
LOAN NUMBER 1605 GU

Loan Agreement

(Chixoy Power Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

INSTITUTO NACIONAL DE ELECTRIFICACION

Dated

July 21, 1978

LOAN AGREEMENT

AGREEMENT, dated July 21, 1978, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INSTITUTO NACIONAL DE ELECTRIFICACION (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 March 15, 1974, 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).

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) "Estatuto" means Decree No. 1287 of May 27, 1959, enacted by the Congress of the Guarantor, as amended up to the date of the Aguacapa Loan Agreement;

(b) "Aguacapa Loan Agreement" means the Loan Agreement (Aguacapa Power Project) between the Bank and the Borrower, dated June 10, 1977, as it may be amended from time to time; "Aguacapa Guarantee Agreement" means the Guarantee Agreement of even date therewith between the Guarantor and the Bank, as it may be amended from time to time; and "Aguacapa Project" means the Project described in Schedule 2 to the Aguacapa Loan Agreement;

(c) "EEG" means Empresa Eléctrica de Guatemala, S.A., or any successor thereto;

(d) "Subsidiary Contract" means the contract between the Guarantor and the Borrower and EEG, dated January 11, 1978, entered into pursuant to Section 3.10 of the Aguacapa Guarantee Agreement and Section 3.06 of the Aguacapa Loan Agreement, as amended in accordance with Section 7.01 of this Agreement and as it may be further amended from time to time with the Bank's concurrence;

(e) "Program" means the Borrower's electricity expansion program set forth in Schedule 5 to this Agreement, to be carried out during calendar years 1978 through 1982;

(f) "Interconnected System" means the Borrower's and EEG's generation and transmission facilities operating as an integrated system within the Guarantor's territory;

(g) "Power Sector" means the Borrower and EEG, and any other entity which the Guarantor, the Bank and the Borrower shall agree to include therein, and "Power Sector Entity" means the Borrower or EEG or any other such entity;

(h) "Fiscal Year" means the Borrower's Fiscal Year or EEG's Fiscal Year, both of which coincide with the calendar year;

(i) "Reservoir" means the reservoir resulting from the construction of the dam included in Part A (1) of the Project; and

(j) "Power Sector Reorganization" means the mechanisms and schedule for the reorganization of the Guarantor's power sector as substantially defined in Mecanismos y Calendario de Trabajo para la Reorganización del Sector Eléctrico and the annexes 1 and 2 thereto, all mentioned in paragraph (b) of, and enclosed with, the letter dated January 12, 1978 addressed to the Bank by the Chairman of the Commission established by the Guarantor's Acuerdo Gubernativo dated September 23, 1977, as the annexes 1 and 2 referred to above have been amended by the annexes mentioned in, and attached to, the letter dated May 25, 1978 that such Chairman has further addressed to the Bank.

The terms defined importing the singular number import the plural number and vice-versa.

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 seventy-two million dollars (\$72,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan and in respect of interest and other charges on the Loan.

(b) On each of the semiannual interest payment dates specified in Section 2.07 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay, on such date, interest and other charges on the Loan accrued and payable on the date set forth, and up to the amount allocated, in Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 2.03. Except as the Bank shall otherwise agree, contracts for the purchase of goods or for civil works to be financed out of the proceeds of the Loan, shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be June 30, 1982 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven and one-half per cent (7.50%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with appropriate engineering, financial and public utility practices.

(b) Without limitation or restriction upon the provisions of paragraph (a) of this Section and unless the Bank shall otherwise agree, the Borrower shall (i) enter into one or more contracts, on terms and conditions satisfactory to the Bank, for purposes of the Project and in accordance with Section 2.02 (a) of the Guarantee Agreement; (ii) exercise its rights and comply with its obligations thereunder in such manner as to protect the interests of the Bank and the Borrower; (iii) not change or fail to enforce any such contract or any provision thereof; and (iv) take all such other action as shall be necessary on its part to enable the Borrower to comply with Section 2.02 (a) of the Guarantee Agreement.

Section 3.02. (a) In order to assist the Borrower in the supervision and all engineering phases of Parts A and B of the Project and in the carrying out of Part C of the Project, the Borrower shall employ engineering, and transmission line and tariff consultants, respectively, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

(b) The Borrower shall (i) cause the consultants hired for purposes of the study referred to in Section 3.07 of the Aguacapa Guarantee Agreement and included in Part C (2) of the Project, to complete such study timely so as to enable the Borrower to furnish to the Bank the report and recommendations of said study not later than July 31, 1979, and (ii) afford the Bank a reasonable opportunity to comment on the said recommendations before putting them into effect.

(c) It is understood that the Guarantor will decide whether or not the recommendations mentioned in paragraph (b) above will be put into effect.

(d) The Borrower shall carry out the study included in Part C (1) of the Project not later than March 31, 1979, and shall, promptly thereafter, furnish to the Bank the findings and recommendations of such study.

Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the 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.

(b) 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 for the Project.

Section 3.04. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records and procedures adequate to record and monitor the progress of the Project (including the cost and benefits derived from it), to identify the goods and services financed out of the proceeds of the Loan, and to disclose their use in the Project; (ii) shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank at regular intervals all such information as the Bank shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

(c) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement, the performance by the Guarantor and the Power Sector of their respective obligations under the Subsidiary Contract and the accomplishment of the purposes of the Loan.

(d) The Borrower shall enable the Bank's representatives to examine all plants, installations, sites, works, buildings, property and equipment of the Borrower and any relevant records and documents.

Section 3.05. The Borrower shall take all such action as shall be necessary to acquire as and when needed for purposes of the Project, all such land and rights in respect of land as shall be required for the construction (and operation) of the facilities included in the Project and shall furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Project.

Section 3.06. The Borrower shall:

(a) furnish to the Bank, by December 31, 1978, a program of action to be taken with a view to compensate adequately and, if necessary, resettle, those residents of the area to be flooded by the Reservoir whose living and working conditions have been adversely affected by such flooding;

(b) afford the Bank a reasonable opportunity to comment on the program referred to in paragraph (a) above before the date mentioned in paragraph (c) below; and

(c) make to the program referred to in paragraph (a) all such modifications as the Bank shall reasonably request and shall, not later than June 30, 1979, put into effect such program including, if such is the case, the modifications thereto requested by the Bank.

Section 3.07. The Borrower shall:

(a) carry out the Project with due regard to health, ecological and environmental factors;

(b) present to the Bank, not later than December 31, 1979, a program aimed at controlling erosion in the watershed tributary to the Reservoir; and

(c) afford the Bank a reasonable opportunity to comment on the program referred to in paragraph (b) above before the date mentioned in Section 3.10 of the Guarantee Agreement.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall at all times manage its affairs, carry on its operations, plan its future expansion and maintain its financial position in accordance with sound business and public utility practices under the supervision of qualified and experienced management.

Section 4.02. The Borrower shall at all times maintain its existence and right to carry on its operations and shall, except as the Bank shall otherwise agree, take all necessary steps that are required to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

Section 4.03. The Borrower shall at all times operate and maintain its plants, equipment and property, and from time to time make all necessary repairs or renewals thereof, all in accordance with sound engineering and public utility practices.

Section 4.04. The Borrower shall, not later than June 30, 1982, make arrangements satisfactory to the Bank to cause the dam, waterways and earthworks included in the Project (hereinafter called the Chixoy Works) to be periodically inspected in accordance with appropriate engineering practices with the view of determining any deficiency (including potential deficiencies) in the condition of the Chixoy Works or in the quality and maintenance or methods of operation of the same which may endanger their safety. To this end, the Borrower shall propose to the Bank appropriate arrangements for the Bank's review not later than one year before the expected completion of the Chixoy Works.

Section 4.05. (a) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not sell, lease, transfer or otherwise dispose of its property or assets which shall be required for the efficient operation of its business, including the Project.

(b) The provisions of paragraph (a) above shall not apply to transactions between Power Sector Entities to the extent that such transactions do not adversely affect the Power Sector Reorganization.

Section 4.06. The Borrower shall take out and maintain with responsible insurers, insurance against such risks and in such amounts as shall be consistent with appropriate practices.

Section 4.07. The Borrower shall not create, acquire a proprietary interest in, or take over, any company, if such creation, acquisition or taking over would adversely and substantially affect its financial condition or the efficiency of the Borrower's management and personnel.

Section 4.08. The Borrower shall, by the dates specified below: (i) construct by March 31, 1981 the 300 MVA Guatemala Norte substation to transmit energy generated in the power station included in Part A (1) of the Project; (ii) increase by June 30, 1979, the capacity of the Guatemala Sur Substation by 150 MVA; and (iii) construct, by March 31, 1981, a double circuit 230 kV transmission line of about 30 km in length between the Guatemala Norte and the Guatemala Sur Substations.

ARTICLE V

Financial Covenants

Section 5.01. The Borrower shall maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations and financial condition.

Section 5.02. The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

Section 5.03. (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree: (i) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan, and in the creation of any such lien express provision will be made to that effect, at no cost to the Bank; and (ii) if any statutory lien shall be created on any assets of the Borrower as security for any debt, the Borrower shall grant, at no cost to the Bank, an equivalent lien satisfactory to the Bank to secure the payment of the principal of, and interest and other charges on, the Loan; provided, however, that the foregoing provisions of this paragraph shall not apply to: (A) 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 (B) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

Section 5.04. Except as the Bank shall otherwise agree, the Borrower shall take, from time to time:

(a) such measures (including, but not limited to, adjustments in the rates for the sale of electricity by the Borrower) as shall be required to provide the Borrower, commencing with Fiscal Year 1978 and every Fiscal Year thereafter until and including the Fiscal Year in which the Aguacapa Project has been completed, with funds from internal sources which, together with the funds from internal sources of the other Power Sector Entities for the same Fiscal Year, will be sufficient to meet the requirements of Section 3.02 (a) of the Guarantee Agreement (the applicable definitions and methods of calculation included in Section 3.02 of the Guarantee Agreement being applicable hereto);

(b) such measures (including, but not limited to, adjustments in the rates for the sales of electricity by the Borrower) as shall be required, commencing with the Fiscal Year following the Fiscal Year in which the Aguacapa Project has been completed, and every Fiscal Year thereafter, to provide the Borrower with revenues which, together with the revenues of the other Power Sector Entities for the same Fiscal Year, will be sufficient to meet the requirements of Section 3.03 of the Guarantee Agreement (the applicable definitions and methods of calculation included in Section 3.03 of the Guarantee Agreement being applicable hereto); and

(c) all such action as shall be necessary to furnish to the Bank:

- (i) as soon as available but not later than four months after the end of each Fiscal Year, a funds flow analysis of the Power Sector for the preceding Fiscal Year, in form satisfactory to the Bank, showing, inter alia, the results of applying the test defined in paragraph (a) of Section 3.02 of the Guarantee Agreement (hereinafter called "the test"), to such Fiscal Year;
- (ii) semi-annually, as soon as available but not later than February 28 and August 31 in each Fiscal Year, a funds flow analysis of the Power Sector for the then current Fiscal Year, in form satisfactory to the Bank, including an updating of the Power Sector's capital expenditures and showing, inter alia, the results of applying the test to such Fiscal Year; and
- (iii) as soon as available but not later than one month after the Bank's request, all other relevant information concerning the measures taken, or proposed to be taken, by the Guarantor, the Borrower or other Power Sector Entity for compliance with the obligations of the Guarantor under Section 3.02 (a) of the Guarantee Agreement, of the Borrower under paragraph (a) of this Section, and of EEG under paragraphs 2.3 and 2.4 of Section Segunda of the Subsidiary Contract.

Section 5.05. Except as the Bank shall otherwise agree, the Borrower shall take in Fiscal Year 1978 and every Fiscal Year thereafter all such measures as shall be necessary or advisable to cause its rates for the sale of electricity to EEG to be set in accordance with Section 3.04 of the Guarantee Agreement.

Section 5.06. (a) Except as otherwise agreed with the Bank, the Borrower shall, from time to time, take all such action within its powers as shall be necessary to ensure that, by December 31, 1978, and at all times thereafter, the Borrower's accounts receivable from public agencies shall not exceed the sum of the amounts billed by the Borrower to such public agencies during the two months immediately preceding the date on which such calculation is made, such calculation to be made at least quarterly.

(b) For purposes of this Section, the term "public agency" means any agency or instrumentality of the Guarantor, any political or administrative subdivision thereof and any entity (other than the Borrower or EEG) owned or controlled by, or operating for the account or benefit of, the Guarantor or any such agency, instrumentality, or subdivision.

Section 5.07. Until the Project shall have been completed:

(a) the Borrower shall: (i) inform the Bank on any proposal of the Borrower to make any capital expenditure for the Borrower's expansion program or plan or both, other than expenditures required for the Project or for other projects carried out by the Borrower and financed by the Bank or for the Program; and (ii) furnish to the Bank within a reasonable period before the proposed date for such capital expenditures, for its comments, a report showing that such capital expenditure is economically justified and financially sound, and that financing is available on terms and conditions which will not adversely affect the Borrower's financial position, the carrying out of the Project or any other power project financed by the Bank;

(b) for purposes of this Section, "capital expenditure" shall be any capital expenditure exceeding the equivalent of five million dollars; and

(c) to the extent that the Borrower shall comply with its obligations under paragraph (a) of this Section, the Borrower's obligations under paragraph (a) of Section 5.08 of the Aguacapa Loan Agreement shall be deemed to have been complied with.

Section 5.08. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any debt unless its net revenues for the fiscal year immediately preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever are the greater, shall not be less than 1.5 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:

(i) the term "debt" shall mean all debt of, or guaranteed by, the Borrower payable by its terms on demand or maturing more than one year from the date on which it is originally incurred;

- (ii) 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;
- (iii) the term "net revenues" shall mean gross revenues from all sources adjusted to take account of rates in effect at the time of incurrence of debt even though such rates 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;
- (iv) 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
- (v) 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. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (k) thereof:

(a) Any provision of the Estatuto shall have been amended, suspended, abrogated or waived and such event shall have materially or adversely affected the operations of the Borrower, the Power Sector Reorganization or the Project;

(b) the Subsidiary Contract or any provision thereof shall have been amended, except for amendments made pursuant to Section 7.01 of this Agreement, or abrogated;

(c) any party to the Subsidiary Contract shall have failed to exercise any of its rights or to perform any of its obligations thereunder;

(d) (i) subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any loan made to the Borrower or to the Guarantor for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower or the Guarantor to perform any of its respective obligations under such agreement, and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; and

(e) a resolution shall have been passed for the dissolution or liquidation of the Borrower.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following events are specified pursuant to paragraph (h) thereof:

(a) the event specified in paragraph (a) or in paragraph (b) or in paragraph (d) (i) B or in paragraph (e) of Section 6.01 of this Agreement shall occur; and

(b) the event specified in paragraph (c) of Section 6.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.

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 12.01 (c) of the General Conditions, namely, that the Subsidiary Contract has been amended to reflect therein the execution and delivery of this Agreement and of the Guarantee Agreement.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 12.02 of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the amendment to the Subsidiary Contract has been duly authorized or ratified by, and executed and delivered on behalf of, respectively, the Guarantor, the Borrower and EEG.

Section 7.03. The date *November 21, 1978*, is hereby specified for the purpose of Section 12.04 of the General Conditions.

ARTICLE VIII

Addresses

Section 8.01. The following addresses are specified for the purposes of Section 11.01 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.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

For the Borrower:

Instituto Nacional de
Electrificación
6^a Avenida 2-73 Zona 4
Guatemala City
Guatemala

Cable address:

INDE
Guatemala

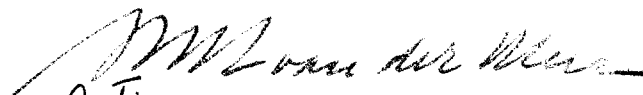
Telex:

INDE 5324-GU

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names 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


Acting Regional Vice President
Latin America and the Caribbean

INSTITUTO NACIONAL DE ELECTRIFICACION

By


Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works for Part A (1) of the Project	23,300,000	62% (represent- ing the estimated foreign expendi- ture component) .
(2) Electrical and mechanical equip- ment and materials for Part B of the Project	30,000,000	100% of foreign expenditures
(3) Consultants' ser- vices for Part C of the Project	300,000	100% of foreign expenditures
(4) Interest and other charges on the Loan accrued on or before August 31, 1981	10,800,000	Amounts due
(5) Unallocated	7,600,000	
	<hr/>	
TOTAL	72,000,000	
	<hr/> <hr/>	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than the Guarantor and for goods or services supplied from the territory of any country other than the Guarantor.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Guarantor on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$7,000,000 may be made in respect of Categories (1) and (3) on account of payments made for such expenditures before that date but after October 14, 1977.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

The Project consists of the construction of the Chixoy hydroelectric plant and associated transmission facilities, and includes the following Parts:

Part A: Generation

- (1) Construction of a rockfill dam of about 108 meters high at about 57.5 km upstream from confluence of the Chixoy and Quixal rivers; such dam will have a volume of about 2.8 million cubic meters.
- (2) Construction of a concrete lined power tunnel of about 25.6 km long and about 4.8 meters in diameter, to develop a gross head of about 550 meters; such tunnel will be located immediately downstream from the dam referred to in Part A (1) above and will convey water from the Reservoir to the power station.
- (3) Construction of a surface power station to be equipped with 5 generating units of about 60 MW each.

Part B: Transmission

- (1) Construction of a step-up substation near the power station referred to in Part A (3) above, equipped with six three-phase transformers of 66.8 MVA (13.8/230 kV) each (the Chixoy Substation).
- (2) Construction of about 120 km of double circuit 230 kV transmission line connecting the Chixoy Substation and the Guatemala Norte Substation.
- (3) Construction of about 390 km of subtransmission lines of a voltage not higher than 69 kV and of several substations with an aggregate additional transforming capacity of about 40 MVA.

Part C: Consultants' Services

- (1) Preparation of a study, involving about 13 man-months of consultant services, on the expansion of the Interconnected System to the Atlantic Zone in the Guarantor's territories.
- (2) Preparation of a study, involving about 28 man-months of consultant services, on the levels and structures of the rates for the sale of electricity within the Guarantor's territories.

*

*

*

The Project is expected to be completed by June 30, 1982.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each March 1 and September 1 beginning March 1, 1983 through March 1, 1995	2,770,000
On September 1, 1995	2,750,000

* To the extent that any portion 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

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	1.30%
More than three years but not more than six years before maturity	2.65%
More than six years but not more than eleven years before maturity	4.85%
More than eleven years but not more than fifteen years before maturity	6.60%
More than fifteen years before maturity	7.50%

SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Contracts for the purchase of goods or for civil works shall be procured in accordance with procedures consistent with those set forth in Part A of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines) including the pertinent provisions of the General Introduction thereto, on the basis of international competitive bidding.

2. For goods and works to be procured on the basis of international competitive bidding under the Project, in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Bank as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Bank shall reasonably request; the Bank will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

B. Evaluation and Comparison of Bids for Goods; Preference for Manufacturers Established in the Territories of the Central American Common Markets

1. For the purpose of evaluation and comparison of bids for the supply of goods: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or, in the case of a Central American Bid, the ex-factory price for domestically-manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded except to the extent specified under 2 (c) (ii) below; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

2. Bids shall be compared in accordance with the following rules:

(a) the term "Central American Bid" means a bid submitted by a manufacturer established in the territories of the Central American Common Market for goods manufactured or processed to a substantial extent (as reasonably determined by the Bank) in such territories; any other bid will be deemed to be a "Non-Central American Bid";

(b) the bid price under a Central American Bid will be the sum of the following amounts:

(i) the ex-factory price of such goods; and

(ii) freight, insurance and other costs of delivery of such goods to the site designated in the specifications; and

(c) for the purpose of comparing any Non-Central American Bid with any Central American Bid, the price under a Non-Central American Bid will be the sum of the following amounts:

(i) the c.i.f. (port of entry) price of such goods;

(ii) half the amount of any taxes on the importation of such goods into the territories of the Guarantor which generally apply to non-exempt importers, or 15% of the amounts specified in (i) and (ii) above, whichever shall be the lower; and

(iii) freight, insurance and other costs of delivery of such goods from the port of entry to the site designated in the specifications.

3. The bidding documents shall clearly indicate the margin of preference to be granted.

C. Review of Procurement Decisions by the Bank

1. Review of invitations to bid and of proposed awards and final contracts:

With respect to all contracts estimated to cost the equivalent of \$100,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report, on the evaluation and comparison of the bids received, together with the recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

2. With respect to each contract to be financed out of the proceeds of the Loan and not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

SCHEDULE 5

The Program

- (a) Generation:
 - Aguacapa hydro plant - 90 MW
 - Chixoy hydro plant - 300 MW
 - Improvements on small hydro plants, not exceeding the equivalent of \$800,000

- (b) Transmission:
 - Lines:
 - Escuintla - Guatemala Sur, 43 km, two-circuit line, 230 kV
 - Aguacapa - Escuintla, 23 km, 1 circuit, 230 kV
 - Guatemala Sur - Guatemala Norte, 30 km, 230 kV

 - Substations:
 - Escuintla expansion, 100 MVA, 230/69 kV
 - Guatemala Sur, 150 MVA, 230/69 kV
 - Guatemala Norte, 300 MVA

 - Sub-transmission:
 - Ongoing subtransmission (of voltage not higher than 69 kV) system expansion other than the expansion included in Part B (3) of the Project, not exceeding the equivalent of \$17,000,000.
 - Guatemala - Chimaltenango, 45 km

- (c) Distribution:
 - Ongoing low-voltage system expansion not exceeding the equivalent of \$6,500,000

- (d) Studies, final engineering designs and geological investigations:
 - Studies on the expansion of the Borrower's generation and on transmission facilities, not exceeding the equivalent of \$32,500,000

- (e) Building:
 - New headquarters for the Borrower in Guatemala City.