

LOAN NUMBER 3279 VE

(Interest Support Loan)

between

REPUBLIC OF VENEZUELA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 14, 1990

LOAN NUMBER 3279 VE

LOAN AGREEMENT

AGREEMENT, dated December 14, 1990, between REPUBLIC OF VENEZUELA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) The international banking community has responded favorably to the Borrower's request thereto distributed as of June 25, 1990, and denominated "1990 Financing Plan" (hereinafter the Financing Plan), for participation in a debt relief and new financing package designed to support the Borrower's medium-term growth-oriented economic program and the Borrower has requested the assistance of the Bank for financing the provision of collateral to secure interest payments on Eligible Bonds (as hereinafter defined) be issued in exchange for existing debt as part of the Financing Plan;

(B) on the basis, inter alia, of the foregoing, the Bank has decided to provide such assistance by making a loan to the Borrower upon the terms and conditions set forth in this Agreement; and

(C) the Borrower hereby represents to the Bank that the execution of this Agreement has been duly authorized by the Borrower's Law "LEY PROGRAMA PARA EL FINANCIAMIENTO DEL PLAN DE INVERSIONES EN INFRAESTRUCTURA SOCIAL Y EN INFRAESTRUCTURA DE APOYO A LA PRODUCCION, DEL PROGRAMA DE DESARROLLO SOCIAL, DEL PROGRAMA DE PREINVERSION, SUPERVISION Y ASISTENCIA TECNICA, DEL PLAN DE INVERSIONES DE ENTES DEL SECTOR PUBLICO Y DE OPERACIONES DE REDUCCION DE LA DEUDA PUBLICA EXTERNA, QUE SE EJECUTARA DURANTE EL

PERIODO 1990 - 1994" published in the Borrower's Official Gazette Extraordinary Issue No. 4194 dated July 30, 1990.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications thereof set forth in Schedule 3 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Loan Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Collateral" means collateral to be pledged by the Borrower in connection with the Exchange (as hereinafter defined) to secure interest payments on the Eligible Bonds (as hereinafter defined) in accordance with agreements entered into pursuant to the Financing Plan, and partially financed out of the proceeds of the Loan;

(b) "Collateral Accounts" means the several interest collateral accounts in which the Collateral for the Eligible Bonds is to be deposited in accordance with agreements (hereinafter the "Collateral Pledge Agreements") made by the Borrower in favor of the collateral agent (hereinafter the "Collateral Agent") pursuant to the Financing Plan;

(c) "Eligible Bond" means each of the Collateralized Fixed Rate Par Bonds Due 2020 to be issued by the Borrower in dollars as described in the Financing Plan in a principal amount equal to 100% of the principal amount of the Eligible Debt (as hereinafter defined) to be exchanged for such Bonds payable with interest at a fixed rate per annum depending on the applicable currency as shown in the Financing Plan;

(d) "Eligible Debt" means any or all of the debt owed to commercial banks and other financial institutions, and eligible for Exchange (as hereinafter defined) under the Financing Plan;

(e) "Exchange" means the exchange of any or all Eligible Debt of Participating Lenders (as herein after defined) for new debt evidenced by, inter alia, Eligible Bonds to be implemented in accordance with agreements entered into pursuant to the Financing Plan;

(f) "Participating Lenders" means commercial banks and other financial institutions with Eligible Debt that elect to participate in the Financing Plan; and

(g) "Fiscal Year" means the fiscal year of the Borrower beginning on January 1 of each year.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred fifty million dollars (\$150,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this

Agreement.

Section 2.03. The Closing Date shall be February 28, 1991 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. 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 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

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

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

Section 2.08. (a) Upon the occurrence of any of the following events, the Bank, at its option, may, by notice to the Borrower, require the Borrower to repay, in advance of maturity, such portion of the principal amount of the Loan then outstanding as specified below together with all accrued interest and other charges thereon:

- (i) The Bank shall have determined at any time that any amount of the Loan has not been used on or prior to the Closing Date for the purpose of the Program in which case the amount of the Loan subject to prepayment shall be such amount as shall have been so determined.
- (ii) Any portion of the Collateral shall have been released to the Borrower and the remaining amount of the said Collateral shall be less than the amount set forth in Section 2.01 of this Agreement in which case the amount of the Loan subject to advanced repayment shall be equal to the difference between the amount set forth in Section 2.01 of this Agreement and the remaining amount of the Collateral less: (i) any amounts which have been previously prepaid pursuant to this Section 2.08 (a) (ii); and (ii) any amounts which would have been subject to such prepayment but for the provision of the following sentence. The provisions of this paragraph shall not apply if the Borrower establishes, to the satisfaction of the Bank, that the amount of such Collateral so released has been or will be used to support further debt or debt service reduction activities of the Borrower.
- (iii) On or after December 19, 1991, the Bank shall have determined that the average price shown by the quotations of West Texas Intermediate crude oil during the period between December 18, 1990 and a date twelve calendar months later, as published in the Eastern Edition of the United States publication denominated the Wall Street Journal (or, in the absence thereof, in any other publication agreed upon in writing between the Borrower and the Bank for purposes of this Agreement), each Monday during the period in respect of the Friday immediately preceding, has exceeded \$23 per barrel, in which case the full amount of the Loan shall be subject to prepayment; provided, however that if any relevant Monday or Friday falls on a holiday the day in question will be deemed to be the immediately next coming or preceding, respectively, business day.

(b) The Borrower shall inform the Bank of the occurrence of any of the events listed in Sub-paragraphs (i) and (ii) of paragraph (a) of this Section within five (5) working days of the occurrence thereof.

(c) The Bank hereby waives the payment of any premium payable under Schedule 2 to this Agreement on prepayment of any portion of the Loan pursuant to paragraph (a) of this Section.

(d) Prepayment of all or any portion of the Loan in accordance with paragraph (a) of this Section shall be made on a date and in the currency specified by the Bank and the amount so prepaid shall be deleted from the Central Disbursement Account on such date.

Section 2.09. The Borrower's officers appointed by the representative of the Borrower stipulated in Section 7.01 of this Agreement, are hereby designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions including, without limitation, preparing withdrawal applications under the Loan and collecting the documents and other evidence to be furnished to the Bank in support of such applications.

ARTICLE III

Financial Covenants

Section 3.01. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the payments made in respect of the Program and financed out of the proceeds of the Loan.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section 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 copy of 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 said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year or years in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE IV

Other Covenants

Section 4.01. (a) The Borrower and the Bank shall, from time to time, at the request of any party, exchange views on the Program.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the Program in such detail as the Bank shall reasonably request.

Section 4.02. (a) The Borrower shall use the proceeds of the Loan solely for the purposes of the Program; and

(b) without any limitations or restrictions upon the provisions of Section 9.01 of the General Conditions and Section 2.08 (b) of this Loan Agreement, the Borrower shall: (i) at all times keep the Bank informed of all notices, certificates and confirmations issued to or received by the Borrower in respect of the Collateral; and (ii) provide to the Bank copies of the monthly reports with respect to the Collateral Accounts to be delivered by the Collateral Agent to the Borrower pursuant to the provisions of the Collateral Pledge Agreements within 15 days of the receipt thereof.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) that any event shall have occurred that, in the reasonable judgment of the Bank, materially and adversely affects the maintenance of the Collateral under the agreements entered into pursuant to the Financing Plan; provided, however, that the preceding provisions shall not apply in the event Collateral has been drawn-down or released in accordance with such agreements; and

(b) the pledge of the Collateral shall have ceased to be a valid and perfected first priority security interest in favor of the Collateral Agent on behalf of the holders of the Eligible Bonds.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that there shall be furnished to the Bank an opinion or opinions satisfactory to the Bank, of counsel acceptable to the Bank, showing that the Implementation Agreement between the Borrower and the Bank dated December 14, 1990, has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and is legally binding upon the Borrower in accordance with its terms;

(b) that the Borrower shall have confirmed, in form and substance satisfactory to the Bank, the availability of adequate resources to implement the Financing Plan; and

(c) that the Borrower shall have executed agreements with participating lenders: (i) for the exchange, under the Financing Plan, of eligible debt, aggregating at least the equivalent of eleven billion dollars for Collateralized Floating Rate Discount Bonds Due 2020, Collateralized Fixed Rate Par Bonds Due 2020 and Front-Loaded Interest Reduction Bonds Due 2007; and (ii) under which said lenders shall have committed new money under the Financing Plan aggregating at least the equivalent of one billion dollars.

Section 6.02. The date of February 14, 1991 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower and the Negotiator of the Venezuelan external debt, are severally designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Hacienda
Direccion General Sectorial
de Finanzas Publicas
Edificio Norte, Piso 5
Centro Simon Bolivar
Caracas 1010, Venezuela

Telex:

24215 HDACP

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	197688 (TRT)
Washington, D.C.	248423 (RCA)
	64145 (WUI) or
	82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, 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.

REPUBLIC OF VENEZUELA

By /s/ Carlos Hernandez Delfino
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ S. Shahid Husain
Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds
of the Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Loan may be withdrawn from the Loan Account for payments made or, if the Bank shall so agree, to be made, in respect of the provision of Collateral for the Eligible Bonds and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments to be made in respect of the provision of Collateral unless: (a) the Bank shall have approved the procedures for such withdrawals; and (b) the Bank shall be satisfied, based on evidence satisfactory to the Bank, with the arrangements for the maintenance of the Collateral.

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each June 15 and December 15	
beginning June 15, 1996 through December 15, 2005	7,500,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years	0.73

before maturity	
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

SCHEDULE 3

Modifications to the General Conditions

1. The following provisions of the General Conditions are deleted:

- (a) The last sentence of Section 3.02.
- (b) Section 5.02.
- (c) Section 5.04.
- (d) Section 5.08.
- (e) The phrase ", except that the Borrower may not so cancel any amount of the Loan in respect of which the Bank shall have entered into a special commitment pursuant to Section 5.02" in Section 6.01.
- (f) Paragraph (c) of Section 6.03.
- (g) Section 6.04.
- (h) The phrase "and not subject to any special commitment entered into by the Bank pursuant to Section 5.02" in Section 6.07.
- (i) Section 9.04
- (j) Section 9.05.
- (k) Section 9.06.
- (l) Section 9.08.
- (m) Section 9.09.

2. Section 2.01, paragraph 11, shall be modified to read:

"'Program' means the provision of Collateral (as defined in the Loan Agreement) for the purpose of securing the payment of interest on Eligible Bonds (as defined in the Loan Agreement) to be exchanged for Eligible Debt (as defined in the Loan Agreement) that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement. All references to 'Project' in these General Conditions shall be understood as references to 'Program' as defined in this paragraph."

3. Section 4.01 shall be modified to read:

"Section 4.01. Currencies in which withdrawals are to be Made. Except as the Bank and the Borrower shall otherwise agree, withdrawals from the Loan Account shall be made in the respective currencies in which the payments to be financed out of the proceeds of the Loan have been made or are to be made."

4. The last sentence of Section 4.02 (a) shall be modified to read:

"Each such amount shall be deleted from the Central Disbursement Account on the date it becomes due or such earlier date as may be accepted by the Bank for prepayment or

as may be specified for prepayment pursuant to the Loan Agreement."

5. The second sentence of Section 4.02 (c) shall be modified to read:

"Each such amount shall be deleted from such sub-account on the date it becomes due or such earlier date as may be accepted for prepayment or as may be specified for prepayment pursuant to the Loan Agreement."

6. Section 5.01 shall be modified to read:

"Section 5.01. Withdrawal from the Loan Account. The Borrower shall be entitled to withdraw from the Loan Account amounts paid or, if the Bank shall so agree, to be paid for the purposes of the Program in accordance with the provisions of the Loan Agreement and of these General Conditions.

7. Section 5.03 shall be modified to read:

"Section 5.03. Applications for Withdrawal. When the Borrower shall desire to withdraw any amount from the Loan Account, the Borrower shall deliver to the Bank a written application in such form, and containing such statements and agreements, as the Bank shall reasonably request. Applications for withdrawal, including the documentation required pursuant to this Article, shall be made promptly in relation to payments for the Program."

8. Section 9.07 shall be modified to read:

"Section 9.07. Records and Reports. (a) The Borrower shall: (i) maintain records and procedures adequate to record and monitor the progress of the Program (including its cost and the benefits to be derived from it), to identify the payments financed out of the proceeds of the Loan, and to disclose their use in the Program; (ii) enable the Bank's representatives to examine the records and documents relevant to the performance of the obligations of the Borrower under the Loan Agreement; and (iii) furnish to the Bank at regular intervals all such information as the Bank shall reasonably request concerning the Program, its cost and, where appropriate, the benefits to be derived from it, and the payments financed out of the proceeds of the Loan.

(b) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Bank and the Borrower, 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 carrying out of the Program, 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 and the accomplishment of the purposes of the Loan."

