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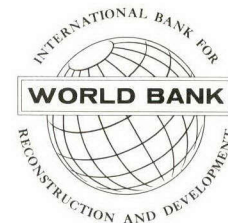
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Economic Committee Papers - IBRD - Bank Press Release Number 71/63 - 23,250,000
Loan for a Pipeline to Transmit Natural Gas from Bolivia to Argentina

FOR IMMEDIATE RELEASE

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT



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Bank Press Release No. 71/63
July 1, 1971

Subject: \$23,250,000 loan for a pipeline
to transmit natural gas from
Bolivia to Argentina

The World Bank has approved a \$23,250,000 loan to replace a loan in the same amount originally made in July 1969 to Compania Yacibol Bogoc Transportadores (YABOG) for the construction of a natural gas pipeline from Santa Cruz in Bolivia to Yacuiba on the Bolivian-Argentine border.

Yacimientos Petroliferos Fiscales Bolivianos (YPFB), the Bolivian state oil enterprise, and the Bolivian Gulf Oil Company (BOGOC) were the owners of YABOG at the time of the original loan and guaranteed it jointly and severally. In October 1969, before the original loan became effective, the Bolivian Government nationalized the properties of BOGOC and terminated its concession. In September 1970, the Bolivian Government provided by decree for the compensation of BOGOC. The project has now been reconstituted with the active cooperation of the Governments of Bolivia and Argentina, and the Inter-American Development Bank.

The Santa Cruz-Yacuiba pipeline is a project of international interest which should prove of great benefit to both Bolivia and Argentina and requires the close cooperation of both countries to achieve success. The project will help Bolivia diversify and expand exports and also provide additional tax revenues, thus making a key contribution to the country's economic growth. At the same time the project will help Argentina to satisfy increasing demand for natural gas.

The project consists of the construction of a 330-mile long high pressure natural gas trunk line from Santa Cruz to Yacuiba, a 12-mile long lateral line to Naranjillos and a number of river crossings, together with metering and regulating stations and other appurtenant facilities.

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The cost of the project, presently estimated at about \$56 million will be financed with the proceeds of a \$14 million loan made to YABOG in 1969 by the New York State Common Retirement Fund, a \$19 million loan by the Inter-American Development Bank and the \$23.25 million World Bank loan.

In the spring of 1969, after international competitive bidding, concluded in accordance with the Bank's guidelines, YABOG awarded the construction contract to Williams Brothers of the United States and placed orders for pipe with Ferrostaal A.G. of the Federal Republic of Germany. Substantial investment in the project was made in the course of 1969 and construction resumed in April 1971 under interim financing arrangements. The project is expected to be completed in the first half of 1972.

Under the existing 20-year sales agreement which provides for deliveries of gas to Gas del Estado, the Argentine state gas enterprise, Gas del Estado will purchase the gas -- 141 million cubic feet per day for the first seven years and 159 million cubic feet per day for the following 13 years -- at a fixed price in United States dollars. Part of the proceeds of the sales will be devoted to the service of the loans made for the project.

The Bank loan, which will be guaranteed by the Republic of Bolivia and the Argentine Republic, will be for a term of 20 years, including a two-year grace period. As under the original loan agreement, the interest rate will be 6½%.

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