
LOAN NUMBER 48 / GU

Loan Agreement

(Power Project)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

INSTITUTO NACIONAL DE ELECTRIFICACION

DATED *MARCH 10* , 1967

Loan Agreement

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

ARTICLE I

Loan Regulations

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

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

ARTICLE II

The Loan

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

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement.

SECTION 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

SECTION 2.04. The Borrower shall pay interest at the rate of $\frac{5}{8}$ per cent ($\frac{5}{8}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

SECTION 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

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

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

SECTION 2.08. For the purposes of facilitating the sale of portions of the Loan or Bonds, it is agreed that in connection with any such sale, notwithstanding the provisions of Sections 3.03 and 3.04 of the Loan Regulations, the Bank and the Borrower, with the consent of the Guarantor, may from time to time agree that any portion of the Loan repayable in one currency may be made repayable in one or

more other currencies and from the date specified in such agreement such portion of the Loan shall be repayable in such other currency or currencies.

ARTICLE III

Use of Proceeds of the Loan

SECTION 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

SECTION 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Guarantor exclusively in the carrying out of the Project.

ARTICLE IV

Bonds

SECTION 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

SECTION 4.02. The President of the *Consejo Directivo* of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

ARTICLE V

Particular Covenants

SECTION 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity

with sound engineering, financial and public utility practices.

(b) The Borrower shall employ competent and experienced consultants and contractors acceptable to, and to an extent and upon terms and conditions satisfactory to, the Bank and the Borrower.

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

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

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

(d) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the administration, operations and financial condition of the Borrower.

(e) The Borrower shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the Borrower's fiscal year transmit to the

Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

SECTION 5.03. (a) The Bank and the Borrower shall 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.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof, and the performance by the Borrower of its obligations under this Loan Agreement. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under this Loan Agreement.

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

SECTION 5.05. (a) The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking trans-

actions and securing a debt maturing not more than one year after the date in which it is originally incurred.

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

SECTION 5.06. Subject to such exemptions as shall be conferred by the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement or otherwise, the Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

SECTION 5.07. The Borrower shall remit to the Bank, at the Bank's request, funds sufficient for the Bank to pay all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery and registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

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

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure or cause to be insured the

imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

SECTION 5.09. The Borrower shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards; and shall, except as the Bank shall otherwise agree, take all steps which may be necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful for the construction and operation of the Project and the conduct of its business.

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

SECTION 5.11. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any debt after December 31, 1971 unless its net revenues for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever is the greater, shall not be less than 1.4 times the maximum debt service requirements on all debt (including the debt to be incurred) in any succeeding fiscal year. For the purposes of this Section:

- (a) the term "debt" shall mean all debt other than debt incurred in the ordinary course of business maturing

by its terms on demand or less than one year from the date on which it is originally incurred;

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

ARTICLE VI

Remedies of the Bank

SECTION 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations or in paragraph (a) or paragraph (c) of Section 6.02 of this Agreement shall occur and

shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

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

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

rower and distributing companies which have been furnished to the Bank, shall have been amended, suspended, assigned or abrogated so as to affect adversely the operations or financial condition of the Borrower or the performance by the Borrower of its obligations under the Loan Agreement.

ARTICLE VII

Effective Date; Termination

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

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

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

SECTION 7.03. If this Loan Agreement shall not have come into force and effect by *September 16, 1961*, this Loan Agreement and all obligations of the parties hereunder

shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

ARTICLE VIII

Miscellaneous

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

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

For the Bank:

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

Alternative address for cablegrams and radiograms:

Intbafrad
Washington, D.C.

For the Borrower:

Instituto Nacional de Electrificación
Guatemala City
Guatemala

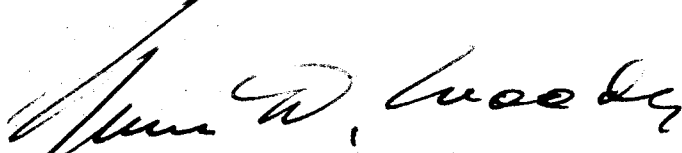
Alternative address for cablegrams and radiograms:

Inde
Guatemala

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

names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT




By

President

INSTITUTO NACIONAL DE
ELECTRIFICACION

By


Authorized Representative

SCHEDULE 1
Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars) *
July 1, 1971	\$175,000
January 1, 1972	180,000
July 1, 1972	185,000
January 1, 1973	190,000
July 1, 1973	195,000
January 1, 1974	205,000
July 1, 1974	210,000
January 1, 1975	215,000
July 1, 1975	220,000
January 1, 1976	230,000
July 1, 1976	235,000
January 1, 1977	245,000
July 1, 1977	250,000
January 1, 1978	260,000
July 1, 1978	265,000
January 1, 1979	275,000
July 1, 1979	280,000
January 1, 1980	290,000
July 1, 1980	300,000
January 1, 1981	310,000
July 1, 1981	315,000
January 1, 1982	325,000
July 1, 1982	335,000
January 1, 1983	345,000
July 1, 1983	355,000
January 1, 1984	365,000
July 1, 1984	380,000
January 1, 1985	390,000
July 1, 1985	400,000
January 1, 1986	415,000
July 1, 1986	425,000
January 1, 1987	440,000
July 1, 1987	450,000
January 1, 1988	465,000
July 1, 1988	480,000
January 1, 1989	495,000
July 1, 1989	510,000
January 1, 1990	525,000
July 1, 1990	540,000
January 1, 1991	555,000
July 1, 1991	570,000
January 1, 1992	590,000
July 1, 1992	615,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment and Redemption

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05(b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1/2%
More than three years but not more than six years before maturity	1%
More than six years but not more than eleven years before maturity	2%
More than eleven years but not more than sixteen years before maturity	3%
More than sixteen years but not more than twenty-one years before maturity	4%
More than twenty-one years but not more than twenty-three years before maturity	5%
More than twenty-three years before maturity	6%

SCHEDULE 2**Description of the Project**

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

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

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