

No. 8265

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
VENEZUELA**

Guarantee Agreement—*Telecommunications Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the *Compañía Anónima Nacional Teléfonos de Venezuela*). Signed at Washington, on 13 December 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 20 July 1966.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
VENEZUELA**

Contrat de garantie — *Projet relatif aux télécommunications* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la *Compañía Anónima Nacional Teléfonos de Venezuela*). Signé à Washington, le 13 décembre 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 20 juillet 1966.

No. 8265. GUARANTEE AGREEMENT¹ (*TELECOMMUNICATIONS PROJECT*) BETWEEN THE REPUBLIC OF VENEZUELA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 13 DECEMBER 1965

AGREEMENT, dated December 13, 1965 between the REPUBLIC OF VENEZUELA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and COMPAÑIA ANÓNIMA NACIONAL TELÉFONOS DE VENEZUELA (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to thirty-seven million dollars (\$37,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,³ subject, however, to the modification thereof set forth in Section 1.01 of the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the term defined in Section 1.02 of the Loan Agreement shall have the same meaning as therein set forth.

¹ Came into force on 1 February 1966, upon notification by the Bank to the Government of Venezuela.

² See p. 88 of this volume.

³ See p. 86 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external 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 the 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; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision.

Section 3.02. (a) The Guarantor and the Bank 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. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank 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. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor; 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 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor.

Section 3.06. The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

Section 3.07. The Guarantor covenants that it will cause the Borrower's rates for its services to be set and maintained at such levels as may be required to provide the Borrower with revenues (excluding subsidies from the Guarantor) sufficient to :

- (a) cover all operating and administrative expenses, including taxes, if any, and adequate maintenance and straight-line depreciation;
- (b) meet service payments on debt to the extent not covered by depreciation; and
- (c) produce a reasonable return on the realistic value of its total net fixed assets in operation.

Section 3.08. The Guarantor undertakes that : (a) by August 15, 1966, or such other date or dates as shall be agreed by the Guarantor and the Bank, it will transfer to the Borrower title to all the telecommunications property, plant, installations and equipment (with the exception of those connected with telegraph services) of the Ministry of Communications of the Guarantor as required by law dated July 6, 1965, published in the *Gaceta Oficial* Number 27,781 of July 8, 1965, of the Guarantor, such transfers to be made as free and unconditional equity investments of the Guarantor in the Borrower's capital; and (b) until the transfer of such property is effected, it will not modify, terminate or fail to enforce the Contract of Lease with respect to such property of October 19, 1964, between the Guarantor and the Borrower.

Section 3.09. The Guarantor covenants that, except as the Guarantor and the Bank shall otherwise agree : (a) the terms and conditions under which funds, assets or proceeds of credits have been made available by the Guarantor to the Borrower up to the date of this Agreement shall be amended to the effect that such funds, assets or proceeds of credits shall constitute, legally and financially, free and unconditional equity investments in the Borrower's capital; and (b) any such funds, assets or proceeds of credits to be made available thereafter shall be made available on the said terms and conditions.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall appoint in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :