

CONFORMED COPY

LOAN NUMBER 2998 AR

(Electric Power Sector Project)

between

THE ARGENTINE REPUBLIC

and

REPUBLIC OF PARAGUAY

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated November 18, 1988

LOAN NUMBER 2998 AR

SECOND OWNERS' AGREEMENT

AGREEMENT, dated November 18, 1988, between THE ARGENTINE REPUBLIC (hereinafter called Argentina) and REPUBLIC OF PARAGUAY (hereinafter called Paraguay) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS:

(A) Argentina, Paraguay and the Bank have entered into the Owners Agreement, dated November 6, 1979, (the First Owners Agreement) in respect of Entidad Binacional Yacyreta and the carrying out of the Project described in the Preamble to the First Owners Agreement;

(B) Argentina and Paraguay hereby represent that under their respective constitutions and legislation they are authorized and empowered to enter into this supplement to the First Owners' Agreement (the Second Owners Agreement);

(C) by a Loan Agreement of even date herewith between Argentina and the Bank (hereinafter called the Loan Agreement), the Bank has agreed to lend to Argentina for

purposes of, inter alia, Part A.1 of the Project described in Schedule 2 to the Loan Agreement, an amount in various currencies equivalent to two hundred fifty two million dollars (\$252,000,000) (hereinafter called the Loan), on the terms and conditions set forth in the Loan Agreement;

(D) Part A.1 of the Project consists of civil works and engineering services for purposes of completing the project described in the Preamble to the First Owners Agreement;

(E) Paraguay and Argentina hereby authorized EBY to enter into the Project Agreement which provides for the carrying out of Part A.1 of the Project by EBY; and

(F) in consideration of the Bank's entering into the Project Agreement with EBY, Argentina and Paraguay have agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Section 1. Wherever used in this Agreement, unless the context otherwise requires, the following terms have the following meanings:

(a) "Treaty" means the treaty, dated December 3, 1973, between Argentina and Paraguay in respect of the carrying out and operation of the Yacyreta project.

(b) "EBY" means Entidad Binacional Yacyreta, a binational entity owned in equal parts by Paraguay and Argentina, and created under the Treaty.

(c) "Nota Reversal" means any of the diplomatic notes supplementing the Treaty and exchanged between Paraguay and Argentina.

(d) "Protocolo" means any of the protocolos supplementing the Treaty and signed between Argentina and Paraguay.

(e) "Project Agreement" means the project agreement between the Bank and EBY of even date herewith whereby EBY undertakes to carry out Part A.1 of the Project.

(f) "Part A.1 of the Project" means Part A.1 of the Project as described in Schedule 2 to the Loan Agreement.

(g) "Yacyreta Project" means the Project, as so defined, pursuant to the First Owners Agreement.

Section 2. Argentina and Paraguay, in accordance with their rights and obligations under the Treaty and the applicable Notas Reversales, shall exercise their rights thereunder so as to ensure that at all times after the completion of the Yacyreta Project the contracted capacity (potencia contratada) of EBY is equal to its installed capacity (potencia instalada), as such terms are defined in Annex "C" to the Treaty.

Section 3. Paraguay and Argentina shall, each of them promptly as needed, take all legislative and other measures necessary for purposes of EBY's acquiring the land or the rights in respect of land referred to in Section 2.06 (b) of the Project Agreement, all as provided in Article XVII of the Treaty in respect of the approval by Paraguay and Argentina of the definition by EBY of the land forming part of the territories of both countries and needed by EBY for purposes of the Yacyreta Project.

Section 4. Whenever Argentina and Paraguay shall cause EBY to undertake new projects or expansion or modification of Part A of the Yacyreta Project, Argentina and Paraguay shall take measures, satisfactory to the Bank, to ensure that such project or expansion or modification will not materially and adversely affect the execution of Parts A, B and C of the Yacyreta Project or the operation of the facilities included in Part A of the Yacyreta Project.

Section 5. Paraguay and Argentina shall take all necessary measures in respect of Article VI of the Treaty to ensure the demarcation of their common boundary in the area of the Yacyreta Project six months before any proposed action related to the Yacyreta Project which would alter the natural course of the Parana River.

Section 6. Argentina and Paraguay shall take all necessary measures to ensure that EBY will, six months before the date on which the power plant included in the Yacyreta Project is scheduled to start to operate, furnish to the Bank a program for putting into effect the rate system provided for in the Treaty, such program to

include a method of valuation of the paid-in capital of EBY satisfactory to Argentina and Paraguay.

Section 7. Paraguay and Argentina shall permit or cause EBY to perform duly all its obligations under the Project Agreement, and Argentina and Paraguay shall not take, or cause or permit any of the political subdivisions or agencies of either of them or any agency of any such political subdivision to take, an action which would prevent or interfere with the performance by EBY of its obligations under the Project Agreement.

Section 8. (a) Argentina and Paraguay shall, at the request of the Bank, exchange views with the Bank with regard to the progress of the Yacyreta Project, the performance of the obligations of each of them under this Agreement and the performance by EBY of its obligations under the Project Agreement.

(b) Paraguay and Argentina shall promptly inform the Bank of any condition which adversely affects or may affect the progress of the Yacyreta Project, or the performance of the obligations of either of them under this Agreement, or the performance by EBY of its obligations under the Project Agreement.

Section 9. This Agreement and the Project Agreement shall be free from any taxes or fees that shall be imposed under the laws of Argentina or Paraguay or laws in effect in the territories of Argentina or Paraguay on or in connection with the execution, issue, delivery, registration, recording or filing thereof.

Section 10. This Agreement shall come into force and effect on the date upon which the Project Agreement becomes effective.

Section 11. This Agreement and all obligations of Argentina, Paraguay and the Bank thereunder shall terminate on the date on which the Project Agreement shall terminate in accordance with its terms.

Section 12. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For Argentina:

Ministerio de Economia  
Hipolito Irigoyen 250  
Buenos Aires  
Argentina

Cable address:

MINISTERIO ECONOMIA

Telex:

121952 AR

For Paraguay:

Ministerio de Hacienda  
Asuncion  
Paraguay

Cable address:

MINIHACIENDA  
Asuncion

Telex:

URW CO PYAN 080

For the Bank:

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

Cable address:

Telex:

INTBAFRAD  
Washington, D.C.

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

Section 13. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of:

(a) Argentina may be taken or executed by the Ministro de Economia or such other person or persons as the Ministro de Economia shall designate in writing, and Argentina shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each of such person.

(b) Paraguay may be taken or executed by the Ministro de Hacienda or such other person or persons as the Ministro de Hacienda shall designate in writing, and Paraguay shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each person.

Section 14. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

THE ARGENTINE REPUBLIC

By /s/ Rodolfo Terragno

Authorized Representative

REPUBLIC OF PARAGUAY

By /s/ Marcos Martinez Mendieta

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husain

Regional Vice President  
Latin America and the Caribbean

