

No. 10675

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

**Guarantee Agreement—*Third Buenos Aires Power Project*
(with annexed General Conditions Applicable to Loan
and Guarantee Agreements and Loan Agreement be-
tween the Bank and Servicios Eléctricos del Gran
Buenos Aires, S.A.). Signed at Washington on
14 November 1969**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development
on 18 August 1970.*

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

**Contrat de garantie — *Troisième projet relatif à l'énergie
électrique à Buenos Aires* (avec, en annexe, les Condi-
tions générales applicables aux contrats d'emprunt et
de garantie et le Contrat d'emprunt entre la Banque et
les Servicios Eléctricos del Gran Buenos Aires, S.A.).
Signé à Washington le 14 novembre 1969**

Texte authentique : anglais.

*Enregistré par la Banque internationale pour la reconstruction et le
développement le 18 août 1970.*

GUARANTEE AGREEMENT¹

AGREEMENT, dated November 14, 1969, between THE ARGENTINE REPUBLIC (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 Servicios Eléctricos del Gran Buenos Aires, S. 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 sixty million dollars (\$60,000,000), 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 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 Guarantee 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 therein set forth.

¹ Came into force on 9 February 1970, upon notification by the Bank to the Government of Argentina.

² See p. 268 of this volume.

³ See p. 268 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 and the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity 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, and without prejudice to the obligations of the Borrower under Section 5.12 of the Loan Agreement, the Guarantor, by reason of its present beneficial ownership of all or substantially all of the shares of the Borrower and in order to assure the successful completion of the Project, 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, either by making additional equity investment in the Borrower or by receiving dividend payments on its shares solely in shares of stock of the Borrower in lieu of cash 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 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 se-

cure 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 agency of the Guarantor, including assets of the Banco Central de la República Argentina or any institution performing the functions of a central bank for the Guarantor.

The Guarantor further undertakes that, within the limits of its constitutional powers, it will make the foregoing undertaking effective with respect to liens on the assets of any of its political subdivisions and their agencies, including local governing authorities.

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 and the protocolization, recordation and registration of the undertaking contained in Section 5.15 (a) of the Loan Agreement 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, protocolization, recordation or registration thereof.

Section 3.05. The Guarantor covenants that it will not take or permit any of its agencies (including the Banco Industrial) 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, and will take or cause to be taken all reasonable governmental action (including action by the Banco Industrial) and all reasonable action as shareholder of the Borrower which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations. The Guarantor further covenants that it will cause its agencies to take all reasonable action in respect of the timely settlement of debt for electricity supplied to such agencies by the Borrower.

The Guarantor undertakes that, within the limits of its constitutional powers, it will make the foregoing covenants effective with respect to its political subdivisions and their agencies, including local governing authorities.

Section 3.06. The Guarantor covenants that it will from time to time grant or cause to be granted to the Borrower, as provided in the Concession, rates for the sale of electricity as may be necessary to provide revenues sufficient to: (a) cover all operating expenses including taxes and adequate maintenance, and provide for straight-line depreciation of assets based on realistic valuations of such assets and on their estimated useful lives but in any case at an average rate of not less than 3%; and (b) provide a reasonable return on the Borrower's net investment.

Section 3.07. The Guarantor covenants that it shall take or cause its agencies to take all action necessary to: (a) coordinate the expansion of generating, transmission and distribution facilities of all electric utility entities operating within the Greater Buenos Aires area in order to prevent waste of energy, duplication of facilities and unnecessary investment; and (b) interconnect all such entities in such a manner as will permit the most economic and efficient operation thereof.

Section 3.08. The Guarantor undertakes that governmental authorizations or permits in respect of the acquisition or importation of goods and services required for the Project and to be acquired in accordance with the procedures set forth in the Guidelines referred to in Section 3.02 of the Loan Agreement and in Schedule 4 thereto will be given or issued promptly as needed for the carrying out of the Project in accordance with the provisions of Section 5.01 of the Loan Agreement.

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 *Ministro de Economía y Trabajo* 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. Sections 3.08 of the Prior Guarantee Agreements shall be amended to read as in Section 3.06 of this Agreement provided.

Article VI

Section 6.01. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Guarantor:

Ministerio de Economía y Trabajo
Buenos Aires, Argentina

Alternative address for cables:

Ministerio Economía
Buenos Aires

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 6.02. The *Ministro de Economía y Trabajo* 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. Agree-

ment to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

The Argentine Republic:

By RAFAEL M. VÁSQUEZ
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 November 14, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and SERVICIOS ELÉCTRICOS DEL GRAN BUENOS AIRES, S.A. (hereinafter called the Borrower).

Article I

GENERAL CONDITIONS; SPECIAL 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 of the Bank being hereinafter called the General Conditions).

¹ See above.

Section 1.02. Wherever used in this Loan 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 "Banco Industrial" means Banco Industrial de la República Argentina, an autonomous banking agency of the Guarantor, organized and existing pursuant to Decree Law No. 13130 of the Guarantor, or any successor thereof.

(b) The term "Estatutos" means the estatutos of the Borrower, approved by Resolution of the Minister of Education and Justice No. 3259 of December 29, 1961 of the Guarantor, as amended up to the date of this Agreement.

(c) The term "Concession" means the concession of February 1, 1962, approved by Decree No. 1247, dated February 8, 1962, regulating the activity of the Borrower.

(d) The terms "First Loan Agreement" and "Second Loan Agreement" mean the loan agreements between the Bank and the Borrower, dated January 19, 1962¹ and January 25, 1968,² respectively, and the term "Prior Loan Agreements" means both such agreements.

(e) The terms "First Guarantee Agreement" and "Second Guarantee Agreement" mean the guarantee agreements between the Guarantor and the Bank, dated January 19, 1962¹ and January 25, 1968,² respectively, and the term "Prior Guarantee Agreements" means both such agreements.

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 sixty million dollars (\$60,000,000).

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 proceeds of the Loan 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. (a) The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services required for the Project and to be financed under the Loan Agreement:

¹ United Nations, *Treaty Series*, vol. 446, p. 305.

² *Ibid.*, vol. 639, p. 187.

- (i) such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods or services included in Categories 1 (b) and 3 of the allocation of proceeds of the Loan referred to in Section 2.02 of this Agreement;
 - (ii) the equivalent of sixty per cent (60%) of such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods or services included in Category 1 (a) of the allocation of proceeds of the Loan referred to in Section 2.02 of this Agreement, excluding, however any such goods or services for the purchase of which contracts have been entered into with Argentine manufacturers in accordance with the provisions of paragraph 7 of Schedule 4 to this Agreement; and
 - (iii) the equivalent of seventeen per cent (17%) of such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods or services included in Category 2 of the allocation of proceeds of the Loan referred to in Section 2.02 of this Agreement;
- provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in Category 2 the Bank may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

(b) The Borrower shall also be entitled to withdraw from the Loan Account such amounts as shall be required to meet payments to be made during construction for interest and other charges on the Loan accrued on or before December 31, 1972 or such other date as shall be agreed between the Bank and the Borrower.

Section 2.04. It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account under Categories 1 (a) and 2 of the allocation of proceeds of the Loan referred to in Section 2.02 of this Agreement may be made on account of payments in the currency of the Guarantor, or for goods produced in, or services supplied from the territories of the Guarantor.

Section 2.05. 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 from the Loan Account.

Section 2.06. The Borrower shall pay interest at the rate of seven per cent (7%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.08. 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, 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 August 1969, 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 Borrower and the Bank.

Section 3.03. 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 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 and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

Section 5.02. The Borrower covenants that, to assist it in the carrying out of such parts of the Project as shall be agreed upon between the Bank and the Borrower, 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 rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall at all times manage its affairs, plan its future investment and maintain its financial position, all in accordance with sound business, financial and public utility principles and practices.

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

(d) The Borrower shall at all times be managed by a qualified, experienced and competent *Comité Ejecutivo* entrusted with such executive functions and duties as are established in the *Estatutos*.

(e) Whenever the Borrower, in accordance with its *Estatutos*, shall propose to appoint or change its *Vice-presidente Ejecutivo* or its *Gerente General*, the Borrower shall, prior to any such appointment or change, notify the Bank of the proposal and give the Bank a reasonable opportunity to exchange views on such proposal.

Section 5.04. The Borrower shall take all possible action to: (a) coordinate the expansion of its generating, transmission and distribution facilities with other electric utility entities operating within the Greater Buenos Aires area in order to prevent waste of energy, duplication of facilities and unnecessary investment; and (b) obtain and at all times enforce such agreements with other electric utility entities interconnected with its system as will permit, by means of central control, the most economic operation of the generating plants supplying the Greater Buenos Aires area.

Section 5.05. (a) 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.

(b) 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.

(c) The Borrower shall enable the Bank's representatives to inspect the Project, the goods, all other plants, works, properties and equipment of the Borrower and 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 services financed out of the proceeds of the Loan, 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 years transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 5.06. (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 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 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 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 this Agreement, the Guarantee Agreement,¹ the Bonds, or the protocolization, recordation and registration of the undertaking contained in Section 5.15 (a) of this Agreement, 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 5.08. 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 this Agreement, the Guarantee Agreement or the Bonds, or the protocolization, recordation and registration of the undertaking contained in Section 5.15 (a) of this Agreement.

Section 5.09. (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 amounts as shall be consistent with sound public utility and business practices.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan

¹ See p. 258 of this volume.

against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of storage or 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 5.10. Whenever the Borrower shall propose, during the period of construction of the Project, to undertake any major expansion project other than the Project or make any major addition to its plants and other property, the Borrower shall, before any action is taken with respect thereto, afford the Bank a reasonable opportunity for exchanging views on such proposal.

For the purposes of this Section, a "major expansion project" or a "major addition to its plants and other property" shall be deemed to be a project or an addition the aggregate estimated cost of either of which shall be in excess of five million dollars equivalent.

Section 5.11. 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 5.12. In pursuance of its corporate purposes, the Borrower shall use its best efforts to borrow from private sources, either within or without the territories of the Guarantor, such amounts as shall be, in accordance with sound financial and public utility practices, sufficient to finance a reasonable part of the expansion of its electricity services.

Section 5.13. The Borrower shall from time to time take all steps which shall be necessary or desirable, as permitted under the Concession, to obtain such adjustments in its rates for the sale of electricity as may be necessary to provide revenues sufficient to: (a) cover all operating expenses including taxes and adequate maintenance, and provide for straight-line depreciation of assets based on realistic valuations of such assets and on their estimated useful lives but in any case at an average rate of not less than 3%; and (b) provide a reasonable return on the Borrower's net investment.

Section 5.14. Except as the Bank shall otherwise agree, the Borrower shall not incur any debt if after the incurrence of any such debt (i) the net assets of the Borrower would be less than one and one-half times the total debt of the Borrower, including the debt proposed to be incurred, and (ii) the net income of the Borrower for the fiscal year next preceding such incurrence or for a later consecutive twelve-month period, whichever is the greater, shall be less than one and three-quarters times the estimated maximum interest payments and other charges for any succeeding fiscal year on all debt, including the debt proposed to be incurred.

For the purposes of this Section:

1. The term "debt" means all debt of the Borrower payable by its terms on demand or maturing by its terms more than one year after the date of its incurrence;
2. Debt shall be deemed to be incurred on the day such debt becomes outstanding and repayable in accordance with the loan contract or agreement providing therefor or in the case of guarantee of debt, on the date of execution and delivery of the contract providing for such guarantee;
3. The term "net assets" means: (i) net assets in operation plus (ii) the cost of construction work in progress determined according to sound accounting practices, the determination and valuation of such net assets in operation to be made as provided in the Concession for the purpose of fixing the rate base (*base tarifaria*) for the Borrower;
4. The term "net income" shall mean gross income from all sources, adjusted to take account of electricity rates in effect at the time of the incurrence of debt even though such rates were not in effect during the fiscal year or twelve-month period to which such income relates, less all operating and administrative expenses, including provision for all taxes other than income taxes and for depreciation of assets but before provision for interest and other charges on debt and income taxes; 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 5.15. (a) Except as the Bank shall otherwise agree: (i) the Borrower shall not voluntarily create or suffer to be created any mortgage, pledge or other right *in rem* on any of its assets in favor of third parties unless the Borrower shall at the same time create, in favor of the Bank, a mortgage, pledge or other right *in rem*, satisfactory to the Bank, which shall have priority and preference to, and shall rank ahead of, the mortgage, pledge or other right *in rem* first above mentioned, and, in the creation of any such mortgage, pledge or right *in rem*, the Borrower shall make express provision for the submission thereof to the priority, preference and prior rank of the Bank's rights; and (ii) if any such mortgage, pledge or other right *in rem* shall be created by operation of law the Borrower shall create in favor of the Bank an equivalent mortgage, pledge or other right *in rem* satisfactory to the Bank which shall secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds; provided, however, that the 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 its date.

(b) As soon as practicable after the date of this Agreement, the Borrower shall: (i) in accordance with the laws of the Guarantor, duly protocolize, record and register, or at the Bank's request take any action required to enable the Bank to protocolize, record and register, the undertaking contained in paragraph (a) of this Section in such manner and places as may be required under the laws of the Guarantor to make such undertaking valid and binding in favor of the Bank and of the holders from time to time of the Loan and the Bonds and enforceable against the Borrower and all third parties in accordance with its terms; and (ii) furnish to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank that such undertaking has been duly protocolized, recorded and registered in such manner and places as may be required under the laws of the Guarantor to make such undertaking valid and binding in favor of the Bank and of the holders from time to time of the Loan and the Bonds and enforceable against the Borrower and all third parties in accordance with its terms.

(c) The Borrower shall pay all reasonable charges, fees and expenses in connection with the foregoing.

Article VI

REMEDIES OF THE BANK; AMENDMENTS OF PRIOR LOAN AGREEMENTS

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, 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 Agreement or in the Bonds to the contrary notwithstanding.

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

- (a) a substantial change in the *Estatutos* or in the Concession shall have been made, and
- (b) a default shall have occurred in the performance of any covenant or agreement on the part of the Borrower or the Guarantor (other than a covenant or agreement to pay monies) under any of the Prior Loan Agreements, any of the Prior Guarantee Agreements, or the bonds provided for therein, and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.

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:

¹ United Nations, *Treaty Series*, vol. 598, p. 270.

- “(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 November 14, 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.”;

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 (a) Section 5.04 (c) of the First Loan Agreement and Section 5.03 (e) of the Second Loan Agreement shall be amended to read as in Section 5.03 (e) of this Agreement provided.

(b) Sections 5.10 and 5.13 of the Prior Loan Agreements shall be amended to read, respectively, as in Sections 5.10 and 5.13 of this Agreement provided.

(c) Section 5.15 of the Second Loan Agreement shall be amended to read as in Section 5.15 of this Agreement provided.

(d) Section 2.03 of the Second Loan Agreement shall be amended by the addition of the following sentence at the end thereof:

“Notwithstanding any other provision of the Loan Agreement, the Borrower shall not be entitled to make any withdrawals in respect of civil works and erection of equipment (Category A of the Allocation of Proceeds) after the effective date of the Loan Agreement dated November 14, 1969.”

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions:

The *Tribunal de Cuentas* of the Guarantor has examined the Guarantee Agreement in accordance with the laws of the Guarantor and has issued its opinion thereon without formulating any objection thereto.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

That all governmental action necessary has been duly and validly taken which shall be necessary to enable the Borrower to carry out the Project in accordance with the provisions of this Agreement and to procure the goods and services required for the Project in accordance with the procedures for procure-

ment of goods and services provided for in the Guidelines referred to in Section 3.02 of this Agreement and in Schedule 4 supplementary thereto.

Section 7.03. The date of January 9, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be September 30, 1973 or such other date as may be agreed between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

Servicios Eléctricos del Gran Buenos Aires, S.A.
Balcarce 184
Buenos Aires, Argentina
Cable address:
Selbasa
Buenos Aires

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.

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 to be 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

Servicios Eléctricos del Gran Buenos Aires, S.A.:

By G. MEOLI
B. BRONSTEIN
Authorized Representatives

SCHEDULE 1

ALLOCATION OF PROCEEDS OF THE LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
1. (a) Equipment and materials produced in Argentina	}
(b) Equipment and materials produced outside Argentina	
2. Civil works and erection of equipment	16,400,000
3. Consulting services	1,700,000
4. Interest and other charges during construction	5,000,000
5. Unallocated	<u>2,900,000</u>
	TOTAL <u>\$60,000,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

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

2. If the estimate of the cost of the goods and services included in any of the Categories 1 to 4 shall increase, an amount, in the case of Categories 1 (b) or 3, equal to such increase, if any, to be financed out of the proceeds of the Loan, and, in the case of Category 1 (a) or 2, an amount equal to 60% or 17%, respectively, of such increase will be allocated by the Bank, at the request of the Borrower, from Category 5 to any such Category or Categories, 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>
November 15, 1973	995,000	May 15, 1975	1,100,000
May 15, 1974	1,030,000	November 15, 1975	1,140,000
November 15, 1974	1,065,000	May 15, 1976	1,180,000

<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>
November 15, 1976	1,220,000	November 15, 1983	1,980,000
May 15, 1977	1,265,000	May 15, 1984	2,050,000
November 15, 1977	1,310,000	November 15, 1984	2,120,000
May 15, 1978	1,355,000	May 15, 1985	2,195,000
November 15, 1978	1,405,000	November 15, 1985	2,270,000
May 15, 1979	1,450,000	May 15, 1986	2,350,000
November 15, 1979	1,505,000	November 15, 1986	2,430,000
May 15, 1980	1,555,000	May 15, 1987	2,515,000
November 15, 1980	1,610,000	November 15, 1987	2,605,000
May 15, 1981	1,665,000	May 15, 1988	2,695,000
November 15, 1981	1,725,000	November 15, 1988	2,790,000
May 15, 1982	1,785,000	May 15, 1989	2,890,000
November 15, 1982	1,845,000	November 15, 1989	2,995,000
May 15, 1983	1,910,000		

* 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	1%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3 1/4%
More than eleven years but not more than sixteen years before maturity	5%
More than sixteen years but not more than eighteen years before maturity	6%
More than eighteen years before maturity	7%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is the Borrower's expansion program during the period 1970 through 1972 and includes the following:

- A. Completion of the Borrower's 1967-1970 program, including a 250 MW steam turbine base-load unit in the Puerto Nuevo Station, modification of two boilers in that station to burn coal, and expansion of 132 kv substations, transmission lines, and low- and medium-voltage distribution network;
- B. Installation of 90 MW of gas-turbine generating capacity, and minor improvements of existing capacity;

- C. Extension of the Borrower's transmission system by construction of two 220 kv substations at Morón and Burzaco and 220 kv switching stations at Mariano Moreno and El Pino; emplacement of a 220 kv overhead double-circuit transmission line in an arc about 120 kilometers long around the Greater Buenos Aires area; construction of 132 kv substations at Vicente López, Casanova, Victoria, Ciudad Universitaria, Independencia, Azcuénaga, Miguelete, Barracas, Lugano and Escobar; extensions to existing 132 kv substations at Malaver, Edison, Puerto Nuevo, Tolosa, Matanzas Caseros (3 de Febrero), Costanera, Morón, Colegiales and Burzaco; minor works in other substations; emplacement of about 136 route kilometers of 132 kv underground cables and overhead lines; and acquisition and utilization of ancillary equipment;
- D. Extension of the Borrower's distribution network by installation of primary and secondary cables and transformers, low-voltage cables, overhead lines, meters, new connections and public lighting, and construction of civil works and installation of ancillary equipment;
- E. Completion of the Borrower's administration building, district office buildings and minor expansion of other buildings;
- F. Purchase and utilization of mobile equipment required for carrying out the foregoing; and
- G. Technical assistance by consultants in the planning of future expansion and to advise on organizational matters.

SCHEDULE 4

SUPPLEMENTARY PROCEDURES FOR PROCUREMENT

1. With respect to contracts for procurement of equipment or materials involving expenditures exceeding the equivalent of \$50,000 and to all contracts for civil works or erection of equipment involving expenditures exceeding the equivalent of \$200,000, the following will apply:

(a) Invitations to bid, specifications, conditions of contract and all other tender documents will be submitted to the Bank for review and approval prior to the issuance of invitations to bid.

(b) After bids have been received and analyzed, the analysis of the bids, the resulting recommendations and the Borrower's proposals for awards, together with the reasons for such proposals will be submitted to the Bank for review and approval prior to making any award of contract or issuing any letter of intent.

(c) If the final contract is to differ substantially from the terms and conditions contained in the respective documents approved by the Bank under paragraphs (a) and (b) above, the text of the proposed changes will be submitted to it for review and approval prior to the execution and delivery of such contract.

(d) As soon as a letter of intent has been issued or a contract has been signed a copy thereof will be sent to the Bank.

2. With respect to all contracts involving expenditures equivalent to \$50,000 or less in the case of purchases of equipment or materials, or \$200,000 or less in the case of civil works or erection of equipment, copies of the invitation to tender, the comparison of bids, the proposal for award, and two copies of the executed contracts will be sent to the Bank for information as soon as possible and before the first application for withdrawal of funds from the Loan Account on account of expenditures on the contract in question.

3. With respect to all contracts for equipment and materials, bids will be invited for two-thirds of the quantity of each category of equipment and materials. Simultaneously, bids for an additional one-third will be requested from Argentine bidders, these bids to be opened only if necessary to implement the provisions of paragraph 7 below.

4. In evaluating bids for the purchase of equipment or materials, the Borrower will compare prices offered by Argentine manufacturers for two-thirds of the required quantity and those offered by non-Argentine manufacturers including in the latter case ocean freight, insurance and other shipping charges to be paid for delivery in Buenos Aires, but excluding customs duties and any other similar taxes on importation. The Borrower may award the contract for such two-thirds to the lowest qualified Argentine bidder provided that his offered price for delivery to site of work or Borrower's warehouse does not exceed the aggregate total amount of (i) the price offered by the lowest qualified non-Argentine bidder, including ocean freight, insurance and other shipping charges; (ii) 15% of such price or the level of customs duties applicable were the Borrower liable for such duties, whichever is the less; (iii) the cost of delivering the goods offered by such non-Argentine bidder from shipside to site of work or Borrower's warehouse; and (iv) other necessary costs for services, such as, consular fees, port fees and statistical charges.

5. If a contract is to be awarded to an Argentine bidder in accordance with the provisions of paragraph 4 above, such bidder may be awarded the contract for a quantity of equipment equal to one and a half times the quantity specified in the invitations to bid at the price bid in accordance with the provisions of the first sentence of paragraph 3 above.

6. If a contract is to be awarded to a non-Argentine bidder in accordance with the provisions of paragraph 4 above, such bidder will be awarded the contract notwithstanding any Argentine taxes which may be imposed by reason of such an award.

7. If the contract is awarded to the lowest qualified non-Argentine bidder in accordance with the provisions of paragraph 4 above, the bids for the additional one-third will be opened and evaluated and a contract for up to one-half of the quantity of the equipment or materials awarded to the non-Argentine bidder may

be entered into with the lowest of the qualified Argentine bidders who has bid for such one-third, provided that his price does not exceed 138% of the price, including ocean freight, insurance and other shipping charges, in the contract awarded to the non-Argentine bidder, or that he has agreed with the Borrower to reduce his price to that level. If all Argentine bids for such one-third exceed 138% and no bidder agrees to reduce his bid to 138%, the lowest qualified non-Argentine bidder will be given the option to increase by one-half the quantity under the contract awarded to him at a price not to exceed that stipulated in his bid.

8. Contracts entered into with Argentine bidders in accordance with the provisions of paragraph 7 above will not be eligible for financing out of the proceeds of the Loan.