

LOAN NUMBERS 3091-VE
3092-VE
3223-VE
3224-VE

Relating to the use for debt reduction
of portions of the proceeds of Loans
3091-VE (Structural Adjustment Loan),
3092-VE (Trade Policy Loan),
3223-VE (Public Enterprise Reform Loan) and
3224-VE (Financial Sector Adjustment Loan)

between

REPUBLIC OF VENEZUELA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 14, 1990

LOAN NUMBERS 3091-VE
3092-VE
3223-VE
3224-VE

IMPLEMENTATION AGREEMENT

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

WHEREAS (A) By (i) a Loan Agreement between the Borrower and the Bank dated October 16, 1989 for the Structural Adjustment Loan No. 3091-VE (such agreement, as amended, hereinafter called the SAL Loan Agreement), (ii) a Loan Agreement between the Borrower and the Bank dated October 16, 1989 for the Trade Policy Loan No. 3092-VE (such agreement, as amended, hereinafter called the TPL Loan Agreement), (iii) a Loan Agreement between the Borrower and the Bank dated October 15, 1990 for the Public Enterprise Reform Loan No. 3223-VE (such agreement hereinafter called the PERL Loan Agreement), and (iv) a Loan Agreement between the Borrower and the Bank dated October 15, 1990 for the Financial Sector Adjustment Loan No. 3224-VE (such agreement hereinafter called the FSAL Loan Agreement), the Bank agreed to make each of the aforementioned four Loans (each of such Loans hereinafter respectively called SAL, TPL, PERL and FSAL, and collectively called the Loans) in amounts in various currencies equivalent to four hundred and two million dollars (\$402,000,000), three hundred and fifty-three million dollars (\$353,000,000), three hundred and fifty million dollars (\$350,000,000), and three hundred million dollars (\$300,000,000), respectively, on the terms and conditions respectively set forth in the SAL Loan Agreement, the TPL

Loan Agreement, the PERL Loan Agreement and the FSAL Loan Agreement;

(B) the SAL Loan Agreement stipulates that subject, inter alia, to an agreement between the Borrower and the Bank, the Borrower shall have the option to use a portion of the proceeds of the SAL up to an amount equivalent to one hundred million dollars (\$100,000,000) as provided in Section 3.05 of the SAL Loan Agreement (the SAL Set-aside Funds) for a Debt Reduction Plan (as the term is defined in such Section 3.05);

(C) the TPL Loan Agreement stipulates that subject, inter alia, to an agreement between the Borrower and the Bank, the Borrower shall have the option to use a portion of the proceeds of the TPL up to an amount equivalent to eighty-seven million five hundred thousand dollars (\$87,500,000) as provided in the Section 3.05 of the TPL Loan Agreement (the TPL Set-aside Funds) for a Debt Reduction Plan (as the term is defined in such Section 3.05);

(D) the PERL Loan Agreement stipulates that subject, inter alia, to an agreement between the Borrower and the Bank, the Borrower may use a portion of the proceeds of the PERL up to an amount equivalent to eighty-seven million five hundred thousand dollars (\$87,500,000) as provided in Section 3.05 of the PERL Loan Agreement (the PERL Set-aside Funds) for a Debt Reduction Plan (as the term is defined in Section 1.02 (c) of the PERL Loan Agreement) under Part B of the Project described in Schedule 2 to such PERL Loan Agreement;

(E) the FSAL Loan Agreement stipulates that subject, inter alia, to an agreement between the Borrower and the Bank, the Borrower may use a portion of the proceeds of the FSAL up to an amount equivalent to seventy-five million dollars (\$75,000,000) as provided in Section 3.05 of the FSAL Loan Agreement (the FSAL Set-aside Funds) for a Debt Reduction Plan (as the term is defined in Section 1.02 (c) of the FSAL Loan Agreement) under Part B of the Project described in Schedule 2 to the FSAL Loan Agreement;

(F) the Borrower has requested the international banking community to participate in a debt relief and new financing package distributed to the relevant creditors as of June 25, 1990, denominated "1990 Financing Plan" (hereinafter the Financing Plan) designed to support the Borrower's medium-term growth-oriented economic program, and the international banking community has responded favorably to such request;

(G) the Borrower has requested the Bank to release the Set-aside Funds (as hereinafter defined) in such amounts as will be necessary for financing the provision of collateral to secure interest payments on, and the payment of the principal amount of, Bonds (as hereinafter defined) to be issued in exchange for existing debt as part of the Financing Plan and, for that purpose, to enter into this agreement (hereinafter the "Implementation Agreement") for purposes of implementing the said financing;

(H) the Borrower hereby represents to the Bank that the execution of this Agreement has been duly authorized by the following Borrower's Laws (i) "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. 4,194 dated July 30, 1990, in respect of the PERL and FSAL Loan Agreements, (ii) "LEY QUE AUTORIZA AL EJECUTIVO NACIONAL PARA CELEBRAR OPERACIONES DE CREDITO PUBLICO DESTINADAS AL FINANCIAMIENTO SOCIAL Y ASISTENCIA TECNICA COMO APOYO AL PROGRAMA DE AJUSTE MACROECONOMICO, Y DE OPERACIONES DE REDUCCION DE LA DEUDA PUBLICA EXTERNA, HASTA POR LA CANTIDAD DE VEINTITRES MIL NOVECIENTOS MILLONES DE BOLIVARES" published in the Borrower's Official Gazette Issue No. 34,305 dated

September 14, 1989, in respect of the SAL Loan Agreement, and (iii) "LEY QUE AUTORIZA AL EJECUTIVO NACIONAL PARA CELEBRAR OPERACIONES DE CREDITO PUBLICO, DESTINADAS AL FINANCIAMIENTO PARCIAL DE LOS PROGRAMAS DE APOYO A LA REFORMA COMERCIAL QUE ADELANTA EL EJECUTIVO NACIONAL PARA EL PERIODO 1989 - 1991 Y DE OPERACIONES DE REDUCCION DE LA DEUDA PUBLICA EXTERNA, HASTA POR UN MONTO DE QUINCE MIL QUINIENTOS CINCUENTA MILLONES DE BOLIVARES" as published in the Borrower's Official Gazette Extraordinary Issue No. 4,124 dated September 14, 1989, in respect of the TPL Loan Agreement; and

WHEREAS, upon the basis, inter alia, of the foregoing, the Borrower and the Bank have agreed to enter into the Implementation Agreement on the terms and conditions hereinafter set forth.

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) It is hereby agreed that (i) this Implementation Agreement is being entered into to supplement the provisions of each of the SAL Loan Agreement, the TPL Loan Agreement, the PERL Loan Agreement and the FSAL Loan Agreement with the aim of governing the withdrawal of proceeds of the respective Loans made thereunder for the purposes described in Clause (G) of the Preamble to this Agreement; (ii) this agreement will be considered a supplemental agreement for purposes of Section 2.01 paragraph 3 of the General Conditions applicable to each of the aforesaid Loan Agreements; and (iii) to the extent said General Conditions shall apply to the use of the Set-aside Funds and to this Implementation Agreement, each reference to "Project" in the provisions of said General Conditions and in this Implementation Agreement shall be understood as a reference to "Program", as defined in paragraph (b) of this Section.

(b) "Program" means the provision of Collateral for the purpose of securing interest payments on, and payment of the principal amount of, Bonds to be exchanged for Eligible Debt to be financed out of the proceeds of the Loan withdrawn from the Loan Account as SAL, TPL, PERL or FSAL Set-aside Funds, as the case may be, pursuant to the provisions of this Implementation Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in Section 1.01 above, in the Preamble to this Implementation Agreement and, unless otherwise required by the context, in the SAL Loan Agreement, the TPL Loan Agreement, the PERL Loan Agreement and the FSAL Loan Agreement, and the General Conditions applicable thereto, have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Bonds" means each of the Collateralized Floating Rate Discount Bonds Due 2020 to be issued by the Borrower as described in the Financing Plan;

(b) "Collateral" means collateral to be pledged by the Borrower in connection with the Exchange (as hereinafter defined), to secure interest payments on, and the payment of the principal amount of, Bonds in accordance with agreements entered into pursuant to the Financing Plan, and to be financed out of the Set-aside Funds (as hereinafter defined);

(c) "Collateral Accounts" means the several interest and principal Collateral Accounts in which the Collateral for the 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;

(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 hereinafter defined) for new debt evidenced by the Bonds to be implemented in accordance with agreements entered into pursuant to the Financing Plan;

(f) "Participating Lender" means each commercial bank or other financial institution with Eligible Debt that elects to participate in the Financing Plan;

(g) "Fiscal Year" means the fiscal year of the Borrower beginning on January 1, 1990 or on January 1, 1991; and

(h) "Set-aside Funds" means any of the SAL Set-aside Funds or the TPL Set-aside Funds or the PERL Set-aside Funds or the FSAL Set-aside Funds or, if the context so requires, collectively, all of the said Set-aside Funds.

ARTICLE II

The Loan

Section 2.01. An amount of the Set-aside Funds not exceeding the equivalent of \$285,000,000 may be withdrawn from the Loan Accounts opened by the Bank for each of the PERL, FSAL, SAL and TPL in accordance with the provisions of Schedule 1 to this Implementation Agreement; provided, however, that withdrawals from the applicable Loan Account shall be made in the same order in which the Loans are mentioned above in this Section.

Section 2.02. Any amount of the SAL Set-aside Funds or the TPL Set-aside Funds or the PERL Set-aside Funds or the FSAL Set-aside Funds that shall have not been withdrawn from the applicable Loan Account by February 28, 1991, or such later date as approved by the Bank shall, at the request of the Borrower: (i) be made available again for disbursements from the applicable Loan Account in accordance with the provisions of Schedule 1 to the SAL Loan Agreement and the TPL Loan Agreement, in the case of the SAL Set-aside Funds and the TPL Set-aside Funds, respectively, and the options provided for in Section 3.05 of the SAL Loan Agreement or of TPL Loan Agreement or both, as the case may be, shall thereafter terminate or (ii) be reallocated to Category 1, 2 or 3 of the table in paragraph 1 of Schedule 1 to the PERL Loan Agreement or the FSAL Loan Agreement, as the case may be, in accordance with and as if they were governed by the provisions of paragraph 8 of Schedule 1 to each such Loan Agreement, in the case of the PERL Set-aside Funds and the FSAL Set-aside Funds, respectively, and Category 4 of the aforesaid table of the PERL Loan Agreement or of the FSAL Loan Agreement, or of both, as the case may be, shall be deemed in-existent thereafter except to the extent funds thereunder have been withdrawn; provided, however, that, before the aforesaid date but after the amounts of the Set-aside Funds withdrawn from the corresponding Loan Accounts have reached the amount stipulated in Section 2.01 of this Implementation Agreement, the aforesaid provisions shall also apply to any unwithdrawn amount of TPL Set-aside Funds.

Section 2.03. (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 SAL, PERL, FSAL or TPL then outstanding but not exceeding the amount of the SAL Set-aside Funds, TPL Set-aside Funds, PERL Set-aside Funds and FSAL Set-aside Funds, respectively, as specified below and in the successive order in which the said Bank loans are mentioned above, together with all accrued interest and other charges thereon:

- (i) The Bank shall have determined at any time that any amount of the aforesaid Set-aside Funds has not been used on or prior to the date referred to in Section 2.02 of this Implementation Agreement for the purpose of the Program, and such amount

has not been reallocated pursuant to such Section 2.02, in which case the amount of such Set-aside Funds 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, in which case the amount subject to prepayment shall be the portion of the Collateral so released. 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: (A) to support further debt or debt service reduction activities of the Borrower; or (B) to finance imports of goods acceptable to the Bank under the applicable Loan Agreement.

(b) The Borrower shall inform the Bank of the occurrence of any of the events listed in 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 the SAL and TPL Loan Agreements and Schedule 3 to the PERL and FSAL Loan Agreements on prepayment of any portion of the SAL and TPL Set-aside Funds, or PERL and FSAL Set-aside Funds, respectively, pursuant to paragraph (a) of this Section; and

(d) Prepayment of all or any portion of the Set-aside Funds 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. For purposes of the provisions of Section 4.02 (a) and (c) of the General Conditions referred to in Section 1.02 of this Implementation Agreement, the aforesaid date shall be the date accepted by the Bank for prepayment.

ARTICLE III

Other Covenants

Section 3.01. (a) The Borrower and the Bank shall, from time to time, at the request of any party, exchange views on the Program; and

(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 3.02. (a) The Borrower shall use the proceeds of each of the SAL, TPL, PERL and FSAL Set-aside Funds withdrawn from the respective Loan Account 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 2.03 (b) of this Implementation 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 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 IV

Financial Covenants

Section 4.01. (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 each of the SAL, TPL, PERL and FSAL Set-aside Funds.

(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 applicable 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 withdrawal from the applicable Loan Account were 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 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 Bonds.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Implementation 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 this Implementation Agreement 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 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; and

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

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 Set-aside Funds of the Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of each of the SAL, TPL, PERL and FSAL Set-aside Funds may be withdrawn from the corresponding Loan Account for payments made or, if the Bank shall so agree, to be made, in respect of the provision of Collateral for the 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.



