditions. The *Presidente* of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project described in Schedule 3 to this Agreement with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 5.02. In order to assist it in the carrying out of the Project, the Borrower shall, except as the Bank shall otherwise agree, at all times employ competent and experienced consultants acceptable to, and upon terms and conditions satisfactory to, the Bank.

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 such rights, powers, privileges, franchises and concessions as shall be necessary or useful in the conduct of its business.

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

Section 5.04. (a) The Borrower shall at all times manage its affairs, plan the future expansion of its power system and maintain its financial position, all in accordance with sound business, financial and public utility principles and practices and under the supervision of experienced and competent management entrusted with such executive functions and duties as are established in the *Estatutos*.

(b) 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 5.05. 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. (a) The Bank and the Borrower shall co-operate 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 party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purposes of the Loan.

(b) 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 goods and services financed out of such proceeds, the Project, and the administration, operations and financial condition of the Borrower.

(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.

Section 5.07. The Borrower shall maintain records adequate to identify the goods and services 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; and shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, all other plants, sites, works, properties and equipment of the Borrower and any relevant records and documents.

Section 5.08. 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

¹ See p. 205 of this volume.

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 5.09. 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 5.10. (a) The Borrower shall insure or cause to be insured with good and reputable insurers the goods financed out of 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, except as the Bank shall otherwise agree, the Borrower shall take out and maintain, with good and reputable insurers, insurance against such risks and in such amounts as shall be consistent with sound public utility and business practices.

Section 5.11. Except as the Bank shall otherwise agree, the Borrower shall not : *(a)* during the period of construction of the Project, undertake, or permit to be undertaken on its behalf, any major expansion project (other than the Prior Projects and the Project) or make any major addition to its plants and other property; or *(b)* thereafter install in its Guri plant any power generating units other than those provided for in the Project unless such installation shall become necessary or advisable in the light of power sales forecasts acceptable to the Bank.

Section 5.12. Except as the Bank shall otherwise agree : *(a)* the Borrower shall obtain title to all goods financed out of the proceeds of the Loan free and clear of all encumbrances; and *(b)* the Borrower shall not, without the consent of the Bank, sell or otherwise dispose of any of its property or assets which shall be required for the efficient carrying on of its business and undertaking, including the Project, unless the Borrower shall first pay or redeem, or make adequate provision satisfactory to the Bank for payment or redemption of, all of the Loan and the Bonds which shall then be outstanding and unpaid.

Section 5.13. Except as the Bank shall otherwise agree, the Borrower shall not, during the years 1969 to 1975, both inclusive, declare or pay any dividend or make any other distribution on any of the shares of capital stock of the Borrower from time to time outstanding other than a dividend payable in such shares.

Section 5.14. (a) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall set and maintain its rates for the sale of electricity at such levels as may be necessary to provide in the year 1975 and thereafter, revenues sufficient to : (i) cover all operating expenses of the Borrower, including adequate maintenance and taxes, if any, and straight-line depreciation (ii) meet amortization payments on debt to the extent not covered by depreciation ; and (iii) produce a rate of return of not less than 8 % return on its total net fixed assets in operation. In computing such rate of return, all of the Borrower's operating expenses, including adequate maintenance, straight-line depreciation and taxes shall be deducted from the Borrower's total revenues and the resulting net income shall be related to the realistic value of the mean of the Borrower's total net fixed assets in operation at the beginning and at the closing of the Borrower's financial year in respect of which such computation is being made.

(b) The Borrower shall, during the period of construction of the Project and until the rate of return provided for in paragraph (a) of this Section is achieved, set and maintain its rates for the sale of electricity at such levels as may be necessary, over the period, to finance not less than 30 % of all capital investment of the Borrower from cash generated internally. "Cash generated internally" shall be calculated by deducting from the Borrower's revenues from all sources all of its operating expenses, including adequate maintenance and taxes, if any, and payments of amortization of and interest and other charges on all long-term debt, but without deduction for depreciation, or, during the period of construction of the Project, for interest and other charges on the Loan.

(c) The Borrower shall, before the beginning of each financial year of the Borrower, review its rates for the sale of electricity, with the assistance of consultants when necessary, in order to determine if the rates then in effect will be likely to be adequate, during the financial year in question, to provide such revenues as are required for compliance by the Borrower with the provisions of paragraphs (a) and (b) of this Section.

Section 5.15. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.16. (a) Except as the Bank shall otherwise agree, the Borrower shall not : (i) during the period of construction of the Project incur any debt; and

(ii) thereafter incur any debt 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 be not less than 1.4 times the maximum debt service requirement for any succeeding fiscal year on all debt, including the debt to be incurred.

(b) Except as the Bank shall otherwise agree, the Borrower shall not : (i) incur any debt on its own behalf or on behalf of any other entity for purposes of frequency unification ; (ii) permit any agency or *organismo* of the Guarantor or any other entity to incur debt or any other obligation on the Borrower's behalf or for the purposes of the Borrower's electricity generating, transmission or distribution operations ; or (iii) consent to the contribution of funds by CVG or the Guarantor to the Borrower's capital (other than debt which would meet the requirements of subsection (a) of this Section) unless such funds are made available to the Borrower on terms and conditions whereby such funds shall constitute, legally and financially, a free and unconditional equity investment in the capital of the Borrower.

For the purposes of this Section :

1. The term " debt " shall mean all debt except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after it is incurred ;

2. Debt shall be deemed to be incurred on the date of execution and delivery of the contract or loan agreement providing for such debt ;

3. The term " net revenues " shall mean gross revenues from all sources, adjusted to take account of electricity rates in effect 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, 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.

Section 5.17. Except as the Bank shall otherwise agree, the Borrower shall not directly or indirectly acquire the ownership or effective control of any company or business, unless such acquisition is made in accordance with a financing plan satisfactory to the Bank.

Article VI

REMEDIES OF THE BANK; MODIFICATIONS OF PRIOR LOAN AGREEMENTS

Section 6.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth or if any event specified in 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, the principal of the Loan and of all the Bonds then outstanding, together with the interest and other charges thereon, shall become due and payable immediately upon declaration notified by the Bank to the Borrower during the continuance of such event, as provided in Section 7.01 of the General Conditions, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (a) A substantial amendment of the *Estatutos* shall have been made without the agreement of the Bank;
- (b) A breach of Article 20 of the *Estatutos* shall have been committed;
- (c) Funds hereafter made available by CVG or the Guarantor to the Borrower's capital (other than debt which would meet the requirements of subsection (a) of Section 5.16 of this Agreement) shall, except as the Bank shall otherwise agree, have been made available on terms and conditions whereby such funds shall not constitute, legally and financially, free and unconditional equity investments in the capital of the Borrower;
- (d) The Guarantor shall, without the agreement of the Bank, have modified or terminated or failed to enforce Clause Eighth of the Exchange Agreement between the Guarantor and the Central Bank of Venezuela as published in the *Official Gazette* of the Guarantor No. 892 of January 18, 1964; and
- (e) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under any of the Prior Loan Agreements, any of the Prior Guarantee Agreements, or the bonds provided for therein.

Section 6.03. For the purposes of the Prior Loan Agreements, paragraphs (c) of Section 5.02 of Loan Regulations No. 4¹ of the Bank applicable thereto are hereby amended to read as follows :

“ (c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement, or the Bonds, or under the loan agreement dated June 30, 1969, between the Bank and the Borrower, the guarantee agreement of even date therewith between the Guarantor and the Bank or the bonds therein provided for. ”;

¹ United Nations, *Treaty Series*, vol. 400, p. 212.

and the term " Loan Regulations " as used for the purposes of the Prior Loan Agreements shall mean the Loan Regulations No. 4 of the Bank applicable thereto, as modified in the Prior Loan Agreements and as further amended hereby.

Section 6.04. Sections 5.14 of the Prior Loan Agreements shall be amended to read as in Section 5.14 of this Agreement provided.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be May 31, 1974, or such later date as may be agreed by the Bank.

Section 7.02. The date of October 1, 1969 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

For the Borrower :

C.V.G. Electrificación del Caroní C.A.
Ave. La Estancia No. 10
Ciudad Comercial Tamanaco
Caracas, Venezuela

Cable address :

Elcaroni
Caracas

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

C.V.G. Electrificación del Caroní C.A. :

By Rafael Alfonso RAVARD
Authorized Representative

SCHEDULE 1

ALLOCATION OF PROCEEDS OF THE LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
1. Civil engineering works, including penstock, gates, and erection of unit 4 and embedded parts of units 5-10	\$15,800,000
2. Unit 4 turbine/generator, and embedded parts for units 5-10.	8,300,000
3. Unit 4 transformer and switchgear	1,000,000
4. Engineering services.	2,200,000
5. Unallocated	3,700,000
TOTAL	\$31,000,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of goods and services included in Categories 1, 2, 3 or 4 shall decrease, the amount of the Loan then allocated to, and no longer required for, such goods and services will be reallocated by the Bank to Category 5 (Unallocated).

2. If the estimate of the cost of goods and services included in Categories 1, 2, 3 or 4 shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan will be allocated by the Bank, at the request of the Borrower, to any such Category from Category 5, (Unallocated), subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the goods and services in the other Categories.

SCHEDULE 2

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>
June 15, 1974.	595,000	June 15, 1976.	675,000
December 15, 1974.	615,000	December 15, 1976.	695,000
June 15, 1975.	635,000	June 15, 1977.	720,000
December 15, 1975.	655,000	December 15, 1977.	745,000

<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>
June 15, 1978.	770,000	June 15, 1984.	1,125,000
December 15, 1978.	795,000	December 15, 1984.	1,165,000
June 15, 1979.	820,000	June 15, 1985.	1,200,000
December 15, 1979.	845,000	December 15, 1985.	1,240,000
June 15, 1980.	870,000	June 15, 1986.	1,280,000
December 15, 1980.	900,000	December 15, 1986.	1,320,000
June 15, 1981.	930,000	June 15, 1987.	1,365,000
December 15, 1981.	960,000	December 15, 1987.	1,410,000
June 15, 1982.	990,000	June 15, 1988.	1,455,000
December 15, 1982.	1,025,000	December 15, 1988.	1,505,000
June 15, 1983.	1,055,000	June 15, 1989.	1,550,000
December 15, 1983.	1,090,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	$\frac{3}{4}$ of 1 %
More than three years but not more than six years before maturity	1 $\frac{3}{4}$ %
More than six years but not more than eleven years before maturity.	2 $\frac{3}{4}$ %
More than eleven years but not more than sixteen years before maturity.	4 $\frac{1}{2}$ %
More than sixteen years but not more than eighteen years before maturity.	5 $\frac{1}{2}$ %
More than eighteen years before maturity	6 $\frac{1}{2}$ %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of : (a) extension of the existing Guri powerhouse to its full 10-unit capacity; (b) installation of the fourth power generating unit; and (c) installation of embedded parts for units 5 through 10, inclusive.

The principal works involved are :

- I. Extension of the powerhouse structure from its existing 3-unit size to its final 10-unit size, complete to receive the power generating units as required.

- II. Installation of the complete fourth power generating unit, including turbine, governor, valves; generator; transformer; electrical, mechanical, and hydraulic auxiliaries.

- III. Installation of turbine scroll cases and draft tubes, and generator stator frames for units 5 through 10, inclusive.

The Project is expected to be completed by mid-1973.

SCHEDULE 4

SUPPLEMENTARY PROCEDURES FOR PROCUREMENT

I. With respect to any contract involving an amount of \$100,000 equivalent or more, the following procedures shall apply :

- (a) Before bids are invited, the Borrower shall submit to the Bank for approval the invitations to bid, specifications and all other tender documents, together with a description of advertising procedures. If prequalification is to be used, before the qualification information is invited, the Borrower shall submit to the Bank for approval the procedures for such prequalification.

- (b) After bids have been received and analyzed, the bid analysis and recommendation for contract award, together with the reasons for such recommendation, will be submitted by the Borrower to the Bank for approval prior to the contract award or the issuance of a letter of intent.

- (c) If the proposed final contract differs substantially from the terms and conditions contained in the documents previously approved by the Bank, the text of the proposed changes will be submitted to the Bank for its review and approval.

- (d) As soon as a contract is signed, the Borrower shall furnish to the Bank a certified copy of such contract.

II. With respect to any contract involving an amount below \$100,000 equivalent, the Borrower shall furnish to the Bank the documents referred to in Paragraph I above as soon as such contract is signed and prior to submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof.