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Folder ID: 1614837

Project ID: P008181

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Washington, D.C.

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1614837

A1995-113 Other #: 19 170002B

Guri Hydroelectric Project - Venezuela, Republica Bolivariana de - Loan 0353 - P008181
1969 / 1971 Administration - Volume 1

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**RETURN TO
RECORDS CENTER ROOM HB-1
1969-71 MATERIAL
BOX NO. 114-20**

THIS FILE IS CLOSED AS OF
DECEMBER 1971.
FOR FURTHER CORRESPONDENCE SEE:
1972 - 1974.

RECORDS MANAGEMENT SECTION
January 1972



Record Removal Notice



File Title Guri Hydroelectric Project - Venezuela, Republica Bolivariana de - Loan 0353 - P008181 - 1969 / 1971 Administration - Volume 1		Barcode No. 1614837		
Document Date 08 July, 1971	Document Type Letter			
Correspondents / Participants To: Legal Files From: C.F. Amerasinghe				
Subject / Title Foreign Business - Contract Dispute and Bank Policy - Kaiser Case (Venezuela)				
Exception(s) Attorney-Client Privilege				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Tonya Ceesay</td><td>Date 9/5/2016</td></tr></table>	Withdrawn by Tonya Ceesay	Date 9/5/2016
Withdrawn by Tonya Ceesay	Date 9/5/2016			

Legal Files

July 8, 1971

C. F. Amerasinghe

Foreign Business - Contract Dispute and Bank Policy - Kaiser Case (Venezuela)

1. Kaiser Industries Corporation, as the leading representative of the Guri Consortium which had a contract with EDELCA, the Borrower, under Loan No. 353 VE (1963 - Power), claimed that EDELCA was acting in breach of contract and that the Consortium was likely to suffer loss as a consequence amounting to between \$45 million and \$50 million. The claim of the Consortium was that the conditions encountered on the job were unforeseen and were different from those represented by the Borrower at the time bids were made. Additional excavations and their nature had delayed the job and had increased the costs significantly. This "economic unbalance" required adjustment of terms under the contract. EDELCA and the consultants retained under the Loan Agreement disagreed with this position (Mr. Zinman's memo to files of February 24, 1967 - "Venezuela - Guri Hydroelectric Project (Loan 353 VE)"). Complaints were made to the Bank by the contractors.
2. The contractors claimed that there should be binding arbitration of the differences, although the contract provided for arbitration with an appeal to the Venezuelan courts. They argued that appeal to the courts would cause delays. EDELCA claimed that resort to arbitration should be subject to appeal to the Venezuelan courts as required by the contract (Mr. Howell's memo to Operational Files of March 23, 1967 - "Venezuela - Loan 353 VE - Guri Hydroelectric Project").
3. The Bank took the view that it should remain neutral and decided to declare effective Loan No. 482 VE signed on January 26, 1967, which was also to EDELCA (for power), when the conditions stipulated in the Loan Agreement were fulfilled ("Venezuela - Guri Hydroelectric Project - Working Party Observations" of March 29, 1967). No other loans or credits were pending at the time, the next one signed being in 1969 (Loan No. 629 - Power).
4. On June 6, 1967 the dispute was settled by signature of a Financial Agreement between the parties. This agreement was approved by the Bank. Article 12 of the agreement provided that differences arising from the original contract should be amicably settled by the parties failing which resort should be had to arbitration with appeal to Venezuelan courts under the original contract. Article 17 of the agreement stipulated that disputes under the agreement should be submitted to the Venezuelan courts.

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ADMINISTRATIVE

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CENTRAL FILES
JUN 12 10 44 AM 1971

4. On June 6, 1967 the dispute was settled by signature of a financial agreement between the parties. This agreement was approved by the Bank. Article 12 of the agreement provided that differences arising from the original contract should be amicably settled by the parties failing which resort should be had to arbitration with appeal to Venezuelan courts under the original contract. Article 17 of the agreement stipulated that disputes under the agreement should be submitted to the Venezuelan courts.

3. The Bank took the view that it should remain neutral and decided to declare effective Loan No. 482 VE signed on January 26, 1967, which was also to EDELCA (for power), when the conditions stipulated in the loan agreement were fulfilled ("Venezuela - Guri Hydroelectric Project - Working Party Observations" of March 29, 1967). No other loans or credits were pending at the time, the next one signed being in 1969 (Loan No. 629 - Power).

2. The contractors claimed that there should be binding arbitration of the differences, although the contract provided for arbitration with an appeal to the Venezuelan courts. They argued that appeal to the courts would cause delays. EDELCA claimed that resort to arbitration should be subject to appeal to the Venezuelan courts as required by the contract (Mr. Howell's memo to Operational Files of March 22, 1967 - "Venezuela - Loan 323 VE - Guri Hydroelectric Project").

1. Kaiser Industries Corporation, as the leading representative of the Guri Consortium which had a contract with EDELCA, the Borrower, under Loan No. 323 VE (1963 - Power), claimed that EDELCA was acting in breach of contract and that the Consortium was likely to suffer loss as a consequence amounting to between \$45 million and \$50 million. The claim of the Consortium was that the conditions encountered on the job were unforeseen and were different from those represented by the Borrower at the time bids were made. Additional excavations and their nature had delayed the job and had increased the costs significantly. This "economic imbalance" required adjustment of terms under the contract. EDELCA and the consultants retained under the loan agreement disagreed with this position (Mr. Zinnman's memo to Files of February 24, 1967 - "Venezuela - Guri Hydroelectric Project (Loan 323 VE)"). Complaints were made to the Bank by the contractors.

Foreign Business - Contract Dispute and Bank Policy - Kaiser Case (Venezuela)

C. F. International

Legal Files

July 5, 1971

Venezuela - Loan 323 VE

July 8, 1971

Comment

5. In taking a neutral stand and proceeding with operations during the dispute the Bank seems to have followed its usual policy of avoiding any involvement in disputes arising from contracts, not lending its good offices and continuing operations (see O.P.M. 1.01, paragraph 11), even though in this case the dispute arose from a contract connected with a project for which the Bank had made a loan and therefore was a special one (see O.P.M. 1.01, paragraph 13). In taking the stand it did, the Bank impliedly agreed that the contractor should in the last resort submit to arbitration subject to an appeal to the local courts as required by the contract and local law. From the surrounding facts and circumstances, it would appear that the Bank suspected the contractor's motives in this case. This may also account for the Bank's not having taken a more active role in the dispute, even though, only through project supervision, although the dispute arose from a contract connected with a project for which the Bank had made a loan.

cc. Messrs. Broches
Nurick
Sella
Scott

CEAmersinghe/cl

17 JUL 15 10 44 AM '71
CENTRAL FILE
RECEIVED

July 8, 1971

- 2 -

Legal Files

Comment

3. In taking a neutral stand and proceeding with operations during the dispute the Bank seems to have followed its usual policy of avoiding any involvement in disputes arising from contracts, not lending its good offices and continuing operations (see O.P.M. I.OI, paragraph 11), even though in this case the dispute arose from a contract connected with a project for which the Bank had made a loan and therefore was a special one (see O.P.M. I.OI, paragraph 13). In taking the stand it did, the Bank impliedly agreed that the contractor should in the last resort submit to arbitration subject to an appeal to the local courts as required by the contract and local law. From the surrounding facts and circumstances, it would appear that the Bank suspected the contractor's motives in this case. This may also account for the Bank's not having taken a more active role in the dispute, even though only through project supervision, although the dispute arose from a contract connected with a project for which the Bank had made a loan.

cc. Messrs. Broches
Hurtak
Sella
Scott

CHAMBERS/CI

RECEIVED
CENTRAL FILES
JUL 12 10 44 AM 1971

Your Ref: 38

February 16, 1971

C.V.G. Electrificación del Caroní, C.A.
Apartado 62413 Este
Caracas, Venezuela

Re: Loan 353-VE

Gentlemen:

We acknowledge with thanks receipt of your letter dated February 2, 1971 with which you enclosed a copy of your Quarterly Progress Report for the period ended September 30, 1970.

We are studying the report and if there are any questions or comments on the information presented, we will write to you again.

Very truly yours,

Donald King
Chief, Power Division III
Public Utilities Projects Department

dc
IBRD

Your Ref: 320

October 21, 1970

C.V.G. Electrificación del Caroni, C.A.
Apartado 62413 Este
Caracas, Venezuela

Re: ³⁵³Loan ~~182~~-VE

Gentlemen:

We acknowledge with thanks receipt of your letter dated October 15, 1970 with which you enclosed a copy of your Quarterly Progress Report for the period ended June 30, 1970.

We are studying the report and if there are any questions or comments on the information presented, we will write to you again.

Very truly yours,

for Donald King
Acting Chief, Power Division III
Public Utilities Projects Department

dc
IHRD

7-15-70
Your Ref:

October 9, 1970

C.V.G. Electrificación del Caroni, C.A.
Apdo. 11563 Este
Caracas, Venezuela

Re: Loan 353-VE

Gentlemen:

We acknowledge with thanks receipt of your letter dated September 30, 1970 with which you enclosed a copy of your Quarterly Progress Report for the period ended March 31, 1970.

We are studying the report and if there are any questions or comments on the information presented, we will write to you again.

Very truly yours,

Donald King
Acting Chief, Power Division III
Public Utilities Projects Department

dc
IBRD

Dept. Files

July 22, 1970

C.V.G. Electrificación del Caroni, C.A.
Apdo 62413 Este
Caracas, Venezuela

Re: Loans 353/629-VE

Gentlemen:

We wish to bring to your attention that we have not received the quarterly progress report for the period ended March 31, 1970.

We would appreciate receiving this report at your earliest convenience.

Thanking you for your kind attention to this matter,

Very truly yours,

for Donald King
Deputy Chief, Power Division III
Public Utilities Projects Department

af
IBRD

Form No. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP

Date

7/10

NAME

ROOM NO.

Mr. W. J. J.

☒ To Handle

Note and File

☐ Appropriate Disposition

Note and Return

☐ Approval

Prepare Reply

☐ Comment

Per Our Conversation

☐ Full Report

Recommendation

☐ Information

Signature

☐ Initial

Send On

REMARKS

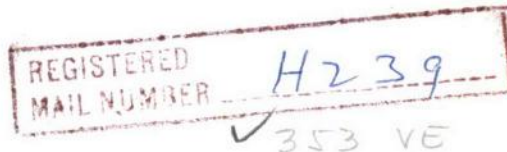
From

Edgar Gutiérrez



REPUBLICA DE VENEZUELA
MINISTERIO DE HACIENDA
DESPACHO DEL MINISTRO

Oficio
No. 26 232



Caracas, 6 de julio de 1970

Señor doctor
Edgar Gutiérrez
Director Departamento de Centroamérica
y del Caribe
1818 H Street-N. W. Washington D. C.
U. S. A.

Estimado doctor Gutiérrez:

Vengo por medio de la presente a contestar su carta de fecha 21 de mayo de 1970 en la que se refiere a las operaciones de crédito realizadas por el Banco Mundial con el INOS, CADAFE y EDELCA. Expresa usted en la misma preocupación por los niveles de ingreso y la situación general de liquidez de cada uno de esos organismos en vista de sus relaciones contractuales con el mencionado instituto acreedor. Al respecto puedo informarle lo siguiente:

Tenemos todavía pendiente de decisión por el Concejo Municipal la posibilidad de elevar las tarifas de agua. El asesor especial designado por el Concejo, Dr. Pedro Pablo Azpúrua, rendirá su informe para fines de este mes y nos ha anticipado que recomendará una elevación de tarifas a Bs 0.80 el litro. Igualmente recomienda medidas de saneamiento administrativo para superar la actual situación deficitaria del acueducto de Caracas. Lamentablemente no estamos en la posibilidad de asegurar que unas y otras estén cumplidas para el día 31 de agosto de 1970, fecha de vencimiento final para la utilización del crédito.

En primer lugar debemos nuevamente señalar el error inicial incurrido por ambas partes al establecer como condición del préstamo el equilibrio de la gestión financiera del acueducto de Caracas a base de la elevación de tarifas. El cumplimiento de esta condición supone decisiones del Concejo Municipal y no es



REPUBLICA DE VENEZUELA
MINISTERIO DE HACIENDA
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tá dentro de la política del INOS o de su garante el Gobierno Nacional. La variada y compleja integración política del Concejo hace difícil prometer decisiones para una determinada fecha y en función de la política financiera del Ejecutivo Nacional.

Por otra parte, el Gobierno le otorga necesariamente mayor prioridad al restablecimiento del equilibrio de las finanzas - generales del Estado. A tal fin se ha fijado como meta la elabora ción de un presupuesto de ingresos y gastos equilibrado para el próximo ejercicio de 1971. Este presupuesto será presentado al Congreso a comienzos del venidero mes de octubre y para alcan zar el indispensable equilibrio irá acompañado de medidas fiscales productoras de nuevos ingresos para el Tesoro Público. Sobre estas medidas se han tenido conversaciones informativas con la misión de estudios del Banco Mundial y se mencionan algunas de ellas en el proyecto de informe que éste ha discutido con nosotros.

Cabe también observar que la mayoría parlamentaria que podría aprobar las medidas fiscales requeridas para equilibrar el presupuesto no tendría igual carácter decisorio dentro del Concejo Municipal por su diferente integración política. Esto nos obliga, como antes expresamos, a concentrar el esfuerzo en lo grar equilibrar las finanzas del Estado y no arriesgar los resultados de este propósito tratando de formar una mayoría distinta en el Concejo Municipal. Hemos de actuar dentro de las limita ciones que impone la realidad y queremos ser muy sinceros al expresar nuestras prioridades y nuestras posibilidades.

Las consideraciones dichas nos obligan a plantear las alter nativas que pueden ser consideradas en relación con el menciona do préstamo 444-VE del INOS. Una es la que el Banco Mundial convenga en permitir girar contra dicho préstamo sin que se cumpla la condición del alza de tarifas y que otorgue un mayor plazo para lograr este propósito. Este mayor plazo tendría que



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ser por lo menos de dos años adicionales para tener verdadera -
mente perspectivas de cumplimiento. Otra sería la de cancelar de
mutuo acuerdo el saldo no utilizado y otorgar el nuevo plazo men-
cionado para el alza de tarifas. Por último, cabría pensar en la
re-negociación de esa cláusula para sustituirla por otra, cuyo -
cumplimiento dependiera directamente del INOS o de su garante el
Gobierno Nacional.

En relación con CADAFFE y EDELCA hemos podido mejo -
rar la situación de ingresos con dos medidas complementarias co-
rrectivas del creciente endeudamiento gubernamental. Una fue to-
mada en el mes de noviembre de 1969 y establece la obligación de
pronto pago entre entes públicos de conformidad con los términos-
de las instrucciones del Presidente de la República, cuya copia le
anexo. La segunda se refiere a la deuda anterior al presente ejer -
cicio cuya cancelación se realizó por pagos y compensaciones se-
gún se desprende del cuadro que igualmente le anexo. En estos -
términos el INOS está al día en sus pagos con CADAFFE y ésta a
su vez, ha cancelado las 2/3 partes de sus obligaciones con -
EDELCA, esperándose que el saldo de dicha cuenta quede totalmen -
te cancelado en el curso del presente año.

Tenemos todavía presente en CADAFFE el problema creado
por la falta de pago de muchos Concejos Municipales, los cuales -
por su autonomía no pueden ser constreñidos a un cabal cumpli -
miento. Sin embargo, se están estudiando diversas fórmulas para
mejorar la situación entre las cuales parece tener alguna adapta -
ción la venta a los Concejos Municipales de acciones en las empre -
sas locales que les prestan el servicio. Su participación en las -
empresas podría ser factor de una mayor comprensión de la nece -
sidad de asegurar salidas bases financieras sobre todo cuando son
condición básica de las posibilidades de expansión de los servi -
cios.



REPUBLICA DE VENEZUELA
MINISTERIO DE HACIENDA
DESPACHO DEL MINISTRO

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No.

Espero que estas informaciones le sean útiles para entender la situación real existente y los esfuerzos que estamos haciendo para mejorar el buen orden de la administración. En todo caso quedo a su orden para cualquier información adicional que requiera.

Lo saluda atentamente,



Pedro R. Tinoco, hijo
Ministro de Hacienda

cc. Dra. Haydée Castillo de López. Ministro de Fomento
Dr. José Curiel. Ministro de Obras Públicas
Dr. Luis Enrique Oberto, Jefe de CORDIPLAN
General Rafael Alfonzo Ravard, Presidente CVG
Dr. Hugo Negrete, Presidente del INOS
Dr. Ildemaro León, Presidente de CADAPE
Dr. Julio Sosa Rodríguez, Embajador de Venezuela en Washington



REPUBLICA DE VENEZUELA

EL SECRETARIO GENERAL
DE LA PRESIDENCIA

4
Zguelos

Miraflores, 28 de noviembre de 1969

SGP - 016

Ciudadano
Dr. Pedro R. Tinoco, hijo
Ministro de Hacienda
Su Despacho.

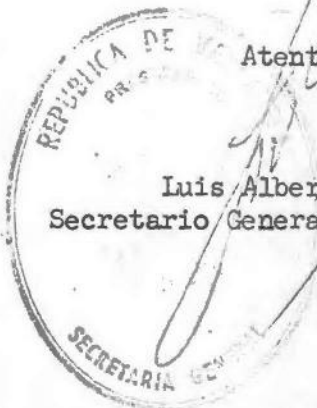
Cumplo instrucciones del ciudadano Presidente de la República al señalarle que, de conformidad con lo acordado en la reunión del Consejo de Ministros del 19 de noviembre próximo pasado, a partir del 1° de enero de 1970 todas las operaciones entre entidades públicas deberán ser pagadas en un plazo no mayor de treinta (30) días, contados a partir de la fecha de facturación. Cualquier pago posterior será considerado como una operación de crédito y requerirá el consentimiento del ente acreedor, con notificación al Ministerio de Hacienda, cuando el saldo deudor pase de la suma de un millón de bolívares (Bs. 1.000.000.00).

En caso de desacuerdo entre acreedor y deudor, la materia deberá ser sometida a decisión del Ejecutivo Nacional por intermedio del Ministerio de Hacienda. Quedará encargado el Tesorero Nacional de efectuar la correspondiente tramitación.

Mucho le estimo imparta instrucciones pertinentes con el objeto de que se dé cumplimiento al contenido de la presente Circular, en el Despacho a su digno cargo y en los Institutos Autónomo y Empresas del Estado vinculados a él.

Atentamente,

Luis Alberto Machado
Secretario General de la Presidencia



✓

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

OFFICE MEMORANDUM

TO : Messrs. Manuel Isla and Karl Stichenwirth DATE: June 10, 1970

FROM : D. King *JK*

SUBJECT: COLOMBIA : Supervision-Loans 369-CO; 537-CO; 575-CO and
681-CO

✓ VENEZUELA : Supervision-Loans 353-VE; 391-VE; 482-VE and
629-VE

GUYANA : Reconnaissance
Terms of Reference

1. You should arrive in Medellin, Colombia on June 13, 1970 to review the status of Guatape Project (Loan 369-CO) and the general affairs of Empresas Publicas de Medellin. You should visit the site, and pay particular attention to problems involved in completion of the Project, especially as they affect its cost, the Closing Date of the Loan, and the need for the balance of funds in the Loan Account. This assignment should require about 3-4 days.
2. From Medellin you should proceed to Bogota for general discussions with Interconexion Electrica S.A. concerning progress of the Interconnection (Loan 575-CO) and the Chivor (Loan 681-CO) Projects. You should take this opportunity to discuss the general affairs of Empresa de Energia Electrica de Bogota, with particular attention to its rate of return performance. You should also review the status of the Canoas/El Colegio Expansion Project (Loan 537-CO). During your visit you should discuss informally with representatives of Departamento Nacional de Planeacion the status of overall sector planning. This assignment should require about 2-3 days.
3. During your stay in Colombia you should also contact appropriate persons of Corporacion Autonoma Regional del Cauca (CVC) and Empresas Municipales de Cali (EMCALI) to discuss the proposed sale of Central Hidroelectrica del Rio Anchicaya, Ltda (CHIDRAL) shares by EMCALI to CVC.
4. From Bogota you should proceed to Caracas, Venezuela to review the general affairs of EDELCA, with particular reference to its overall financial performance, especially the level of its receivables. You should visit the Guri site and review progress of work on the Guri Dam (Loan 353-VE), Extra High-Voltage Transmission System (Loan 482-VE) and Powerhouse Extension (Loan 629-VE). You should visit CADAPE (Loan 391-VE) to discuss its failure to achieve the performance criteria set

June 10, 1970

forth in the Loan Agreement, as outlined in the Bank's letter of May 20, 1970. You should also investigate the current level and composition of CADAPE's receivables, with particular attention to the present level of tariffs and billings to the main customers. This assignment should require about 5-6 days.

5. From Caracas you should proceed to Georgetown, Guyana. The purpose of this visit is primarily to become acquainted with the power supply situation in the country, plans for development of the sector and, more specifically, the affairs and financial position of the Guyana Electricity Corporation (GEC). You should also broadly explain applicable Bank policies as regards lending for power development in general. You should form a preliminary judgment as to the suitability of GEC as a potential borrower, and review the preliminary expansion program prepared by GEC with a view towards its possible suitability for Bank financing, as foreseen for FY 1972 in the Five Year Lending Program. You may be required to hold discussions with various agencies of the Government, which should be arranged in coordination with staff of the Central America and Caribbean Department, if it is in Georgetown at that time. This assignment should require about 5-6 days.

6. Your overall assignment is expected to be completed in time to permit your return to headquarters by about July 2, 1970. You should submit a brief report within about one week, followed by appropriate separate detailed reports within about one month.

7. It is understood you will be accompanied by Mr. Howell.

FHHowell:ps
Bank

Cleared with and cc: Messrs. Frost/Roessler (S. America-Colombia) (4)
Mr. Schloss (C. America & Caribbean-Venezuela) (4)
Mr. Davar (C. America & Caribbean-Guyana) (4)

cc: Messrs. Chadenet, Baum, Weiner, Armstrong, Howell, Berrie,
Jennings, White, Saeed/Ducker

Central Files (12)
Department Files (9)

C. V. G. ELECTRIFICACION DEL CARONI, C. A.

EDELCA

APARTADO 62418 ESTE - TELEFONOS 32.29.15 32.66.70 - 32.72.51

CABLES: EL CARONI - CARACAS - VENEZUELA

Venezuela - Loan 353 VE

AL CONTESTAR REFERIRSE A:	
ARCH.:	NO. <i>172</i>

LUGAR: Caracas,

FECHA: *22 MAYO 1970*

ASUNTO:

Messrs.
International Bank for Re-
construction and Development
1818 H Street, N.W.
Washington D.C. 20433
E.U.A.-

Guri Project. Contract
No. 1. Provisional - -
Acceptance.-

*Central
Files.*

353-VE.

DATE REC'D. *may 26/70*

Date Ack'd. *No reply*

Assigned to *Hmull*

Att: Mr. F. Howell
Chief Power Division III
Public Utilities Project Department

VE-0-20

Please find attached a copy of the "Acta de Aceptación Provisional"
of the subject Contract.

Very truly yours,

EDELCA
C.V.G. ELECTRIFICACION DEL CARONI C.A.
DIRECCION DE OBRAS GURI

[Signature]
Ing. P. PALACIOS HERRERA
Director

HR/mevk.-
21.05.70.-

CONSORCIO GURI

Edificio Atlantic, 4 piso
Avenida Andrés Bello
Los Palos Grandes - Caracas
32.33.12
33.31.38
Teléfonos: 33.92.07
33.92.08

Administradores
Kaiser Engineers and Constructors, Inc.
Asociados a
Paramount Pacific International
Tecn International, Inc., Compañía Anónima de Construcciones
Christiani & Nielsen, Merritt - Chapman & Scott Overseas, Inc.

Dirección Postal:
Apartado No. 1629
Caracas - Venezuela
Cables: CONGURI
Telex - 865

Caracas, 18 de Mayo de 1970
XCG-1743

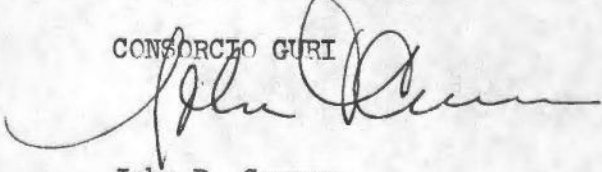
Señores
C.V.G.-Electrificación del Caroní C. A. (EDELCA)
Edificio La Estancia
Ciudad Comercial Tamanaco
Caracas.

Estimados señores:

Conforme a lo previsto en el punto tres del "Acta de Aceptación Provisional de la Obra" que será firmada en el curso del día de hoy, nos es grato informar a Uds. que este Consorcio se compromete y garantiza formalmente a ejecutar tan pronto como le sea posible y en todo caso antes del vencimiento del plazo de un año de la garantía prevista, los trabajos pendientes que se indican en el Anexo No. 1 de la referida "Acta".

De Uds. muy atentamente,

CONSORCIO GURI


John R. Connor
Gerente General

JRC:fb.

ANEXO No. 1
PROYECTO GURI
CONTRATO No. 1
ACEPTACION PROVISIONAL
LISTA DE TRABAJOS PENDIENTES

A. TRABAJO CIVIL

1. Presa de Gravedad Izquierda.

- a) Remoción del depósito de arena en la toma de agua de los nuevos tubos.
- b) Remoción de las líneas de aire y agua del tope de la Presa.
- c) Remoción del tubo de 18" y de los cables en cota 208 en la Presa.
- d) Rellenar y dar pendiente al área entre el acceso y la Presa.
- e) Reemplazar el tubo pasamano MK 231-1.
- f) Componer la pendiente aguas abajo, rellenando el hueco cerca -- del Monolito 8.
- g) Limpiar los orificios de drenaje.

2. Aliviadero.

- a) Reparar las ojivas (reemplazar las reparaciones desprendidas).
- b) Repintar todas las áreas donde falló la pintura sumergida, estas reparaciones deben hacerse a satisfacción de EDELCA.
- c) Remover las líneas de aire y agua.
- d) Repintar las aceras del puente.
- e) Colocar el pasamano en la pila adyacente a la Presa.
- f) Drenar el acceso al Aliviadero por la pila adyacente a la Presa de Gravedad Izquierda.
- g) Reparar la malla contra pájaros MK-317-16 de la pila en el acceso a la galería Cota 215.
- h) Asegurar los pasamanos sueltos.
- i) Limpiar los orificios de drenaje.

3. Presa de Gravedad Derecha.

- a) Limpiar orificios de drenaje.
- b) Reparar y proveer cadenas de seguridad.



.../...



- c) Calafateo de las juntas de contracción, Cota 220.
- d) Remoción de pasarelas y tuberías de la construcción de la Presa.
- e) Remover las manchas marrones de la tubería forzada en su empotramiento con la Presa.
- f) Eliminar las filtraciones de los durmientes en las tomas; remover los escombros.
- g) Remoción de la grasa negra de las tuberías forzadas.
- h) Reparar el drypack bajo los winches de las compuertas de toma, -- Monolito 12.
- i) Asegurar el gabinete de control del winche en el Monolito 14.
- j) Reemplazar y reparar los pasamanos.
- k) Reparar el concreto dañado y astillado a lo largo de las aceras de la Presa.
- l) Fijar las mallas contra pájaros en las galerías.
- m) Reparar las guías de las rejas contra basura y las guías de las compuertas de toma dañadas.

4. Casa de Máquinas.

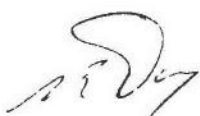
- a) Remover todas las bombas, tuberías y andamiaje de la plataforma -- de la tubería de aspiración, instalar pasamanos y los topes para las ruedas de transformadores y grúa pórtico.
- b) Limpieza del área entre los rieles de grúa y el muro.
- c) Calafateo de las juntas de contracción de la plataforma Elev. 148.
- d) Fijar las persianas arrollables de aluminio en el muro aguas arriba de la Unidad 3, fijar los controles de las persianas arrollables de aluminio de la Unidad 1.
- e) Remover el óxido y retocar los soportes de las bandejas de cable -- MK 5026 a las planchas de anclaje (galería de cables Elev. 131.00)
- f) Limpiar los drenajes y reemplazar las cubiertas de los nichos de la Caja Espiral Elev. 112.00 de la Unidad No. 3.
- g) Remoción de las tuberías para aire y agua de la parte aguas abajo -- de la Casa de Máquinas en la plataforma de la tubería de aspiración.
- h) Limpiar el sumidero principal de la Casa de Máquinas.

5. Presa de Enrocamiento.

- a) Remover la torre terminal y los 2 anclajes.
Rellene con roca el tunel del anclaje más bajo.
- b) Instalar un tubo de inyección, rellenar con roca e inyectar los túneles de los anclajes más altos.

6. Canal de Descarga.

- a) Remover la pila oeste del Puente Bailey.



.../...



7. Carreteras y Areas de Desperdicio.

- a) Remover la maleza y arbustos de todos los hombrillos de todas las carreteras.

Acceso a la Margen Izquierda.

- a) Limpiar las cunetas.

Acceso a la Margen Derecha.

- a) Conformar la carretera al Dique de Silla Derecho y al Aliviadero de Emergencia.
- b) Limpiar todas las cunetas.
- c) Tratamiento de todos los postes de las defensas.
- d) Reemplazar las secciones dañadas de las defensas.

Acceso al Patio de Distribución.

- a) Limpiar las cunetas.
- b) Colocar escollera a ambos extremos de las alcantarillas donde se hubiesen desprendido.

Patio de Casa de Máquinas.

- a) Completar aguas abajo de los Monolitos 1 y 2 de la Presa de Gravedad Derecha las facilidades de drenaje.
- b) Limpiar la cuneta en el lado norte de estacionamiento.

Carretera de Acceso Sur al Campamento.

- a) Limpiar todas las cunetas.

Carretera de Acceso Este al Campamento.

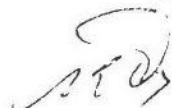
- a) Limpiar todas las cunetas.

8. Areas de Desperdicio.

- a) Nivelar el área de desperdicio principal cerca del Préstamo del -- Area A.

9. Patio de Distribución.

- a) Colocar una franja de 20 cmts. con el mismo acabado del patio a lo largo de la porción de cerca en el noroeste (fondo.)



.../...



B. TRABAJO MECANICO

a. Elevación 220.

1). Winches y Compuertas del Aliviadero.

- a) No. 1 - Ajustar el sello Oeste.
 - Ajustar el sello Este.
 - Ajustar o reemplazar el sello inferior.
 Suprimir el escape de aceite de la caja de engranajes - Este.
 Pintar del winche Oeste la viga de montaje y las planchas de asiento del lado Este.
- c) No. 3 - Reemplazar el sello de aceite del gato y el tapón de --
 purga de la caja de guarda de los engranajes.
- d) No. 5 - En el lado Este, pintar la viga de montaje y las plan--
 chas de asiento del winche.
 - Ajustar o reemplazar el sello inferior.
 -Ajustar el sello Este.
- e) No. 6 - Ajustar los sellos para suprimir la filtración en la esqui--
 na Este.
- f) No. 7 - En el lado Este reemplazar el sello de aceite del gato.-
 - Ajustar los sellos de ambos lados.
- g) No. 8 - En el lado Oeste, reemplazar el sello de aceite del ga--
 to y el tapón de fuerza en la caja de guarda de los en--
 granajes.
- h) No. 9 - Ajustar el sello del lado Oeste.
 - Reparar el piñón después de remover el concreto.
 - Llevar el aceite a su nivel apropiado.
- i) Proveer Manuales de Mantenimiento.

b. Compuertas de Toma y Winches.

- 1. Reparar los seis winches de acuerdo a las especificaciones.
- 2. Ajustar los sellos para dar debida tolerancia.

c. Elevación 192.0

- 1. Instalar válvula de drenaje con tapón en el flange ciego al fondo -
 del pozo del medidor de los niveles aguas arriba.
- 2. Proveer los soportes especificados para la tubería de 18" HPRM.
 Pintar el tubo y proveer las marcas del código de colores.
- 3. Pintar las tuberías de 10" para llenado de las tomas de las unidades
 1 a 10 y proveer las marcas del código de color. En la Unidad No.
 3 instalar la válvula de seguridad (contra reventones) en la tubería
 de llenado de 10".

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.../...

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2). Casa de Máquinas.

a) Piso Elev. 116

1. Instalar tapa de la válvula de la caja de engranajes del drenaje de la caja de aspiración de la Unidad No. 1.

b) Piso Elev. 124.5

1. Reparar el volante del agitador de la planta de tratamiento de agua.
2. Suministrar a EDELCA dos juegos de empaaduras para una válvula reductora de presión de 10" tipo Golden - Anderson. (Son a reemplazar aquellas dadas al Consorcio Guri al momento de puesta en marcha de la Unidad, cuando fue determinado que las empaaduras originales habían sido dañadas por la arena del chorro de arena).
3. Probar la válvula de alivio de 2" No. 1R36 para debido asentamiento y operación.
4. Proveer que en los siguientes sistemas de tuberías en la Sala de Turbinas ostenten el código de color:
 - a. Tuberías de medición de flujo.
 - b. Piezómetros para alturas netas.
 - c. Tubería para lubricación y aceite del gobernador en el tanque sumidero y filtro de aceite del gobernador.
5. Proveer tarjetas de identificación a las válvulas del purificador de aceite.
6. Pintar en la sala de aceite los soportes del C02.

c) Piso Elev. 131.0

1. Reemplazar el flange roto en el sistema de aire del gobernador después del enfriador.
2. Proveer que las tuberías del cuarto del compresor de aire ostenten el código de colores.

d) Piso Elev. 137.5

1. Aplicar el código de colores en el sistema de protección contra fuego en el transformador de la Unidad 3.
2. Probar el sistema contra fuego del transformador de la Unidad 3.
3. Eliminar las pérdidas de aire alrededor de los difusores del cielorraso en la Sala de Equipo Auxiliar. Aislar los difusores para evitar la condensación.

4. En la sala de control reparar la tubería de la fuente de agua de manera que ésta quede pegada a la pared. Usar el tipo de codo llamado "Street" en la conexión del drenaje y manguera de goma para conectar al sifón. Usar manguera flexible de metal para la línea de aducción.
5. Aplicar el código de colores en las llaves para mangueras - en la sala de generadores.
6. Retocar la pintura en los ductos en el taller eléctrico donde el material de calafateo fue aplicado a los ductos.

e) Piso Elev. 143.20

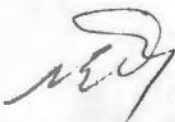
1. En el corredor aplicar el código de colores a las 2 ventilaciones sanitarias.
2. Retocar la pintura en los ductos donde material de calafateo fue aplicado.
3. Ajustar las tuberías de las fuentes de beber como fue descrito para la fuente de la Sala de Control.

f) Piso Elev. 148.0

1. Ajustar las tuberías de la fuente de beber como fue descrito para la fuente de la Sala de Control.
2. Aplicar el código de colores a las llaves para mangueras, - en la plataforma.
3. Retocar el galvanizado al equipo de protección contra fuego para el tanque de expansión en la Unidad 3.
4. Pintar los dispositivos de suspensión de las compuertas de -- la tubería de aspiración de la Unidad 3.
5. Suministrar para 1 dren de piso la cubierta en la Unidad - 3 y 2 cubiertas para la plataforma adyacente al Edificio de Servicios.
6. En el cuarto del Diesel de Emergencia:
 - a. Reemplazar la válvula de alivio defectuosa en el recipiente de aire al norte.
 - b. Corregir la operación del sistema de descarga en el -- compresor eléctrico.
 - c. Realignar las romanillas del motor y las pérdidas en las romanillas principales de suministro de aire.

g) Piso Elev. 156

1. Ajustar la tubería para la fuente de agua como se describió para la fuente de la Sala de Control.



.../...



h) Ménsula de la Grúa Elev. 158

1. Limpiar los drenajes de la ménsula de los escombros acumulados y colocar rejillas.

i) Piso Elev. 160.05

1. Arreglar el soporte del tubo de escape de la máquina diesel en el cuarto de aire acondicionado.
2. Aplicar el código de colores en todas las tuberías del cuarto de aire acondicionado.
3. Proveer dos cubiertas para la Unidad de aire acondicionado y así reemplazar las pérdidas durante la construcción.

j) Piso Elev. 163.0

1. Aplicar el código de colores en la tubería del tanque de -- agua potable.

C. TRABAJO ELECTRICO

1. Presa, Aliviadero y Galerías.

- a. Restituir balasto dañado en proyectores del Aliviadero.
- b. Limpiar y retocar la pintura de gabinetes y conductos del control -- de winches del Aliviadero.
- c. Restituir tapas faltantes de tomacorrientes.
- d. Poner a funcionar el alumbrado del cuarto que contiene la maquina -- ria del ascensor.
- e. Concluir la instalación de las luces de señalamiento:

En Aliviadero, Presa y en Acceso a la Casa de Máquinas.

2. Casa de Máquinas.

- a. Suministrar copias reproducibles de los diagramas esquemáticos y de alumbrado para los siguientes equipos:
 - Equipo de la Sala de Agua Potable.
 - Dehidratador.
 - Equipo de purificación y transferencia del aceite Compresor de -- Aire.
 - Ascensores de la Presa y Casa de Máquinas.
- b. Chequear y restituir todos los interruptores de transferencia en paneles de alumbrado que no funcionan.

- c. Cambiar todos los interruptores de límite, operados por motores de las bombas de sumidero, por otros de tipo sumergibles.
- d. Corregir el funcionamiento errático de los indicadores "Selsyn", en la Sala de Control, de las Compuertas del Aliviadero.

e. Piso Elev. 116

- 1. Reparar el friso alrededor de huecos donde se han instalado artefactos.
- 2. Remoción de concreto de conduits, cajas, y debajo de los topes de tomacorrientes.
- 3. Reacabar con pintura de aluminio interruptores y conduits de interruptores de intemperie.
- 4. Reemplazar las pantallas perdidas de las lámparas.

f. Piso Elev. 124.50

- 1. Reemplazar el tomacorriente roto en el cuarto de agua potable.
- 2. Reemplazar el tomacorriente del teléfono de paredes por uno de tipo sumergible.
- 3. Reemplazar las cubiertas de los tomacorrientes perdidas.
- 4. Apretar accesorios de los conduits tipo SEALTITE en equipo de control de la bomba de aceite del gobernador de las Unidades 2 y 3 del medidor de flujo en el foso de turbina de la unidad No. 3.
- 5. Restituir colgador doblado del artefacto eléctrico en Unidad No. 3.
- 6. Cambiar marcas de identificación de cables por otras de tipo permanente.
- 7. Restituir balasto en artefactos fluorescentes.
- 8. Concluir apertura para bandejas de cables en Unidad No. 1.
- 9. Ajustar la puerta del gabinete de control en la sala de purificación de aceite para que el cierre sea hermético y a prueba de explosión segura NEMA 12.
- 10. Reacabar el gabinete de control para C02.
- 11. Cambiar el interruptor en sala de pintura por otro de tipo intemperie.
- 12. Restituir empacadura del tomacorriente de tipo intemperie en Caja de Terminal TB-9.
- 13. Eliminar concreto del centro de control de motores, conduits, - cajas, etc.
- 14. Instalar un inserto para cable a tierra que entra en la sala de agua potable para el cuarto de control de motores.

.../...

14/24

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g. Piso Elevación 131

1. Reorganizar los cables, en sala de tendido de cables bajo la sala de control, en bandejas y repisas para que la instalación - tenga buena apariencia.
2. Proveer conexión a tierra para los porta-cables en el área de la sala de tendido de cables.
3. Taponar conduits de reserva que entren en la sala de tendido - de cables.
4. Remover concreto de las bandejas porta-cables.

h. Piso Elevación 137

1. Restituir globos faltantes de los artefactos eléctricos.
2. Proveer friso para cajas de tomacorrientes embutidos.
3. Suministrar tapas de concullet para los conduits del equipo de - protección contra incendios en la galería de equipos.
4. Reacabar caja de empalme y conduit para cables de teléfono en taller eléctrico.

i. Piso Elevación 143.20

1. Restituir difusores y sócates faltantes para los artefactos de luz - fluorescentes.
2. Restituir balastos donde es necesario.

j. Piso en Cota 148

1. Montar nuevamente un sócate del artefacto eléctrico colocado en receso e instalar lámparas proyectantes en los artefactos que están en el lobby donde así se ordena en los planos.
2. Hacer que funcionen las dos persianas arrollables del lado aguas arriba.

k. Piso en Cota 160

1. Colocar lechada de cemento alrededor de los tomacorrientes.
2. Limpiar los artefactos eléctricos.

l. Piso en Cota 163

1. Completar los trabajos de colocación de los conduits y de los ca - bles en la sala de agua tratada.
2. Instalar los artefactos eléctricos y los dispositivos de cableados -

que faltaron.

m. Plataforma del Transformador.

1. Sustituir las etiquetas de identificación de los gabinetes de control de los transformadores por etiqueta de tipo permanente.
2. Corregir el funcionamiento del interruptor de alumbrado en el transformador No. 3.
3. Colocar los tomacorrientes faltantes.

n. Sala de Generador Diesel.

1. Conectar nuevamente el cargador de batería del generador Diesel de manera que quede desconectado durante el ciclo de arranque.
2. Dar instrucciones para la operación del relay de sincronización y datos sobre el compresor de aire que se opera eléctricamente.
3. Proveer un dispositivo de carga lenta para la batería de arranque del compresor de gasolina.
4. Reorganizar el cableado del relay en el cubículo de control del generador Diesel.
5. Hacer que la secuencia de operación del interruptor de transferencia del regulador de voltaje sea de izquierda a derecha:

Off - Manual - Automático

6. Proveer placas de nomenclatura para aparatos en el cubículo de control.
7. Arreglar las luces de sincronización de manera que se desconecten una vez que el "Breaker" haya cerrado.

3. Patio de Distribución.

- a. Suministrar marcas de identificación faltantes de los conduits.
- b. Restituir artefactos de alumbrado dañados.

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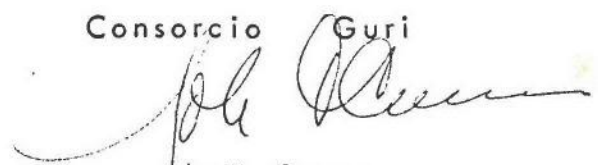
Para la Obra en General

- a. Hacer nuevas guías para los paneles de alumbrado y fuerza.
- b. Todos los artefactos que contengan interruptores, cableados, aparatos, instrumentos, etc. tiene que ser tropicalizados.
- c. Suministrar un juego completo de lámparas nuevas, no usadas para ser - instaladas por EDELCA en todos los artefactos eléctricos.
- d. Corregir el funcionamiento de las puertas de los ascensores de la Casa - de Máquinas y Presa.

C.V.G.- Electrificación del Caroní C.A.


Gral. Rafael Alfonzo Ravard
Presidente

Consorcio Guri


John R. Connor
Gerente General

DESARROLLO HIDROELECTRICO DEL RIO CARONI

PROYECTO GURI

CONTRATO No. 1

ACTA DE ACEPTACION PROVISIONAL DE LA OBRA

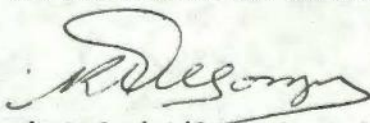
POR CUANTO:

1. La Cláusula 7.29 del Volumen II de los Documentos Contractuales estipula que el Contratista avise a la Corporación, cuando la obra esté lista para prestar eficientemente el servicio para el cual está destinada;
2. C.V.G. - Electrificación del Caroní C.A. ha efectuado una inspección de acuerdo con lo establecido en la Cláusula 7.29 del Volumen II de los Documentos Contractuales y verificado que la obra efectivamente presta eficientemente el servicio para el cual está destinada;
3. C.V.G. - Electrificación del Caroní C.A. ha aceptado una garantía escrita del Consorcio Guri, para ejecutar tan pronto como le sea posible y concluir dentro del período de un año de garantía contando a partir de la fecha en que se firma esta Acta todos los trabajos pendientes, indicados en el Anexo No. 1 de esta Acta.

EN CONSECUENCIA:

C.V.G. - Electrificación del Caroní C.A. procede en este acto en nombre y representación de la Corporación Venezolana de Guayana, a la Aceptación Provisional de la Obra conforme se establece en la Cláusula 7.29 del Contrato, sin que esta aceptación invalide o modifique en forma alguna ninguno de los derechos, obligaciones y garantías previstas bajo los términos del Contrato existente entre C.V.G. y el Consorcio Guri, el Convenio de Financiamiento existente entre las mismas partes y las fianzas otorgadas por los Aseguradores; y especialmente, sin que esta recepción provisional implique reconocimiento ni aceptación por parte de la Corporación, de validez o procedencia de ninguna de las reclamaciones formuladas por el Consorcio Guri, ni aceptación de modificación alguna en los plazos establecidos en el Contrato para la ejecución de la Obra. De la misma manera esta Aceptación Provisional no implica reconocimiento ni aceptación por parte del Consorcio Guri de cualquier posición legal tomada hasta este momento por la C.V.G. ni renuncia a los derechos que le acuerdan la Ley y los citados convenios. Se firma este documento de aceptación provisional en el Campamento Guri, el día 18 de mayo de 1.970.

C.V.G. - Electrificación del Caroní C.A.


Gral. Rafael Alfonso Ravard
Presidente

Consorcio Guri


John R. Connor
Gerente General

Your Ref: 56

March 17, 1970

C.V.G. Electrificación del Caroní, C.A.
Apdo. 11563 Este
Caracas, Venezuela

Re: Loan 353-VE

Gentlemen:

We acknowledge with thanks receipt of your letter dated March 9, 1970 with which you enclosed a copy of your Quarterly Progress Report for the period ended December 31, 1969.

We are studying the report and if there are any questions or comments on the information presented, we will write to you again.

Very truly yours,

F.H. Howell
Chief, Power Division III
Public Utilities Projects Department

dc
IBRD

Mr. Thomas M. Clyde

Miguel Schloss

VE-744 (S)
cc 353
cc 482
cc 629
May 13, 1970
cc 435

VENEZUELA: Regulation on Autonomous Institutes

1. This is to remind you about my query on the extent of the application of Decree 280, copy of which I sent to you a few days ago with a brief summary in English.

2. It seems clear to me that the new regulation applies to INOS (the Borrower under Loan 444-VE), since this is clearly a case of an autonomous institute. I am not quite sure, however, whether the Decree also applies to EDELCA (Loans 353-VE, 482-VE, and 629-VE), CADAPE (391-VE), and CANTV (435-VE). In these three cases the Borrower is a state enterprise incorporated under the form of a "compania anonima," and I am not entirely clear whether under these circumstances they might be subject to the regulations established in the above Decree.

3. May I have your comments on this issue as soon as possible.

MSchloss/fbjp

VE-353

OFFICE MEMORANDUM

TO: Files

DATE: March 26, 1970

FROM: J. Beach

SUBJECT: VENEZUELA: Loan 353-VE - Guri Project

On March 13, 1970 we received EDELCA's regular quarterly progress report (#25 for the fourth quarter of 1969) for the above project.

All mass-concrete work in the sluiceways has been completed involving the placement of 6,903 cubic meters during the quarter.

The replacement of the trunnion bushings and bearings for the spillway gates has been completed.

Generating Units Nos. 1 and 2 have operated commercially throughout the period. For Unit No. 3 the erection of the transmission line from the Unit to the switchyard has been completed. The Unit Transformer No. 3 has been installed and the generator has been energized.

With the payment of applications 188, 189 and 190 the loan was fully disbursed on January 7, 1970.

JBeach:lgf
IBRD

cc: Messrs. F. H. Howell
J. Beach
M. A. Saeed
Department Files

February 26, 1970

Dr. Max Ross
Controller
C.V.G. Electrificación del Caroni, C.A.
EDELCA
Apartado 11563 Este
Caracas
Venezuela

Re: Loan 353-VE
Guri Power Project

Dear Max:

We have received a disbursement application, No. 190 of February 18, 1970, requesting a payment of US\$69,940.26 be made to Consorcio Guri. Presumably the application has been sent to us in error since, as you are aware, the Loan was fully drawn down with the payment made against an application also numbered 190 dated December 24, 1969.

We are returning the application and supporting documentation.

Very truly yours,

F. H. Howell
Chief, Power Division III
Public Utilities Projects Department

Enclosure

JBeach:lgf
IBRD

cc: Mr. Hasal (Controller's)
Mr. Wyss (Central America & Caribbean)
Mr. Beach
Department Files
Central Files

OFFICE MEMORANDUM

TO: Files

DATE: February 17, 1970

FROM: J. Beach

SUBJECT: VENEZUELA: Loan 353-VE - Guri Project

On December 23, 1969 we received EDELCA's regular quarterly progress report (#24 for the third quarter of 1969) for the above project.

With the completion of the Fuse Plug all of the larger earth structures had been completed. The major civil works outstanding was the concreting of the sluiceways. During the quarter, 17,601 cubic meters of concrete was poured in the sluiceways. 7,000 cubic meters remained to be placed - mostly in monoliths 17, 20 and 21. It is expected that the progress report for the quarter ending December 31, 1969 will indicate substantial completion of this work.

During the quarter the erection of Unit Transformer No. 3 continued.

The replacement of the trunnion bushings and bearings for the spillway gates continued. It was expected that all gates would be completed by the end of October 1969.

It may be recorded that with the payment of Applications 188, 189 and 190 the loan was fully disbursed on January 7, 1970.

JBeach:lgf
IBRD

cc: Mr. F. H. Howell
Mr. J. Beach
Mr. M. A. Saeed
Department Files

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - INTBAFRAD

January 15, 1970

C.V.G. Electrificación del Caroni, C.A.
Apartado 11563 Este
Caracas
Venezuela

Gentlemen:

Re: Loan No. 353-VE
Guri Hydroelectric Project

In order to complete our disbursement files on this loan, we are sending you, as shown in the Annex attached hereto, the final revision of the List of Goods, reflecting actual disbursements on the loan which have now been completed.

If the List of Goods, as amended, meets with your approval, please confirm your agreement by signing the form of confirmation on the enclosed copy of this letter and return it to us.

Yours sincerely,

E. Peter Wright *E. Peter Wright*

E. Peter Wright
Deputy Director
Central America and Caribbean Department

Attachment:

CONFIRMED:

C.V.G. ELECTRIFICACION DEL CARONI, C.A.
General Rafael Alfonso Ravard
Presidente

By: _____
Authorized Representative

Date: _____

LOAN 353-VE

GURI HYDROELECTRIC PROJECT

LIST OF GOODS
(Final Revision)

<u>Item</u>	<u>Amount in US\$ Equivalents</u>
1. Civil Engineering works, including construction materials and equipment, control gates, cranes, penstocks, fire-fighting equipment, lighting, telephone equipment, installation of two turbo-generators complete, a third turbine, and auxiliary equipment, access road, insurance, shipping and general transport	58,690,416.78
2. Supply, delivery and supervision of erection of three turbines and two generators, including all auxiliary equipment and transformers, transport and insurance	5,503,132.09
3. Miscellaneous power station equipment, high voltage switchgear, transmission, auxiliary equipment, transport and insurance	3,125,649.97
4. Engineering services	4,998,801.16
5. Interest and other charges during construction	12,682,000.00
TOTAL	<u><u>US\$85,000,000.00</u></u>

K ~~*Mr. Beach*~~
PV Dept File

January 6, 1970

C. V. G. Electrificación del Caroní C.A.
Ave. La Estancia No. 10
Ciudad Comercial Tamanaco
Caracas, Venezuela

Re: Loan No. 353 VE

Gentlemen:

We are in receipt of your withdrawal applications Nos. 188, 189, and 190 for a total of \$ 322,680.80. As the undisbursed balance of Loan No. 353 VE as of December 31, 1969 is \$ 261,515.91, we have reduced your application No. 189 to the amount of \$ 36,397.51 and approved for payment the total amount of \$ 261,515.91.

Very truly yours,

A.A. Casson
Deputy Chief, Disbursements Division

cc: Mr. Wyss
Mr. Howell ✓
Mr. Rigby (contract File)
FILE: 353 VE - General

VCChang/vc
IBRD/lh

ELCANDINI
CARACAS

JANUARY 5, 1970

INF GOVT

VENEZUELA

FOR MAX ROSS APPLICATIONS 186 AND 187 PAID STOP 188 CORREDA 189 AND
190 NOT YET RECEIVED PRESUMABLY DUE VOLUME CHRISTMAS MAIL STOP FORGOTTEN
NO PROBLEM PROCESSING THEM WHEN RECEIVED STOP FELIZ AÑO BUENO

HOWELL

Not to be transmitted: This is pursuant to a telephone call from Caracas
today inquiring as to the status of the five final
applications under Loan 353-VE.

F. H. Howell

Public Utilities Projects

cc: Mr. Rigby (Controller's)
Mr. Wynn (Area)
Dept. File ✓

HHHowell:ls
Bark

Your Ref: 289

December 23, 1969

C.V.G. Electrificación del Caroni, C.A.
Apdo. 11563 Este
Caracas, Venezuela

Re: Loan 353-VE

Gentlemen:

We acknowledge with thanks receipt of your letter dated December 15, 1969 with which you enclosed a copy of your Quarterly Progress Report for the period ended September 30, 1969.

We are studying the report and if there are any questions or comments on the information presented, we will write to you again.

Very truly yours,

F.H. Howell
Chief, Power Division III
Public Utilities Projects Department

dc
IBRD

December 17, 1969

VE - ginn
CC 353
cc In 128
cc In 135

MEMORANDUM FOR THE RECORD

VENEZUELA - Mr. McNamara's Visit, December 1969

Mr. McNamara visited Venezuela from December 2 to December 5. He was accompanied by Dr. Machado and by Messrs. Clark, Wright, Christoffersen and Zirman.

On Wednesday, December 3, Mr. McNamara visited the Guayana region in southeast Venezuela. While there, he toured Ciudad Guayana and visited Orinoco Mining Company's iron reduction plant now under construction; and Aluminio del Caroni (ALCASA), the aluminum plant jointly owned by the Corporacion Venezolana de Guayana (C.V.G.) and Reynolds Aluminum International Company. He also visited the Guri Hydroelectric Project which was financed, in part, by a Bank loan (353-VE). After flying back to Caracas on the same evening, Mr. McNamara was host at a small dinner attended by government, business, press and political leaders.

On Thursday morning, December 4, Mr. McNamara met in separate meetings with Mr. Guillermo Rodriguez Erazo and Mr. Frederico Baptista, Directors of the Creole Petroleum Corporation; Mr. Jose Antonio Mayobre, former Secretary General of ECLA, Minister of Finance, Minister of Mines, Executive Director of the IMF, and Ambassador to the U.S.; Mr. Luis Vallenilla, President of Compania Anonima de Desarrollo Venezolana (CAVENDES), which has received a \$7.5 million loan from IFC and in which IFC has a 15 percent interest; Mr. Hector Hurtado, former Director of CORDIPLAN; and Mr. Freddie Muller, First Vice-President of the Federation of Chambers of Commerce and Industry. After meeting with the foregoing Venezuelan representatives, Mr. McNamara met with the Minister of Finance, Mr. Pedro Tinoco, who accompanied him to the residence of the President of the Republic, Dr. Rafael Caldera, with whom he and Dr. Machado met privately. The President then tendered a luncheon in honor of Mr. McNamara which was attended by the Cabinet members and leaders representing government, labor, agriculture and industry.

On the afternoon of December 4, Mr. McNamara and party traveled by car to Valencia in the west where they visited the Protinal animal feed plant.

On the morning of December 5, Mr. McNamara traveled by air from Maracay to Acarigua where he visited the cattle farm of Mr. Concepcion Quijada and a sugar mill nearby. Mr. McNamara and party departed by air from Acarigua to overfly the southwestern part of Venezuela where he saw part of the Second Highway Project (Loan 390-VE) between Barinas and San Cristobal, and the surrounding livestock and agricultural areas. Traveling by air towards the city of Maracaibo, they overflew the petroleum fields in and around Lake Maracaibo, and after landing at Maracaibo, they departed by air for Mexico at 5 p.m.

cc: Messrs. McNamara Clark
 Knapp Machado
 Aldewereld Alter

Bernard Zirman/E. Peter Wright
Western Hemisphere Department

Mr. Gunter Wiese

December 12, 1969

F. H. Howell

VENEZUELA: Loan 353-VE Closing Date

This was our first loan to EDELCA for the Guri Hydroelectric development. As of November 30 there was an undisbursed balance of some \$1.2 million through Application #184. The present Closing Date is December 31, 1969, which represents the third postponement.

I was unable to reach either EDELCA, or General Alfonso in CVG, by telephone today. But since this type of question is more within your jurisdiction, you may wish to do something yourself.

FHHowell:ls
Bank

cc: Dept. File ✓
Central Files

October 29, 1969

General Rafael Alfonso Ravard,
President,
C.V.G. Electrificación del Caroni, C. A.,
EMELCA
Apartado 62413 Este,
Caracas,
VENEZUELA

Re: Loan 353-VE - Guri Power Project
Loan 482-VE - 100 kV Transmission

Dear General Alfonso:

Thank you for your letter PRE-OYL of October 21, 1969. In reply I confirm that we are in agreement with your suggestion and are prepared to make disbursements for the equipment covered by Contract 511 from Loan 482-VE.

Very truly yours,

F. H. Howell
Chief, Power Division III
Public Utilities Projects Department

JBeach:gh
Bmk

Cleared by & cc: Mr. Masal (Controllers)
cc: Mr. Wyse (West. Emi.)
Mr. Canale (Legal)
Mr. Beach
Dept. Files (Control nos. VE-9-21 & VE-9-24) ✓
Central Files

✓ VE-353
cc 482

Mr. Milan J. Nasal

October 28, 1969

J. Beach

VENEZUELA - Loan 353-VE - Guri Power Project
Loan 482-VE - 400 kV Transmission Project

I attach hereto copies of letters Mac. 932 dated October 8, 1969 and PNE 031 dated October 21, 1969 from EDELCA to the Bank. Also attached, in original, is Contract Document No. 511 covering load despatch and load frequency control equipment ordered from Leeds & Northrup Co. EDELCA are requesting that disbursements in respect of this equipment be made from Loan 482-VE instead of Loan 353-VE as was originally contemplated.

The equipment would be used to control power flow over the 400 kV transmission line financed under Loan 482-VE and since the intention of Category B of the List of Goods for Loan 482-VE was indeed to permit the financing of necessary control and supervisory equipment, as agreed between us in our recent discussion, there should be no objection to EDELCA's request. The value of the contract is \$413,059 and funds are available in Loan 482-VE to meet payments for this amount.

I am attaching for your clearance a draft of a letter which I propose we should send to EDELCA.

Encl.

JBeach:gh
Bank

cc: Mr. Wiesse
Mr. Cancio
Mr. Beach
Dept. Files
Central Files

C. V. G. ELECTRIFICACION DEL CARONI, C. A.

EDELCA

APARTADO 62413 ESTE - TELEFONOS 32.29.15 32.66.70 - 32.72.51

CABLES: EL CARONI - CARACAS - VENEZUELA

AL CONTESTAR REFERIRSE A:

ARCH:

NO. MAC-

932

LUGAR: Caracas,

FECHA:

8 OCT. 1969

ASUNTO:

**VE 353 . Contract Document
511.**

Messrs:

International Bank for Reconstruction and
Development
1818 H Street N.W.
Washington, D.C.
U.S.A.

Att: Mr. F. Howell

REGISTERED
MAIL NUMBER

1904

In reference to our letter MAC-1359 dated December 11, 1968, we are enclosing the contract document which covers the equipment ordered from Leeds & Northrup Co., for Load Frequency Control and some dispatch functions.

The equipment has been under manufacture since our letter of interest was sent and expect to have it installed in accordance with the dates stipulated in the contract.

Sincerely yours,

EDELCA

C.V.G. ELECTRIFICACION DEL CARONI CA

GERENCIA DE OPERACIONES

Agalagash
ING. RO. OLFO TELLERIA V.
GERENTE

Date Rec'd. **Oct 14/69**

Date Ack'd. _____

Assigned to **Howell**

CES/kvbm

Enclosure:

VE-9-21

C. V. G. ELECTRIFICACION DEL CARONI, C. A.

EDELCA

APARTADO 62419 ESTE - TELEFONOS 32.29.15 32.66.70 - 32.72.51

CABLES: EL CARONI - CARACAS - VENEZUELA

International Bank for Reconstruction
and Development
1818 H. Street, N.W.
Washington, D.C.
U.S.A.

Att: Mr. F. H. Howell

REGISTERED
MAIL NUMBER 783 Venezuela

583

AL CONTESTAR REFERIRSE A:

ARCHI:

NO. PRE - 031

LUGAR: Caracas,

FECHA:

Date Rec'd. 21 OCT. 1969

ASUNTO:

Date Ack'd.

Loan 353-VE and 482-VE

With reference to our letters MAC-881 dated September 23, 1969 and MAC-932 dated October 8, 1969, and pursuant to the telephone conversation between yourself and Mr. Alazrachi on October 15th., we would like to request that the Bank pay Contract 511 for load-frequency control equipment with Leed's & Northrup out of Loan 482-VE rather than out of Loan 353-VE as had been under consideration. The value of Contract 511 is \$ 413.059,00.

The reasons are:

- a) The scope of Loan 482-VE permits Contract 511 to be paid under Category B of the List of Goods (see letter N°3 dated January 26, 1967), this equipment being similar to that being ordered under Contract 510 with General Telephone & Electronics for the Central Load Dispatching Office, and will be used for controlling power flow over the 400kV. line (Loan 482-VE).
- b) All payments on Contract 511 may not be effected by December 31, 1969, which is the closing date on Loan 353-VE, and we would not wish to have to request additional extension.

Sincerely yours,

Rafael Alfonso Ravard
General Rafael Alfonso Ravard
President

AA/kvbm

VE-353
CL 482

REGISTERED
MAIL NUMBER 783 Venezuela

353

C. V. G. ELECTRIFICACION DEL CARONI, C. A.
EDELCA
APARTADO 62413 ESTE - TELEFONOS 92.29.15 92.66.70 - 92.72.51
CABLES: EL CARONI - CARACAS - VENEZUELA

AL CONTESTAR REFERIRSE A:	
ARCH.:	NO. PRE-031

LUGAR: Caracas,

FECHA: 21 OCT. 1969

ASUNTO: Loan 353-VE and 482-VE

International Bank for Reconstruction
and Development
1818 H. Street, N.W.
Washington, D.C.
U.S.A.

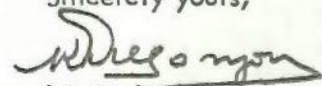
Att: Mr. F. H. Howell

With reference to our letters MAC-881 dated September 23, 1969 and MAC-932 dated October 8, 1969, and pursuant to the telephone conversation between yourself and Mr. Alazrachí on October 15th., we would like to request that the Bank pay Contract 511 for load-frequency control equipment with Leed's & Northrup out of Loan 482-VE rather than out of Loan 353-VE as had been under consideration. The value of Contract 511 is \$ 413.059,00.

The reasons are:

- a) The scope of Loan 482-VE permits Contract 511 to be paid under Category B of the List of Goods (see letter N°3 dated January 26, 1967), this equipment being similar to that being ordered under Contract 510 with General Telephone & Electronics for the Central Load Dispatching Office, and will be used for controlling power flow over the 400kV. line (Loan 482-VE).
- b) All payments on Contract 511 may not be effected by December 31, 1969, which is the closing date on Loan 353-VE, and we would not wish to have to request additional extension.

Sincerely yours,


General Rafael Altonzo Ravard
President

AA/kvbm

Original to: Pub dte Proj
Date: 10/23/69
Communications
Section

VE-353

C. V. G. ELECTRIFICACION DEL CARONI, C. A.

EDELCA

APARTADO 82418 ESTE - TELEFONOS 82.29.15 82.66.70 - 82.72.51

CABLES: EL CARONI - CARACAS - VENEZUELA

Messrs:
International Bank for Reconstruction and
Development
1818 H Street N.W.
Washington, D.C.
U.S.A.

Att: Mr. F. Howell

AL CONTESTAR REFERIRSE A:	
ARCHI:	NO. MAC- 932

LUGAR: Caracas,

FECHA: 8 OCT. 1969

ASUNTO:

VE 353 . Contract Document
511.

REGISTERED MAIL NUMBER 1907

In reference to our letter MAC-1359 dated December 11, 1968, we are enclosing the contract document which covers the equipment ordered from Leeds & Northrup Co., for Load Frequency Control and some dispatch functions.

The equipment has been under manufacture since our letter of interest was sent and expect to have it installed in accordance with the dates stipulated in the contract.

Sincerely yours,

EDELCA

C.V.G. ELECTRIFICACION DEL CARONI CA

GERENCIA DE OPERACIONES

Ag Alazrach
ING. RO. OLFO TELLERIA V.
GERENTE

CES/kvbm

Enclosure:

Original to: Files/pub. Wt. - Mr.
Date: 10/13/69 Communications Section

October 1, 1969

C.V.G. Electrificación del Caroni, C.A.
Avenida La Estancia No. 10 - Pisos 13 y 14
Ciudad Comercial Tamanaco
Apartado 7000
Caracas, Venezuela

Loan 353-VE
(Postponement of Closing Date)

Dear Sirs:

With reference to Section 7.01 of the Loan Agreement (Guri Hydroelectric Project) between EDELCA and the Bank dated September 20, 1963 as amended on September 9, 1966 and January 23, 1969 we hereby further extend the Closing Date provided for in said Section from September 30, 1969 to December 31, 1969.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Sincerely yours,


Gunter K. Wiese
Deputy Director
Western Hemisphere Department

CONFIRMED:

C.V.G. ELECTRIFICACION DEL CARONI, C.A.

By: _____

Date: _____

SSKapur:gc



1001-3 bW 8:50

EX-102
OCT 1969

Mr. Gunter E. Wiese (through Mr. Zirman) *Bj.*

October 1, 1969

6
Shiv S. Kapur

VENEZUELA - Loan 353-VE - Extension of Closing Date

1. In a cable of September 15 followed by a letter dated September 23, 1969 the Borrower has requested a further extension of the Closing Date of this loan from September 30, 1969 to December 31, 1969.

2. The basic features of the loan are:

Amount:	US\$85 million.
Purpose:	To assist in financing the first stage of the Guri Hydroelectric Project and related facilities.
Terms:	25 years, including 4-1/2 years of grace : interest 5-1/2 percent.
	Final maturity : November 1, 1988.
Date of Loan Agreement:	September 20, 1963.
Date of Effectiveness:	October 7, 1963.
Original Closing Date:	March 31, 1968.
First Extension to:	January 31, 1969.
Undisbursed Balance as of September 29, 1969:	US\$1.7 million.

3. As far back as mid-1967 it was anticipated that the project would not be completed on time because of certain difficulties encountered by the general contractor, Consorcio Guri. As you will recall, the Borrower and Consorcio entered into a financial agreement in June 1967, to which the Bank agreed; this provided for funds being advanced to Consorcio over and above those due under the general construction contract. After the agreement was signed, construction progressed satisfactorily and without interruption. It was however visualized at the time that the Closing Date, which had earlier been extended to January 31, 1969, might have to be further extended.

October 1, 1969

4. In November, 1968 the situation was reviewed in the context of the appraisal for Loan 629-VE (Guri Expansion). As a result in January 1969, it was agreed to extend the Closing Date further to September 30, 1969 to permit (i) completion of payments under the Financial Agreement; and (ii) retention payments being made to equipment suppliers.

5. However, the installation of the third generating unit was delayed by an additional three months due to late equipment deliveries. And in the final stages of the work severe difficulties were experienced with three of the sluice gates, which called for additional work before they could be properly closed. The Borrower has now requested that the Closing Date be extended another 90 days to accommodate (i) completion of payments to the Consorcio; and (ii) payments being made to certain equipment suppliers.

6. The Borrower's request is considered reasonable. I recommend that the Bank agree to postpone the Closing Date to December 31, 1969, and that we inform the Borrower accordingly. We would advise the Executive Directors in a forthcoming bi-monthly report as follows:

"\$85 million (Guri Hydroelectric) Loan of September 20, 1963, to Electrificación del Caroni (EDELCA): At the request of the Borrower, the Closing Date has been postponed from September 30, 1969 until December 31, 1969 to permit the completion of payments to the general contractor and the equipment suppliers. The undisbursed balance on September 29, 1969 was \$1.7 million".

SSKapur:gc

Cleared with and cc: Messrs. Howell (PU)
Léauona (Legal)
Rigby (TR)
Zirnan (WH)

OFFICE MEMORANDUM

TO: Files

DATE: October 1, 1969

FROM: J. Beach

SUBJECT: VENEZUELA - Loan 353-VE
Proposed Postponement of the Closing Date

General Alfonso's letter of September 23, 1969 has requested a 90 day postponement of the closing date of the above loan from September 30 to December 31, 1969. A postponement has become necessary because of serious difficulties experienced with three of the sluice gates which called for additional work before they could be properly closed. In addition, the installation of the third generator was further delayed by three months due to late equipment deliveries. As a result, some payments are still due to the general contractor Consorcio and certain equipment suppliers.

The request is reasonable and should be agreed to by the Bank.

JBeach:gh
Bank

cc: Mr. Howell
Mr. Kapur

VE-353

CORPORACION VENEZOLANA DE GUAYANA

AVENIDA LA ESTANCIA No. 10 - PISOS 13 Y 14
CIUDAD COMERCIAL TAMAYACO
TELEFONOS: 22.97.66 - 22.97.69 - DIR. CARLS: CEVEGE
APARTADO 7.000
CARACAS - VENEZUELA

AL CONTESTAR REFERIRSE A: 881	
ARCH.: _____	NO. Mac-PAE-114

LUGAR: Caracas,

FECHA: _____

ASUNTO: _____

23 SET. 1969

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Loan 353-VE (Guri Hydro-electric
Project).
Extension of closing date.

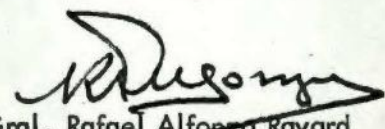
Att. Mr. B. Zinman

We confirm our telex dated September 15, in which we requested that the closing date on Loan 353-VE be extended from September 30 to December 31, 1969; and enclose the financial status on this loan up to and including Application N° 181. This gives details of the amounts disbursed, and our latest estimates of outstanding payments, as of this date, for all contracts.

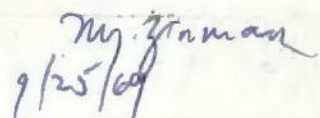
The reason for our request of an extension to the closing date are the delays in:

- i) the termination of Contract 1, about which the Bank is already informed, and which were not within Edelca's control.
- ii) finalising testing of the generators (Westinghouse, Contract 3,) due to i)
- iii) retentions still owed to Ansaldo San Giorgio (Auxiliary Control Centers, Contract 8, and Control Room Switchboards, Contract 11) on account of the Contractor not supplying spare parts nor complying with other obligations.
- iv) lateness in placing the order for the load-frequency control equipment, (Leeds & Northrup, Contract 511), due to the necessary coordination between EDELCA and other parties (Cadafe and Electricidad de Caracas) in the technical specifications and project coordination.

Please confirm your agreement with this request by signing in the space provided on the attached copy of this letter and returning it to us.


Gral. Rafael Alfonso Ravard
President.

AA/kvbm
19-9-69


9/25/69

VE-353

OFFICE MEMORANDUM

TO: Files

DATE: September 16, 1969

FROM: J. Beach

SUBJECT: VENEZUELA - Guri Project - Loan 353-VE

On September 9, 1969 we received the quarterly progress report covering the second quarter of 1969.

The three low-level sluice gates which failed to close properly have been successfully sealed and sluiceway plug concreting is in progress. The placement of about 14,000 M³ of concrete out of a total of about 38,000 M³ had been completed by the end of the reporting period.

The rockfill dam construction has been completed.

Nos. 1 & 2 generating units have been operated as required. The erection of No. 3 unit has been completed but operation awaits the completion of installation of the main transformer. This is expected in the third quarter of 1969.

The quarterly estimates of withdrawals from the loan account indicate withdrawals during the fourth quarter. This is after the present Closing Date of the loan, but the Borrower has cabled today (Sept. 16) requesting a postponement of the Closing Date from Sept. 30 to Dec. 31, 1969. The balance of the loan account amounted to US\$16.5 million as of June 30, 1969. This figure has since been reduced to about US\$2.0 million.

JBeach:lps

cc: Mr. Saeed
Department Files

YE-353

INCOMING CABLE

DATE AND TIME
OF CABLE:

SEPTEMBER 15, 1969 1930

LOG NO.:

RC 12/16

TO:

INTBAFRAD

FROM:

CARACAS

ROUTING

ACTION COPY:

MR. ZINMAN

INFORMATION
COPY:

PUBLIC UTILITIES PROJECTS

MR. ALTER

DECODED BY:

TEXT:

ATTN MR. B ZINMAN AND F HOWELL

WE CONFIRM OUR TELEPHONE CONVERSATION WITH REGARD TO OUR REQUEST TO
EXTEND THE CLOSING DATE OF LOAN 353 VE FROM SEPTEMBER 30 TO DECEMBER 31
1969. THIS REQUEST IS DUE TO DELAYS INCURRED IN CONTRACT ONE AND OTHER
EQUIPMENT SUPPLY CONTRACTS. PAYMENTS OF OUTSTANDING LOAN BALANCE OF
DOLLARS 1,936,269.72 WILL BE MADE UNDER ALL CATEGORIES OF LIST OF GOODS.
AIRMAILING DETAILED FINANCIAL STATUS FOR ALL CONTRACTS WITH PAYMENTS
OUTSTANDING WHICH WE EXPECT TO AUTHORIZE DURING OCTOBER AND NOVEMBER.
REGARDS

GENERAL RAFAEL ALFONZO RAVARD ELCARONI

VENEZUELA

Hv. Howell

VE-353

FORM NO. 26
(4-69)INTERNATIONAL DEVELOPMENT
ASSOCIATIONINTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENTINTERNATIONAL FINANCE
CORPORATION

INCOMING CABLE

DATE AND TIME
OF CABLE:

SEPTEMBER 15, 1969 1930

LOG NO.:

RC 12/16

TO:

INTBAFRAD

FROM:

CARACAS

ROUTING

ACTION COPY:

MR. ZINMAN

INFORMATION
COPY:

PUBLIC UTILITIES PROJECTS

MR. ALTER

DECODED BY:

TEXT:

ATTN MR. B ZINMAN AND P HOWELL

WE CONFIRM OUR TELEPHONE CONVERSATION WITH REGARD TO OUR REQUEST TO
EXTEND THE CLOSING DATE OF LOAN 353 VE FROM SEPTEMBER 30 TO DECEMBER 31
1969. THIS REQUEST IS DUE TO DELAYS INCURRED IN CONTRACT ONE AND OTHER
EQUIPMENT SUPPLY CONTRACTS. PAYMENTS OF OUTSTANDING LOAN BALANCE OF
DOLLARS 1,936,269.72 WILL BE MADE UNDER ALL CATEGORIES OF LIST OF GOODS.
AIRMAILING DETAILED FINANCIAL STATUS FOR ALL CONTRACTS WITH PAYMENTS
OUTSTANDING WHICH WE EXPECT TO AUTHORIZE DURING OCTOBER AND NOVEMBER.

REGARDS

GENERAL RAFAEL ALFONZO RAVARD EL CARONI

Date Rec'd.

Sept 16/69

Date Ack'd.

none rec'd

Assigned to

Howell

FZHL 9/16

VE-9-17

SEP 16 9 04 AM 1969
COMMUNICATIONS

TYPED

OFFICE MEMORANDUM

TO: Files

DATE: September 4, 1969

FROM: J. Beach

SUBJECT: VENEZUELA - Loan 353-VE - Closing Date

1. In January 1969 the Closing Date of the above Loan was postponed from January 31, 1969 until September 30, 1969, to permit (a) the completion of payments under a financial agreement between the Borrower and the consortium of construction companies; and (b) retention payments to equipment suppliers.
2. All work is nearing completion and it is expected that EDELCA will probably be able to accept the works from the contractor in October or November of this year.
3. Meanwhile, the undisbursed balance in the loan account as at July 31, 1969 was \$2.48 million. This figure has since been reduced by about \$0.3 million.
4. A further short postponement of the Closing Date may thus be necessary and Mr. Zinman proposes to telephone the Borrower today to ascertain his views on the necessity for such a postponement.

JBeach:gh
Bank

cc: Mr. Howell
Mr. Cancio
Mr. Rigby
Mr. Zinman

Mr. U. K. Ghoshal (Through Mr. E Peter Wright)

June 25, 1969

Shiv S. Kapur

VENEZUELA - (EDELCA) Signing of Loan Documents - Gurl. Powerhouse Extension
\$11 Million

1. This is to confirm that the loan documents for the above project will be signed by General Rafael Alfonso Ravard, President of EDELCA, and Dr. Carlos Perez de la Cova, Minister-Counselor, Embassy of Venezuela in Washington, on behalf of EDELCA (Borrower) and the Government of Venezuela (Guarantor), respectively.
2. I understood from you today that Mr. Krapp will be signing the Loan and Guarantee Agreements on the Bank's behalf on June 30, 1969, at 3:30 p.m., in the Board Room. This timing is convenient to the Venezuelans. The signing of the Supplementary Letters will take place immediately thereafter, with Mr. Alter signing for the Bank.
3. The lawyer supervising the signing will be Mr. Daniel C. Lescuna. I shall be available to assist with any matter requiring coordination. I am informing the other departments involved about the signing, through their staff members working on the project.

cc: Mr. Luis Machado (ED)

Messrs. Alter o/r
Wright
Zinman
Cancio
~~Howell~~
Lescuna
Rigby

E.A. 6/26

SSKapur:sb

Dept File

Central Files

June 20, 1969

F. H. Howell

VENEZUELA: Proposed Guri Extension

Pedro Palacios, Manager of Construction for EDELCA, telephoned me yesterday from Caracas. He wanted Bank agreement to advertise that EDELCA was soliciting prequalifications for general contractors in connection with the civil works, and equipment manufacturers in connection with the turbines and generators.

We have not yet seen the proposed advertisement, but I discussed it with Palacios, and could see no reason why he should not place it prior to our review which in any event would be perfunctory. He told me they will use ENR, as well as New York and London papers, and of course Venezuelan journals.

FHHowell:ls
Bank

cc: Mr. Arnold
Mr. Beach

R ~~Mr. Beckett~~
Dep. T. Miller

June 18, 1969

Dear Mr. Perez de la Cova:

A draft Press release on the proposed Guri Powerhouse loan is enclosed for favor of your comments. As you know, the loan will be presented to the Executive Directors after action on the enabling legislation has been completed by Venezuela.

With warm regards,

Sincerely yours,

Shiv S. Kapur
Western Hemisphere Department

Dr. Carlos Perez de la Cova
Minister-Counselor for Economic Affairs
Embassy of Venezuela
2445 Massachusetts Avenue, N.W.
Washington, D.C. 20008

cc: Messrs. Canale
Howell
Keltie
Zimman

SSKapur:eb

7 *M. Beach*
Dep V. Fels

BOOK OF THREE CABLES

GENERAL RAPHAEL ALFONSO RIVERO
ELCAJON

JUNE 18, 1969

EMANUELLI
MICHACIENDA

INF GOVT

OBERTO
CORRIPLAN

CARACAS

(VENEZUELA)

REMARKS OF JUNE THREE STOP NOTIFICATION OF YOUR REPRESENTATIVES TO SIGN
GIVE POSSESSION EXTENSION LOAN AND GUARANTEE DOCUMENTS NOT YET RECEIVED
STOP WOULD SUGGEST EARLY ACTION BEHOLD COMPLETION LOAN PROCESSING SOON
AS REQUIRED LEGISLATION BECOMES AVAILABLE STOP BEHOLD

KAPIN

INTRAPRAD

Shiv S. Kaper

Western Hemisphere

cc: Messrs. ☒ Cansio
☒ Howell
Rigby
Zisem

SHKaper:cb

Central Files

June 18, 1969

F. H. Howell

VENEZUELA: Proposed Loan for Guri Extension
1968 Annual Report

1. The Public Utilities Projects Department's appraisal (see Report PU-6a of June 4, 1969) was based upon final but unaudited results of 1968 operations, the best information available at the time of my March visit. We have normally received by now statements prepared and certified to by Price Waterhouse & Company, but as of today we have not.

2. I spoke with General Alfonso, the President of ENELCA, this afternoon and he told me that the audited report was in fact available, and he was surprised we had not received it. He promised to put a copy in the mail today.

FHHowell:ls
Bmk

cc: Mr. Armstrong
Mr. Cancio
Mr. Rigby
Mr. Zinnen
Messrs. Arnold/Beach

Venezuela
Guri Exp. Proj.

PALACIOS
ELCAHINI
CARACAS

JUNE 9, 1969

LT
ITT

VENEZUELA

REIVECAS 1/2 OF JUNE SIX STOP BANK HAS NO OBJECTIONS TO PREQUALIFICATION
PROCEDURE YOU PROPOSE

HOWELL

INTRAPRAD

NOT TO BE TRANSMITTED:

We had earlier agreed contractors qualified for Guri general contract
(Loan 353-VE) need not go through prequalification again. However, INHICA
now proposes to require them to do so, to which we can not object.

F. M. Howell
Public Utilities Projects

cc: Rept. Files (Guri Expansion Proj.)
(Control VE-9-00)

JHenchigh
Bank

BOOK OF TWO CABLES

IN ENGLISH ORIGIN
DIRECTOR
CONTEPLAN
CARACAS

INTERAMERICA
CARACAS

(VENEZUELA)

Dept Files
Venezuela
June 4, 1969
Qui
Ext

FURTHER TO OUR CABLE OF JUNE THREE STOP PLEASE ALSO SEND URGENTLY
SPECIAL LETTER ON NEGATIVE PLEDGE FROM MINISTER OF FINANCE AS AGREED
DURING NEGOTIATIONS STOP SIMILAR LETTER FURNISHED EARLIER FOR LOAN
452-VE VIRE YOUR REFERENCE WCFM DATED THIRTYTHREE JANUARY 1967 STOP
COPY SENT TO YOU BY MAIL TO FACILITATE REFERENCE

CAVER

INTROPRAD

Walter S. Hager
Western Hemisphere

Hager/en

c.c. Moore, Chief
✓ McCall
Rigby
Simons
Mr. Perez de la Cova
Embassy of Venezuela, Washington

June 4, 1969

Dr. Luis Enrique Oberto
Director
Oficina de Coordinacion y Planificacion
Republic of Venezuela
Caracas, Venezuela

Guri Powerhouse Extension

Dear Dr. Oberto:

Reference my cable today. I am attaching a copy of the special letter on the negative pledge, received by us for Loan 482-VE. We would need a similar letter for the proposed loan for Guri Powerhouse Extension: it may kindly be sent urgently.

With best regards,

Yours sincerely,

Shiv S. Kapur
Western Hemisphere Department

Encls.

cc: Messrs. Canale
Howell
Rigby
Zirman

SSKapur:ab

*Mr. K...
Dept. File
(VENEZUELA,
GUP EXTENSION)*

JUNE 3, 1969

INT. GOVT.

BOOK OF THREE CAMEL

(1) GENERAL ALFONSO
ELCARONI
CARACAS

(2) MINISTRERIA
CARACAS CARACAS

(3) DR. ENRIQUE ORTIZ
DIRECTOR
COORDINADOR
CARACAS

(VENEZUELA)

OUR LETTERS OF MARCH 5 AND MARCH 28 STOP PROPOSE TO PRESENT GUP FOR URGENT
EXTENSION LOAN TO EXECUTIVE DIRECTORS ON JUNE 24 STOP KINDLY INTERMEDIATE
URGENTLY COME BY CAMEL AND LETTER COME APPROVAL OF VENEZUELA GOVERNMENT
AND HEDICA TO DRAFT LOAN AND GUARANTEE AND AGREEMENTS AND SUPPLEMENTAL LETTERS
AS AGREED DURING NEGOTIATIONS AT THE BANK IN PRESENT STOP DOCUMENTS ALREADY
SENT TO YOU WITH APPOINTMENT LETTERS STOP ALSO REQUEST NOMINATION PREPARE
YOUR REPRESENTATIVE ON COMMITTEE UNDER ARTICLE FIVE SECTION 7 OF BANK'S
ARTICLES OF AGREEMENT TO REPORT ON PROPOSED LOAN AND SIGNING YOUR REPRESENTATIVE
TO SIGN LOAN DOCUMENTS STOP LOAN WILL BE SIGNED ONLY AFTER VENEZUELA HAS TAKEN
ACTION ON ENABLING LEGISLATION STOP REMAINS

WIESE

WIESE

WIESE
INTRA-AD

A bad case of end of FY - it's !

WIESE/gut?

Unter Wiese
WIESE/gut?

Western Hemisphere

cc: Messrs. Cecilio
Hewell
Bigling
Hansen

*Unfortunately the perpetrators
forget that signing is what
counts if it is to be a FY69 loan !*

EL CARONI
CARACAS

MAY 1, 1969

INF GOVT

VENEZUELA

FOR TELLERIA REUNLET MAC-0372 APRIL 23 STOP NO OBJECTION AWARD CONTRACT \$10
LOAD DISPATCHING FACILITIES GENERAL TELEPHONE STOP BANK AGREES TO PAY
EDELCAS ONE-THIRD SHARE FOREIGN EXCHANGE APPROX DOLLARS 736,665 REWARDS

HOWELL

Not to be transmitted: General Telephone's offer represents the
lowest responsive bid suitable for installation
in connection with facilities of the
EDELCA/CADAFE/La Electricidad pool.

F. H. Howell

Public Utilities Projects

cc: Mr. Rigby
Mr. Beach
Dept. File ✓

FHHowell:ls
Bank
Control No. VE-9-03

May 1, 1969

Ing. Pedro Palacios H,
Gerente de Construcción
C.V.G. Electrificación del Caroni, C.A.
EDELCA
Apartado 62413 Este
Caracas, Venezuela

VENEZUELA - Guri Power Station Expansion Project
Prequalification of Bidders

Dear Ing. Palacios:

Thank you for your letter No. 0058 dated April 23, 1969 regarding prequalification of firms for the general contract for the expansion of Guri. We have reviewed your proposal to place prequalification advertisements in Caracas newspapers, the Engineering News-Record, the International Herald Tribune and the International Construction Reporter and in addition to issue appropriate letters of interest to prospective bidders indicated in the list enclosed with your letter.

We agree your proposal should stimulate adequate competition and believe it is appropriate.

Very truly yours,

F. H. Howell
Chief, Power Division III
Public Utilities Projects Department

cc: Messrs. Rigby
Zinsman
Beach
✓ Department Files
Operational Files w/incoming

Control No. VE-9-04

CPChrislp

Form No. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP

Date

April 17

NAME

ROOM NO.

~~Mr Knox~~ ADP A313

~~Mr Beach~~ B303

DEPT FILE

"GORE EXT. PROJ"

To Handle

Appropriate Disposition

Approval

Comment

Full Report

Information

Initial

Note and File

Note and Return

Prepare Reply

Per Our Conversation

Recommendation

Signature

Send On

REMARKS

ZINMAN'S
VENEZUELAN
TRIP

From

Howell

OFFICE MEMORANDUM

TO: Mr. Gerald Alter

DATE: April 17, 1969

FROM: Bernard Zinman *BZ*SUBJECT: VENEZUELA - Back-to-Office Report

1. In accordance with my terms of reference, I visited Caracas from April 6-12, 1969, to (a) assist Mr. Abbate in undertaking an economic review required for an updating memorandum on Venezuela; (b) establish contact with the officials of the new Government inaugurated on March 11, 1969; (c) review present and prospective Bank operations in Venezuela; and (d) determine the preliminary thinking of the Venezuelan Government with respect to plans for investment in the public sector.

2. Together with Mr. Abbate, I met with the President of the Republic, Dr. Rafael Caldera; the Director of CORDIPLAN, Mr. Luis Oberto; the Minister of Finance, Mr. Pedro Tinoco; the Vice President of the Central Bank, Mr. Carlos Silva; the Minister of Public Works, Mr. Jose Curiel; the Minister of Communications, Mr. Ramon Velasquez; the President-Designate of INOS, Mr. Gustavo Maggi; the new President of CANTV, Mr. Andres Sucre; the President of C.V.G., General Rafael Alfonzo Ravard^{1/}; and with representatives of the Ministry of Agriculture, the Ministry of Mines, Creole Petroleum, and of the private sector.

A. General Observations

3. Considering that the COPEI (the Christian Democratic Party) Presidential candidate polled only slightly more than 29 percent of the total vote and defeated the Accion Democratica (AD) candidate by less than one percentage point, the transition in government has been very orderly. The Congress, however, has been unable to do business these past few weeks because of the lack of a quorum in the Senate. The impasse, which involves political maneuvering in connection with the selection of individuals for the posts of Attorney General and the Controller General, is having a direct effect on the approval of enabling legislation for the Guri Powerhouse Extension Project. Our acquaintances in the opposition informed me that the Congressional matter should be cleared up shortly and that no problem is expected in obtaining approval of the legislation concerning Guri. We estimate that such approval will be obtained before the end of May (which would permit time to sign within the present fiscal year).

1/ General Alfonzo is expected to remain as President of the CVG, although there is a rumor that he will leave to take an overseas assignment (probably as Ambassador to a major country).

4. President Caldera has formed a cabinet of independents who, though sympathetic to COPEI, have no formal ties to the party. The average age of the new cabinet members dealing with economic matters is between 35 and 40. Even with little experience in government, the new economic team seems to be of high quality. It remains to be seen, however, whether President Caldera will be forced to dismantle the group in order to realign the cabinet to include members of the minority political parties which received substantial percentages of the total vote in the elections of last December.

5. The Minister of Finance, Dr. Pedro Tinoco, a man in his early 40's, is intelligent, vigorous, and precise in his approach to questions. If he remains in the Government, he will probably become the key figure on the economic side. He is a lawyer and former Vice-President of the Banco de Comercio Mercantil y Agrícola, in which a substantial share of the ownership is held by the Chase Manhattan Bank. In his law practice he has represented several large foreign firms in Venezuela, including petroleum companies.

6. Mr. Tinoco seems to want to hold the line on expenditures of the Government. He indicated to us that a rationalization of expenditures is his aim for now. This position is probably due, in part, to his desire to contain new expenditures in 1969 because of the need to pay bills for a large quantity of works contracted in 1968 by the previous administration (reportedly to help the AD Party in the Presidential elections). His effort to concentrate on the expenditure side may also be the result of the prodding by prominent business groups (of which Mr. Tinoco can be considered representative) to avoid a tax reform in support of government programs. Dr. Hector Hurtado, former Director of CORDIPLAN, indicated to me that, in view of the budgetary outlook, the new Administration would have no alternative but to undertake tax reform. (For further discussion see B. below - Economic Situation). Upon my queries on longer term budgetary effects of possibly declining revenues, while expenditures continue to rise (and parallel results for imports and exports), the Minister said he planned to attack the problem of promoting oil exploration which had been stagnating for several years. He clearly means to tackle the service contract matter.

7. Mr. Tinoco showed considerable interest in a possible livestock development project with Bank assistance. He realized, however, that the immediate priority was to determine the level and composition of public sector investment and its financing. In this connection he indicated to us that he proposes setting up a planning organization for the financial aspects for public sector investment. (These efforts could lead to a possible shift in power in the economic policy field from CORDIPLAN to the Ministry of Finance. Much depends, however, on the relative performance and staying power of the top officials now holding the positions in these agencies.)

April 17, 1969

8. In CORDIPLAN both the Director, Mr. Oberto, who is in his late 30's, and the Deputy Director, Antonio Lopez Acosta, are engineers. My impression is that the main benefit of this combination will be more orderly organization than in the past under Dr. Hurtado, who, because of his dynamism and closeness to ex-President Leoni, had too many assignments unrelated to economic planning. Therefore, CORDIPLAN's economic planning work may become more businesslike than in the past, and its staff more efficiently employed.

9. Having been operating under new leadership for only a few weeks, CORDIPLAN has not yet mounted a systematic planning effort for the new administration. Mr. Oberto was therefore not able to indicate to us even preliminary ideas on a public sector investment program. However, the first talks between President Caldera and the top economic officials of the Government were to be initiated shortly after my departure from Caracas at the end of last week. In this connection, and pursuant to my terms of reference, I discussed with key Venezuelan officials, including President Caldera, the Bank's proposal for a mission later in the current year to review the Government's investment plans for the public sector. President Caldera, Mr. Oberto and the Minister of Finance were keenly interested in the suggestion and I propose to follow up on the programming of such a mission. I have already formed some ideas on what I think the nature and size of such a mission should be. Accordingly, I plan to prepare a separate memorandum on this subject as a planning document for discussion with you and Messrs. Wiese, Wiener and Lerda after your return from your forthcoming trip. It is not yet possible to determine with any precision what the timing of such a mission should be, but I would judge that it would be opportune during the fourth calendar quarter of 1969. Mr. Oberto felt it could be earlier.

10. On the evening of April 10, 1969, Mr. Abbate and I met with President Caldera. As indicated above, he showed interest in our proposal to review public sector investment plans later in 1969. He also was interested in the Bank's expanded activities and its entry into new fields (he offered to have us flown in his personal plane to the Island of Margarita, which the Government wishes to develop as a tourist center. I reluctantly refused in order not to build up false hopes!) He was specifically interested to know that we had had meetings on our proposals with the Minister of Finance and the Director of CORDIPLAN. President Caldera did not focus on my comments concerning the need for a comprehensive look at the overall investment plans and financing. He showed interest, instead, in the possibility of specific projects such as toll roads (an incipient rich man's "carratera marginal de la selva"), tourism, and in the Finance Minister's proposed livestock development project. In brief, President Caldera seems for the present project minded, but his general receptiveness and the intelligence of his economic officials indicates the possibility of a rational interchange between us and the new Government.

B. Economic Situation

11. After having advanced by 5-6 percent annually over the past several years, the Venezuelan economy grew by about 3 percent in 1968 as the private sector became cautious on investment during the Presidential election year. The internal price level underwent virtually no change during the year, and international reserves increased to the substantial level of \$922 million (up about \$50 million for the year).

12. Petroleum output and exports leveled off in 1968 after having risen by about 4 percent in 1967 as a result of the war in the Middle East. If there is no renewed upheaval in the world petroleum market, it appears that production and exports of Venezuela oil might drop in absolute terms this year, especially if supertanker tariffs decline as anticipated. Several other factors point to a short- and possibly medium-term decline in Venezuela's petroleum business. Among these are the continued absence of substantial exploration in new areas (and continued delays in agreement on service contracts acceptable to all parties), continued competition in the European market from increasing and cheaper oil from North Africa and Middle-Eastern sources, Canadian pressure for sales in the U.S. market, and the reported possibilities of gigantic oil reserves in Alaska.

13. Leaving aside long-term petroleum problems, many of which are beyond Venezuela's control, a serious impact on Venezuela's budgetary and balance of payments situation, and development efforts could arise over the next few years unless (1) an accommodation is made with the large oil companies which will assure expanded exploration in new areas^{1/} and, (2) the Government takes measures to tax the non-oil sector more heavily. On the balance of payments side, a sizable cushion of foreign exchange reserves would probably exist for the next two years or so even if petroleum output falls. An absolute drop in production of petroleum, however, would cause Government revenues to flatten out, thus requiring a curtailment of expenditures in the absence of a policy of increasing revenues from other sources. Such a development would point out sharply the excessive dependence on petroleum as a source of Venezuela's public income and would mean that economic development would have to slow down considerably unless the Venezuelans are willing to face squarely the need to tax themselves (the tax burden on the non-petroleum and non-mineral GDP is about 8 percent).

^{1/} Creole reports that little exploration in new areas has taken place over the past ten years because of the "no-concessions" policy of the Government. Exploration has practically ceased on existing concessions.

April 17, 1969

14. I did not discuss the foregoing matters and economic policy problems in detail with the Venezuelan officials since I considered the subject somewhat premature on the occasion of this mission. In general there seemed to be a delicate avoidance of the question of new tax measures probably because of the newness of the Administration and a sensitivity towards arousing the powerful business groups which are reported to have contributed to Caldera's campaigns (as well as to the campaigns of other major parties). I therefore felt it more appropriate merely to touch on such matters at this time only to assess the individual officials by their responses and to become acquainted with them so that we can have frank discussions on economic policy on future missions.

C. Operational Matters

15. Guri Hydroelectric Project. For the status of the enabling legislation for the Powerhouse Extension Project, see paragraph 3 above. While in Caracas, I inquired about the problem of the two remaining unclosed sluice gates of the Guri dam. I had the occasion to discuss the matter briefly with one of EDELCA's consultants, the President of the International Engineering Company, who was in Venezuela with the President of Harza (the project consultant) to continue efforts at solving the problem. They indicated to me that the devices built to seal the opening had been completed and that they will be put into place this week. They were confident that the problem will be solved satisfactorily.

16. Caracas Water Rates. I met with the newly-designated President of INOS, Mr. Gustavo Maggi, to brief him on the problem of INOS's commitment with respect to increasing water and sewage rates for the Metropolitan Zone System under Loan 444-VE. Mr. Maggi indicated it was his view that the political risk should be taken at the outset of the new Administration, i.e., that the Government should confront the Municipalities of the Federal District and Sucre with the need for a rate increase, thus showing responsibility. I also discussed the matter with the Director of CORDIPLAN, Mr. Oberto. Both Mr. Maggi and Mr. Oberto understood the Bank's position and know that we had postponed the Closing Date until September 30 in order to give them time to deal with the matter. It is my judgment that a resolution of the problem, one way or the other, can be made without damaging relations between the Bank and the new Government of Venezuela.

17. Mr. Maggi had not been officially appointed as President of INOS at the time of my presence in Venezuela, but he is expected to take over shortly. He has had over 20 years of experience as an engineer and as a private contractor on water supply systems. He worked for INOS from 1945 to 1956 as a senior engineer and Chief of a Division. I am sending copies of his curriculum vitae to the Public Utilities Projects Department. He impressed me as a mature and serious person; and I recommend that we should have no objection to his appointment.

April 17, 1969

18. Telecommunications Project (Loan 435-77). The Venezuelan Government has named Mr. Andres Sucre, a civil engineer, to the position of President of CANTV. He was once Minister of Public Works and has an excellent reputation in Venezuela as a public administrator and executive. He is well known to the Water Supply Division and to me through our contacts on the rate problem in INOS. I expect to receive his curriculum vitae shortly, which I will pass on to the Telecommunications Division. I would recommend that we register no objection to his appointment.

19. Third Highway Project. During my visit I met with the new head of the planning office of the Ministry of Public Works, Mr. Juan Bolinaga, to discuss the proposed conditions of the Third Highway Project. The Venezuelans would like to begin negotiations on April 28. The draft Loan Agreement has now been rerun to include changes made during my absence, and we will send out the invitation cable before your departure at the end of this week.

D. Other Matters

20. During my mission I followed up on the status of the new Government's position with respect to Venezuela's territorial dispute with Guyana. President Caldera, in his first and second news conferences (March 21 and 28, 1969), answered questions relating to this matter. He also indicated the policy toward Guyana in his inaugural address on March 11, 1969. The new Government's position on Guyana is considered by disinterested observers to be constructive. After relations worsened following disturbances in Guyana near the end of the last administration's period in office, President Caldera's remarks clearly pointed at improving the atmosphere. In his second press conference (March 28, 1969), he referred not only to possible Venezuelan economic assistance for the disputed area but also to development aid for the recognized territory of Guyana. "To achieve this," he said, "we hope that hemispheric international organizations and other countries of this continent will be able to show, in some form, their collaboration and goodwill in advancing the development program." From my inquiries, I determined that this reference had no specific plan for implementation of assistance, but was meant to indicate positive efforts without renouncing Venezuela's full claim to the disputed territory. Willingness to assist in the development of Guyana itself was new, as was the mention of possible assistance from international organizations. During my visit, newspaper articles reported on meetings between the mixed commission of Guyanese and Venezuelans presently being held in Barbados.

Bernard Zinman/ts

cc: Messrs. Wiese	Abbate	Kapur	Morse/Renger	Parasasath
Wiener	Cancio	Keltie	North/Paraud	Rigby
Reitter	Davar			Vasudevan/Minton
Lerdau	Greene			
	Howell			

Operational Files

April 7, 1969

F. H. Howell

VENEZUELA: Guri Extension

Appraisal report PU-6 was ready to be printed in gray cover April 4, 1969. It reflects the status of EDELCA as of March 15, 1969, and takes account of the proposed 20-year term for the third Bank loan.

We await Venezuelan legislation to proceed.

FHHowell:ls
Bank

cc: Mr. Zinman
Dept. File ✓

Dept Files

March 28, 1969

General Rafael Alfonso Navard
President
C.V.G. Electrificación del Caroni, C.A.
Apartado 11563 Este
Caracas, Venezuela

Guri Powerhouse Extension

Dear General Alfonso:

I am enclosing herewith five revised copies (dated March 10, 1969) of the draft Loan Agreement for the Guri Powerhouse Extension Project. The only change from the draft given to you at loan negotiations on February 26 is shown on page 24 which contains Schedule 1 - Allocation of Proceeds of the Loan. The amount for item 4 (Engineering Services Category) now reads \$2,200,000 instead of \$2,800,000 which appeared in the previous version of the draft Loan Agreement. In addition, we have included Schedule 2 (pages 25 and 26) consisting of the Amortization Schedule and the Premiums on Prepayments and Redemptions. You will recall that these were given to you as loose pages on the day of your departure.

As in the case of the previous loans to EDELCA, the loan documents agreed upon during negotiations should be approved by the Government prior to presentation of the loan to our Board of Executive Directors. I would therefore appreciate your arranging to have representatives of the Ministry of Finance review the draft Loan and Guarantee Agreements and indicate to us in writing its approval and/or comments of the text. We would also like to have a letter from EDELCA in this regard.

I have spoken to Dr. Cherto, the new Director of CORNIFLAN, and he has agreed that we can now go ahead with our plan to visit Venezuela beginning April 7 to review the economic situation. I will be accompanied by Mr. Francesco Abbate who will be working as economist for Venezuela. He will remain in Venezuela for 2-3 weeks. I will be in Caracas for about one week to introduce Mr. Abbate and to discuss Bank operations and the Government's investment plans with various new officials. I shall be looking forward to seeing you and members of your staff at that time.

Sincerely yours,

Bernard Zinnen
Western Hemisphere Department

Encl.

cc: Dr. Enrique Cherto, Director, CORNIFLAN
Dr. Paredes de la Cova, Venezuelan Embassy
Messrs. Cancio
✓ Howell
Rigby

BZinnen:sb

✓ 353-VE
X Kuri Exp.
X 482-VE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

OFFICE MEMORANDUM

TO : Mr. A. David Knox

March 25, 1969

FROM : F. H. Howell *FHH*

SUBJECT: VENEZUELA: Guri Powerhouse Extension Appraisal
Back-to-Office Report

1. In accordance with my Terms of Reference of March 14, 1969 I visited Venezuela March 16-22 to review EDELCA's present financial situation and to observe the progress of work on the Bank-financed projects, Guri and the EHV transmission system.
2. EDELCA's finances are as had been anticipated during my November 1968 appraisal. The Government is considering legislation authorizing EDELCA to borrow from the Bank, and committing itself to appropriating the local currency required to complete the financing plan. Endorsements of Cordiplan, the Banco Central, and the Ministry of Finance have been obtained. It is expected that a bill will be presented to Congress shortly. This would be the last step.
3. The EHV Project is proceeding well, and is expected to be completed during the third quarter of this year, as originally scheduled. Frequency unification is progressing as planned. About 75 MW of load had been converted by March 21. Completion is still estimated for mid-1971.
4. The general contractor at Guri, Consorcio, has not yet been able to close all the sluiceway gates (see my memorandum to Files dated February 5). Two out of the seven remain open, one carrying an estimated 1000 cubic meters per second. On March 19, this was reduced to an estimated 500, and EDELCA now feels confident present techniques will be successful, and closure will be effected in a matter of weeks.
5. EDELCA has delayed initiating the process of prequalifying contractors for the proposed powerhouse extension at Guri until the sluiceways have been completely closed. This is prudent, but if control is not accomplished within several months, we may have to consider whether or not a revision to the Closing Date in the negotiated documents would not be prudent.

FHHowell:ls
Bank

cc: Messrs. Chadenet, Baum, Piccagli, Lipkowitz, Rovani, Armstrong,
White, Hittmair, Saeed, Zinman (4), Lind
Dept. Files
Central Files ✓

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

OFFICE MEMORANDUM

TO : Mr. F. H. Howell

March 14, 1969

FROM : A. David Knox

SUBJECT: VENEZUELA: Guri Powerhouse Extension Appraisal
Terms of Reference

1. You will arrive in Caracas March 17 for a visit of one week, in the course of which you should:
 - (i) Review EDELCA's 1968 operations to bring appraisal report PU-6 up to date for submission to the Executive Directors; and
 - (ii) Review the status of frequency unification.
2. You should take the opportunity of this trip to visit the Guri Project, and inspect the EHV Transmission Project.
3. You should submit a brief report immediately upon your return, and revise appraisal report PU-6 as soon as possible.

7/3/74
FHHowell:ls
Bank

Cleared with and cc: Mr. Zinman (4)

cc: Messrs. Chadenet
Baum
Knox
Armstrong
White
Hittmair
Saeed

Dept. File
Operational Files (2) ✓

Dept File
Venezuela
Lima

EL CARONI
CARACAS

MARCH 11, 1969

INF GOVT

VENUELA

FOR ALAZRACHI

ARRIVING SUNDAY MARCH SIXTEEN VIASA SEVENFOURTHREE STOP PLEASE

ARRANGE TAMANACO SEVEN NIGHTS RETARDS

HOWELL

F. H. Howell

cc: Mr. Kinman

Public Utilities Projects

Howell:ls
ank

Your Ref: 0027

March 10, 1969

C.V.G. Electrificación del Caroni, C.A.
Apdo. 11563 Este
Caracas, Venezuela

Re: Loan 353-VE

Gentlemen:

We acknowledge with thanks receipt of your letter dated February 26, 1969 with which you enclosed the quarterly progress report for the period ended December 31, 1968.

We are studying the report and if there are any questions or comments on the information presented, we will write to you again.

Very truly yours,

F.H. Howell
Chief, Power Division III
Public Utilities Projects Department

af
IERD

This amt → 335-VE

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 10, 1969

1615

LOG NO.:

RC 17/11

TO:

INTBAFRAD

FROM:

CARACAS

ROUTING

ACTION COPY: **MR. REITTER**

INFORMATION
COPY: **MR. ALTER**

DECODED BY:

TEXT:

RECIBIDO AUN NO TERMINADO ALIMENTADOR NORTE JUZGAMOS CONVENIENTE
PRORROGA POR SEIS MESES APROXIMADO CONCLUSION CONTRATO POR
CORREO AMPLIAREMOS DETALLES ATENTAMENTE

PABLO A ALVAREZ

MPB

COMMUNICATIONS
MAR 11 8 37 AM 1969

TYPED

MAR 11 8 31 AM 1969
COMMUNICATIONS

*Dept File
Venezuela - Papped
Gurion*

GENERAL RAFAEL ALFONZO
ELCARONI
CARACAS

MARCH 6, 1969

IRF GOVT

VENEZUELA

PROPOSING VISIT WEEK MARCH SEVENTEEN UPDATE APPRAISAL REPORT WITH
MAX ROSS ALSO TAKE OPPORTUNITY VISIT GURI STOP PLEASE ADVISE IF
THIS ACCEPTABLE TO YOU REGARDS

FRED HOWELL

F. H. Howell

Public Utilities Projects

Cleared with & cc: Mr. Zimman

FHHowell:ls
Bank

Sept. 7 file

Mr. B. Kirman

March 6, 1969

F. H. Howall

VENEZUELA: Proposed Loan for Guri Extension

You will recall that at the conclusion of negotiations last week, Rodolfo Tellez agreed to advise us soon after his return to Caracas of a revised "allocation of proceeds of the loan" with a view towards reducing Category A "Engineering Services".

I received a telephone call this morning from Alberto Alarachi in Tellez's behalf, requesting agreement to a reduction of \$600,000 in that category, and a redistribution as per the attached revised Schedule 1.

I told Alarachi that this revision was acceptable.

Attachment

FHHowall:ls
Bank

cc: Mr. Cancio
Mr. Rigby

REVISED DRAFT

March 6, 1969

Excerpt from

SCHEDULE 1

Allocation of Proceeds of the Loan

<u>Category</u>	<u>U.S. Dollar Equivalent</u>
1. Civil engineering works, including penstock, gates, and erection of unit 4 and embedded parts of units 5-10	15,800,000
2. Unit 4 turbine/generator, and embedded parts for units 5-10	8,300,000
3. Unit 4 transformer and switchgear	1,000,000
4. Engineering services	2,200,000
5. Unallocated	<u>3,700,000</u>
Total	31,000,000

Mr. Justo Garcia

March 4, 1969

A. G. Arango

VENEZUELA - CAVENDES

1.6.26.

1. Attached are two copies of a letter received from Mr. Vera, General Manager of CAVENDES, and which refers to Christiani & Nielsen, regarding a credit extended to that firm by CAVENDES with charge to the IFC loan.

2. The contents of this letter may also be of interest to IBRD regarding their loan to the Guri Dam project.

Attachments

AGArango:med

AGA



353-VE
60 70

C. A. VENEZOLANA DE DESARROLLO
(SOCIEDAD FINANCIERA)

CAPITAL SUSCRITO
Y PAGADO: Bs. 10000000
CARACAS, VENEZUELA

APDO. CORREOS 10-11 CHACAO-CARACAS
TELEFONOS: 32-3091-04 Y 32-6030
DIRECCION CABLEGRAFICA: CAVENDES

G-271

26 de febrero de 1969

[Handwritten signature]

Señor
A. G. Arango
International Finance Corporation
1818 H Street N. W.
Washington D. C. 20433
U. S. A.

Estimado Sr. Arango:

Espero haya completado bien su viaje por Colombia y regresado felizmente a Washington.

He querido escribirle en relación al caso de "Christiani & Nielsen", el cual tuve la oportunidad de comentar con usted.

Luego de analizar detenidamente la situación, y considerando que tenemos garantías suficientes y que la empresa a la cual hemos otorgado el crédito es distinta en su concepción jurídica a la que forma parte del Consorcio que ha construido la Represa del Gurí, hemos decidido llevar adelante el financiamiento en cuestión, por lo cual estímore se sirva plantearlo a los funcionarios competentes, a fin de que dicho caso sea aligerado.

Reciba, como siempre, un cordial saludo.

Muy atentamente,

[Handwritten signature]

Jacques Vera M.
Gerente General

JVM/mcr.

CROSS REFERENCE SHEET

COMMUNICATION: Memorandum

DATED: March 14, 1969

TO: Files

FROM: Bernard Zinman

FILED UNDER: VENEZUELA - Guri Expansion Project

SUMMARY: VENEZUELA - Loan Negotiations (Guri Powerhouse Extension Project)

2. Prior to beginning discussions on the above-cited project, we took the occasion to enquire about the status of the problem concerning the three sluice gates which failed to close (see Mr. Howell's memorandum of February 5, 1969.) General Alfonso explained in considerable detail the measures being taken to solve the problem and left with us a written report on the progress being made. He said the situation was now under control and expressed confidence that the problem would be solved fairly soon.

February 17, 1969

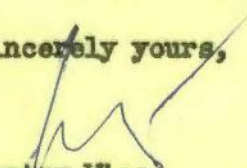
C.V.G. Electrificación del Caroni, C.A.
Apartado 11563 Este
Caracas, Venezuela

Gentlemen:

Further to your letter to the Bank dated December 27, 1968, pursuant to Section 3.01 of the Loan Agreement, I am attaching hereto a suggested revision to the List of Goods of the above loan as amended.

If you agree with the proposed revision, please sign the form of confirmation on the enclosed copy of this letter and return it to us.

Sincerely yours,


Gunter Wiese
Deputy Director
Western Hemisphere Department

CONFIRMED:

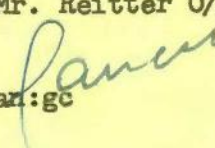
C.V.G. ELECTRIFICACION DEL CARONI, C.A.

By: _____

Date: _____

Cleared with and cc: Messrs. Cancio (Legal)
Howell (PU)
Rigby (Treas.)

cc: Mr. Reitter O/R

 
BZ:jancu:gc

Loan 353-VE

GURI HYDROELECTRIC PROJECT

LIST OF GOODS
(First Revision)

<u>Item</u>	<u>Amount in US\$ Equivalents</u>
1. Civil Engineering works, including construction materials and equipment construction materials and equipment, control gates, cranes, penstocks, fire-fighting equipment, lighting, telephone equipment, installation of two turbo-generators complete, a third turbine, and auxiliary equipment, access road, insurance, shipping and general transport	58,742,000
2. Supply, delivery and supervision of erection of three turbines and two generators, including all auxiliary equipment and transformers, transport and insurance	5,580,000
3. Miscellaneous power station equipment, high voltage switchgear, transmission, auxiliary equipment, transport and insurance	3,496,000
4. Engineering services	4,500,000
5. Interest and other charges during construction	12,682,000
6. Unallocated	--
Total	<u>US\$85,000,000</u>

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3 6366 • Cable Address - INTBAFRAD

353 V

1 A 11

February 17, 1969

C.V.G. Electrificación del Caroni, C.A.
Apartado 11563 Este
Caracas, Venezuela

Gentlemen:

Further to your letter to the Bank dated December 27, 1968, pursuant to Section 3.01 of the Loan Agreement, I am attaching hereto a suggested revision to the List of Goods of the above loan as amended.

If you agree with the proposed revision, please sign the form of confirmation on the enclosed copy of this letter and return it to us.

Sincerely yours,

G. K. Wiese

Gunter Wiese
Deputy Director
Western Hemisphere Department

CONFIRMED:

C.V.G. ELECTRIFICACION DEL CARONI, C.A.

By: *R. S. G. G. G.*

Date: 4-3-69

GURI HYDROELECTRIC PROJECT

LIST OF GOODS
(First Revision)

<u>Item</u>	<u>Amount in US\$</u> <u>Equivalents</u>
1. Civil Engineering works, including construction materials and equipment, control gates, cranes, penstocks, fire-fighting equipment, lighting, telephone equipment, installation of two turbo-generators complete, a third turbine, and auxiliary equipment, access road, insurance, shipping and general transport	58,742,000 ✓
2. Supply, delivery and supervision of erection of three turbines and two generators, including all auxiliary equipment and transformers, transport and insurance	5,580,000 ✓
3. Miscellaneous power station equipment, high voltage switchgear, transmission, auxiliary equipment, transport and insurance	3,496,000 ✓
4. Engineering services	4,500,000 ✓
5. Interest and other charges during construction	12,682,000 ✓
6. Unallocated	--
Total	<u>US\$85,000,000</u>

OK

Dept Files
Venezuela
Guri Ext
(new loan)

February 14, 1969

Dr. Alfonso Espinosa
Corporacion Venezolana de Gasyana
Apartado 7000
Caracas, Venezuela

Dear Dr. Espinosa:

As you know, we have sent General Alfonso a cable inviting representatives of EDELCA and the Government for negotiations of the proposed loan for the Guri Powerhouse Extension Project. I assume that we will have the pleasure of seeing you next week in Washington. As mentioned in the cable, and in Mr. Alter's letter of January 22, 1969, to General Alfonso, we do not plan to present the loan to the Board of Executive Directors until the Congress completes action on the enabling legislation for the borrowing and until the Bank has been given an opportunity to review the economic situation with the Venezuelan Government authorities.

To assist you in preparing for the negotiations, I am sending, with the concurrence of Mr. Cancio, copies of the draft Loan Agreement and the draft Guarantee Agreement. As you know, the draft loan documents are subject to change even though we have reviewed them before extending the invitation to hold negotiations. I am also sending you a copy of the "General Conditions Applicable to Loan and Guarantee Agreements", dated January 11, 1969, which has replaced the Loan Regulations. I understand from Mr. Hurtado that the negotiating team will be arriving in Washington next weekend.

Sincerely yours,

Bernard Zinner
Western Hemisphere Department

Encls.

cc: Messrs. Cancio
Howell
Beitter e/r
Rigby

BZinner:eb

Mr. Howell

INCOMING CABLE

DATE AND TIME
OF CABLE:

FEBRUARY 13, 1969

1800

LOG NO.:

RC 13/14

TO:

ALTER INTRAFRAD

FROM:

CARACAS

ROUTING

ACTION COPY: MR. ALTER

INFORMATION COPY: MR. REITTER

DECODED BY:

TEXT:

RECIBIDO. DE ACUERDO CON FECHA SUGERIDA PARA INICIAR NEGOCIACIONES
SOBRE NUEVO PRESTAMO GURI. GENERAL ALFONZO ACOMPAÑADO FUNCIONARIO
REPRESENTANTE GOBIERNO, QUE SERA DESIGNADO PROXIMA SEMANA, PARTIRAN
FIN DE SEMANA ANTERIO FECHA REUNION

HURTADO

MPB

BOOK OF THREE CABLES

GENERAL RAFAEL ALFONZO RAVARD
ELCARONI

DR FRANCISCO MENDOZA
MINISTRO DE HACIENDA

DR HECTOR HURTADO
DIRECTOR
CORDIPLAN

CARACAS
(VENEZUELA)

Mr. Howell
DEPT. FILES
Venezuela
guir Return
FEBRUARY 12, 1969

IBF GOVT

(new loan)

BANK PLEASED TO INVITE EDELCA AND GOVERNMENT REPRESENTATIVES FOR NEGOTIATIONS
PROPOSED LOAN DOLLARS THIRTY-ONE MILLION EQUIVALENT FOR TWENTY YEARS TO EDELCA
FOR GUIR POWERHOUSE EXTENSION PROJECT STOP WE PROPOSE NEGOTIATIONS COMMENCE
MONDAY FEBRUARY TWENTY-FOUR IF CONVENIENT YOU AND GOVERNMENT REPRESENTATIVES
STOP WE PROPOSE CONCLUDE NEGOTIATIONS BUT AWAIT PRESENTATION LOAN TO EXECUTIVE
DIRECTORS UNTIL VENEZUELA CONGRESSIONAL ACTION COMPLETED ON ENABLING LEGISLATION
FOR THIS LOAN AND UNTIL BANK HAS BEEN GIVEN OPPORTUNITY TO REVIEW ECONOMIC SITU-
TION WITH VENEZUELAN AUTHORITIES STOP MAIN ITEMS FOR REVIEW DURING NEGOTIATIONS
WOULD BE PRIMERO MAINTENANCE FINANCIAL COVENANTS IN EHV TRANSMISSION LOAN 482-VE
WITH EIGHT PERCENT RATE OF RETURN DEFERRED TO END NINETEEN SEVENTY-FIVE SEGUNDO
PROHIBITION DIVIDEND PAYMENTS EXTENDED TO NINETEEN SEVENTY-FIVE TERCERO GOVERN-
MENT REAFFIRMATION OF UNDERTAKING TO ENSURE PROMPT COMPLETION FREQUENCY CONVER-
SION CARACAS AREA SYSTEM CUARTO GOVERNMENT UNDERTAKING CAUSING CADAPE PROMPTLY
MAKE ANY PAYMENTS DUE TO EDELCA FOR PURCHASE ELECTRICITY QUINTO UNDERTAKING BY

BOOK OF THREE CABLES

FEBRUARY 12, 1969

PAGE 2

CVG TO MAKE ADDITIONAL CASH INVESTMENT ABOUT BOLIVARES SIXTY-FIVE MILLION
IN EDELCA STOP WE WOULD EXPECT REACH AGREEMENT THESE MAIN POINTS DURING
NEGOTIATIONS STOP DEBT REPRESENTATION LETTER AND LETTER APPOINTING REPRE-
SENTATIVE TO STATUTORY LOAN COMMITTEE WILL BE REQUESTED LATER STOP SHALL
APPRECIATE CABLE CONFIRMING TIMING NEGOTIATIONS SUITABLE AND GIVING NAMES
AND DATE ARRIVAL NEGOTIATORS STOP

ALTER

INTRAFRAD

Gerald Alter

Western Hemisphere

Cleared with and cc: Mr. Cancio (Legal)
Mr. Howell (PU)
Mr. Rigby (Treas.)

cc: Mr. Reitter a/r

BZimman:ab

Dept Files

Mr. Carter Weiss

February 7, 1969

Bernard Zinnman

VERMONT - Carl Powerhouse Extension:

Representatives of the various departments have now reviewed the draft Loan Agreement and Guarantee Agreement for the above-cited project and have agreed on the provisions therein. In view of our discussion on front office clearance of loan documents, I am reiterating to Messrs. Canale, Howell and Righy that any further clearance in their respective departments should be obtained before we invite negotiations.

The attached drafts reflect the inclusion of the new form of text on standard clauses required by the "General Conditions Applicable to Loan and Guarantee Agreements" dated January 31, 1969. They also incorporate minor changes made in previous drafts and include the following changes in provisions shown in the last Loan and Guarantee Agreements applicable to the Borrower (Loan 482-VZ):

LOAN AGREEMENT

Section 5.11. This section includes a new clause governing the pace of installation of new units by the Borrower. The purpose is to prevent premature installation and expenditure. There is little danger of this occurring under present management of VERMONT, but it would be a safeguard should the management change over the next several years.

Section 5.13. The dates applicable to the dividend limitation (1969-1975) merely reflect the financial analysis shown in the Appraisal Report. The Loan Agreement for Loan 482-VZ limited non-payment of cash dividends to 1971.

Section 5.14. The tariff covenant has been modified only to incorporate the essential details (such as the specific rate of return target) which were formerly in a Supplemental Letter. You will note that the wording requires that the computation of the rate of return shall be related to the realistic value... of the Borrowers total net fixed assets in operation... This wording appeared in the Supplemental Letter on Rates for the last loan to the Borrower. You will recall that the Loan Committee agreed that a revaluation of assets to reflect price changes would not be required in the case of this loan.

GUARANTEE AGREEMENT:

Section 3.06. This clause refers to the date by which the electrical facilities and equipment of the power company serving the Carsons area must be converted from 50-cycle to 60-cycle operation. The last Loan Agreement (Loan 482-VZ) stipulated that such conversion must be completed by July 1, 1970. In view of the slippage in commencement of such conversion, which is now well under way, the appraisal report recommends that we require completion by July 1, 1971.

Mr. Carter Weiss

- 2 -

February 7, 1968

Section 1.07 This covenant includes a new clause requiring the Government to cause GAMFE promptly to make any payments due by GAMFE to the Borrower. This is merely a safeguard to ensure payment of bills by the publicly - owned power company which would be a principal consumer of the Borrower. It also takes into consideration past delinquency in payment of bills by official agencies of the Government.

If you have no further comments on the attached draft loan documents, I plan to submit to you a cable inviting negotiators as soon as it is cleared.

Attachments.

cc: Messrs. Canale
Howell ✓
Rigby
Raiter a/r

HK:man: jch

Your ref: Mac-0095

February 6, 1969

C. V. G. Electrificación del Caroni, C. A.
Apartado 11563 Este
Caracas
Venezuela

Gentlemen:

Re: Loan No. 482-VE

We acknowledge with thanks receipt of your letter dated January 27, 1969, with which you sent us your progress report #7 for the period ended December 31, 1968.

We are studying the report and if there are any questions or comments on the information presented, we will write to you again.

Very truly yours,

F. H. Howell
Chief, Power Division III
Public Utilities Projects Department

cdd
IBRD

ROUTING SLIP

Date

Feb. 5, 1969

NAME

ROOM NO.

Operational Files

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

The original memo, addressed to Operational Files, has been passed on to Mr. Chadenet. This xerox copy is being sent you just in case Mr. Chadenet retains the original.

From

F. H. Howell

Operational Files

February 5, 1969

F. H. Howell

VENEZUELA: Loan 353-VE

The January 30, 1969 issue of Engineering News-Record carried the following item:

"Guri Dam gates stuck -

Guri Dam, the problem-plagued hydro project on the Caroni River, is battling more trouble. Reportedly, eight of the big dam's 14 sluice gates are stuck open, leaving 50 x 10-ft gaps through which 50,000 cfs is jetting and causing cavitation damage."

In the course of a telephone conversation yesterday with General Alfonso I mentioned this to him, and asked him if the difficulties were not being exaggerated.

General Alfonso told me that EDELCA is continuing to experience difficulty in closing some of the gates, which we had been aware of at the time of the inaugural ceremonies November 8, 1968. He said a local stringer for ENR had requested detailed information from his staff, and had been told that when operations achieved normality a technical paper would be written discussing the problem and that he could get all the details he wanted from that.^{1/}

The gates in question are supposed to control seven low-level apertures through the main concrete gravity dam. Each aperture or sluiceway, is controlled by two gates operating in parallel vertically, but separately. The sluiceways were provided for carrying the river during the last stages of construction when the right channel had been dewatered and the right rockfill dam was being put in place. It had been planned, upon completion of the rockfill structure, to close most of the sluiceways to begin ponding water. Several gates were to remain open while the reservoir was being filled and until the reservoir level reached the crest of the spillway, in order that water might be available for the operation of the existing downstream Macagua installation. The full operating level has been achieved, and the sluiceways should be closed now so that they can be "plugged" with concrete as planned.

^{1/} Someone from the McGraw Hill group of publications contacted me several weeks ago seeking information. He had been referred to me by the Bank's Information and Public Affairs Department. I told him to contact either EDELCA in Caracas, or Harza in Chicago.

However, three of the 14 gates--one in each of three sluiceways--cannot be closed completely with the control mechanisms. Some 2 1/2 meters of the 12-meter-high apertures are open. The General Contractor, Consorcio Guri (managed by Kaiser Engineers & Constructors, Inc.) is currently marshalling equipment and people to place an underwater barrage or cofferdam of rock-filled gabions in an attempt to reduce the volume of flow through the sluiceways and minimize its velocity. (The gates are at a level now some 60 meters underwater.) They then plan to send a diver down to inspect the condition of the gates and mechanisms. The General told me consideration has been given to the use of some kind of hydraulic device to force the gates closed.

The basic responsibility for getting the gates closed rests with Consorcio, who receives a lump sum payment for "care of water." Furnishing and erection of these sluiceway gates was a part of the general contract.

FHHowell:kr
IBRD

cc: Messrs. Knox/Armstrong ✓
Piccagli
Zimman
Lind
Beach
Department File

Mr. Leopoldo Canale

January 24, 1969

Bernard Zisman

VENEZUELA - Guri Powerhouse Extension

Yesterday Mr. Alter sent a memorandum to the Loan Committee on the above-cited project. In view of the absence of enabling legislation, we followed your recommendation and have proposed inviting negotiations but waiting until Congressional action on the legislation has been essentially completed before presenting the loan to the Executive Directors. This approach has now been approved by Mr. Knapp.

Assuming that we obtain Loan Committee approval (which we hope to have by next Tuesday), we plan to invite negotiations after the loan documents have been drafted and cleared within the Bank. I have a draft Loan Agreement and draft Guarantee Agreement which you indicated might require several changes in the form. Mr. Howell and I have some comments on the draft as it is now written, but I would propose holding them for discussion until you confirm that new drafts of the loan documents will be necessary.

I am attaching hereto a draft copy of Schedule 1 (List of Goods), Schedule 3 (Description of the Project), and Schedule 4 (Procurement), all of which have been prepared by Mr. Howell for inclusion in the Loan Agreement. Mr. Howell has also informed me that he suggests an additional covenant relating to the timing of installation of additional generating units (see Mr. Howell's memorandum to me dated January 23, 1969).

Please let me know whether it will be necessary for you to draft new loan documents and, if so, when we can expect them so that we can arrange to invite negotiators.

Attachment

cc: Messrs.  Howell
Rigby
Ritter c/r

BZisman:sb

LOAN COMMITTEE

DECLASSIFIED

SEP 05 2016

WBG ARCHIVES

January 23, 1969

MEMORANDUM TO THE LOAN COMMITTEE

Venezuela - Loan for Guri Powerhouse Extension

1. The Committee is requested to consider, without meeting, the attached memorandum of January 23, 1969 from the Western Hemisphere Department entitled "Venezuela - Proposed Bank Loan to C.V.G. Electrificación del Caroni for Guri Powerhouse Extension" (LC/O/69-9).
2. Comments, if any, should be sent to reach Mr. Zinman (ext. 2446) by 3:00 p.m. on Tuesday, January 28.
3. It is planned then, if the Committee approves, to inform the Government that the Bank is prepared to begin negotiations for the proposed loan.

Michael A. Gould
Acting Secretary
Loan Committee

- DISTRIBUTION -

Committee:

Mr. J. Burke Knapp, Chairman
Mr. S.R. Cope, Deputy Chairman
Mr. S. Aldewereld, Vice President
Directors, Area Departments
Director, Projects Department
General Counsel
Director, Economics Department
Director, Development Services Department
Treasurer

Copies for Information:

President
The Economic Adviser to the President
Sir Denis Rickett, Vice President
Mr. M. Shoaib, Vice President
Directors, other Departments
Special Adviser to the President
Executive Vice President (IFC)
Vice President (IFC)

CONFIDENTIAL

LC/O/69-9

January 23, 1969

LOAN COMMITTEE

Memorandum from Western Hemisphere Department

VENEZUELA - Proposed Bank Loan to C.V.G. Electrificacion del Caroni
for Guri Powerhouse Extension

1. Attached is Appraisal Report No. PU-6 recommending a Bank loan of \$31 million equivalent to the C.V.G. Electrificacion del Caroni (EDELCA) to finance the foreign exchange costs of extending the powerhouse structure of the Guri Hydroelectric Project from the present three-unit capacity to the full 10-unit size contemplated, and installing unit 4.
2. To date, the Bank has made 7 loans in Venezuela totalling \$247.3 million. The proposed Bank loan would be the third to EDELCA and the first one in Venezuela since the \$15 million loan made in January 1967 to EDELCA for the Extra-High-Voltage (EHV) Transmission Project. In October 1967, IFC made an investment of \$7.5 million, including an option to purchase shares, in the C.A. Venezolana de Desarrollo (CAVENDES), a private development finance company.
3. Apart from the proposed loan for Guri powerhouse extension, a long-pending highway project is now being reappraised in the field for a possible loan of about \$15 million which would be the third for this purpose in Venezuela. This loan is scheduled to be presented to the Executive Directors in mid-1969.
4. The loan for the Guri powerhouse extension has only recently been proposed to the Bank. It was originally contemplated that extension would take place in stages during the late 1960's and 1970's as installation of the 7 units was required. EDELCA's projected sales, based on the Bank's evaluation of the markets served by EDELCA and its two major customers, will require the completion of the powerhouse, as originally foreseen, by 1980. The rate of sales growth is projected to be such that, beginning in 1973, an additional 175 MW unit will be required on the average about every year until 1980. An analysis by EDELCA's consultant has shown that it is preferable for EDELCA to extend the powerhouse to the full 10-unit capacity at once instead of by stages; at any rate of return of capital less than 12 percent EDELCA is thus justified in deciding to extend the existing powerhouse to its full size during 1969-72 and to purchase and install the remaining 7 units between 1972 and 1980. EDELCA's financial projections, as shown in the appraisal report, indicate that it will be capable of financing the purchase of 6 of the 7 additional units from its own resources. It is possible, however, that these 6 units will be financed by suppliers' credits.

5. As a result of the Presidential election held on December 1, 1968, a new administration headed by Dr. Rafael Caldera of the Social Christian Party (COPEI) will begin a five-year term in March 1969. After the new Government has formulated its programs and policies, we plan to send an economic mission to Venezuela to ascertain its plans for investment in the public sector over the next four years. We would then formulate a lending program for Venezuela in the context of the Government's public sector investment program and its economic policies.

The Economic Situation

6. A memorandum on economic developments in Venezuela was circulated to the Board in January 1967 in connection with the loan to EDELCA for the EHV Transmission Project. I propose circulating an updated memorandum on Venezuela's current economic situation and prospects when the proposed loan for Guri powerhouse extension is presented to the Board.

7. Venezuela's recent presidential election demonstrated the political and economic stability that has come to characterize the country in recent years. In contrast to previous elections, there were no unusual international capital movements during the Presidential campaign. Nearly all sectors of the economy have registered gains and the increase in GDP for 1968 is expected to be 5-6 percent. Despite some growth of the government budget deficit, prices have risen only moderately in recent years. The new Government is expected to continue emphasis on mixed private-public enterprises, plus ambitious health, education and welfare programs.

8. After a 3 percent decline in petroleum production in 1966, output rose by 5 percent in 1967, partly as a result of the dislocation of supply resulting from the Middle East war. Petroleum production and exports continued to increase during 1968. Despite the presently favorable situation, the dependence of the Venezuelan economy on the petroleum industry makes it vulnerable to long-term problems of this sector. Since 1958, no new oil concessions have been granted in Venezuela, while increases in tax demands have been made upon foreign oil companies. As a result, exploration activities have fallen and new investment in production facilities by the oil industry has declined markedly over the last few years. The Venezuelan petroleum industry must also deal with lower-cost oil from competing African and Middle-Eastern countries. The new Government, therefore, will be faced with the problem of increasing exploration and maintaining its high level of petroleum exports over the next several years while it continues the last Administration's efforts to diversify the economy.

9. In the light of present prospects for the economy, there will remain a significant margin for additional borrowing on conventional terms for which Venezuela continues to be creditworthy. Venezuela's debt service ratio, which has been consistently low over the past several years, amounted to no more than 2 percent for 1967.

Justification for Lending

10. When the loan for the Guri Powerhouse Extension Project was first mentioned to us last fall, we carefully considered whether the Bank would be justified in going ahead with this loan even though it was not possible clearly to demonstrate the magnitude of Venezuela's external financing requirements over the next few years. We have at present no way of knowing whether the new Government would step up public sector investment, thus clearly establishing the need for external financing on a significant scale. On the other hand, Venezuela is not borrowing for public sector projects on a large scale now and the proposed loan for power is, in any case, small relative to the size of Venezuela's public sector. Given the sector and institutional objectives of our lending for the Guri Project and taking into account particularly the importance of this project for the diversification of the Venezuelan economy, we decided to proceed with this operation. In making this decision, we noted that with the exception of the proposed Third Highway Project, it is doubtful that few, if any, of the projects included in our five-year lending program have been moving to the stage where Bank financing is likely to be forthcoming.

The Project

11. The Bank has made two loans to EDELCA totalling US\$100 million equivalent for the initial phase of Guri and the extra-high-voltage facilities to transmit the power to the Caracas market area. The proposed project for the powerhouse extension would include (a) complete civil works for the full 10-unit powerhouse; (b) installation of unit No. 4 complete; (c) installation of embedded parts for units 5-10; and (d) engineering and supervision during procurement and construction.

12. The proposed loan would finance the foreign exchange cost of the project excluding interest during construction. The appraisal report assumes that EDELCA's cash generation and government contributions during the construction period (1969-73) will be sufficient to cover EDELCA's total cash requirements, including interest on the proposed loan, while still leaving a modest amount of cash on hand at the end of each year.

13. Because of a one-year delay in the completion of the Guri Hydro-electric Project and a longer delay in frequency unification, both of which were beyond the control of the Borrower, EDELCA will not be able to achieve an 8 percent rate of return by 1973, as required under the tariff covenants in previous Bank loans to the company. The appraisal report therefore recommends a waiver of the 8 percent financial rate of return provision until 1975.

14. In view of the outlook for a relatively modest rate of inflation, the rate covenants in the earlier Loan Agreements for Guri did not require periodic revaluation of EDELCA's assets. Based on developments in recent years and present prospects, we see no compelling reason to modify the rate covenant in this respect.

15. The rate of return requirement, however, presents a special problem because of a 20-year sales and interconnection agreement signed in mid-1968 by EDELCA and its two main customers who will account for more than 60 percent of EDELCA's power sales, i.e., Compania Anonima de Administracion y Fomento Electrico (CADAFE), a Government-owned company, and C.A. La Electricidad de Caracas, a private company. The agreement does not provide for an adjustment of electricity rates to offset the effects of any price inflation in Venezuela, and therefore could prevent EDELCA from complying with the rate covenant.

16. In view of the history leading up to the agreement, La Electricidad de Caracas would not readily accept renegotiation of the agreement. La Electricidad undertook a significant commercial risk when it agreed, after several years of negotiation (and before completion of the Guri Hydroelectric Project), to convert its facilities from 50 to 60 cycles to conform with the frequency unification program for the country. However, in the event that price increases were to accelerate in Venezuela, EDELCA and the Government are likely to open up the question of rate adjustments with both CADAFE and La Electricidad. Nevertheless, in order to protect the Bank, we propose to include in the loan documents a letter to EDELCA to the effect that the Bank is cognizant of the fact that the fixed rates in EDELCA's agreement with CADAFE and La Electricidad may seriously reduce EDELCA's ability to meet the rate covenant; that the existence of the rate covenant in the opinion of the Bank implies that EDELCA and the Government, in case of need, expect to be able to modify the rate provision in the agreements between the three Companies; and that unless compliance with the rate covenant in the Loan Agreement were to be restored, the Bank would have to take recourse to the remedies provided for in the loan documents.

17. The appraisal report would be modified to cover the matters discussed in paragraphs 14 through 16 of this memorandum.

18. The appraisal report recommends, on project grounds, a term of 25 years, including a five-year grace period for the proposed loan. This term, however, seems too long in view of Venezuela's strong economic position and is not consistent with the maturity pattern for past loans to Venezuela. I therefore propose a term of 20 years, as in the case of the last loan to EDELCA, including a grace period of 5 years. As far as the company's financial position is concerned, the reduction in the term of the proposed loan from 25 years to 20 years would not be significant. Before presentation to the Board of Executive Directors, the appraisal report will be modified to reflect the change in the repayment term. The revised appraisal report will demonstrate that EDELCA will have the capacity to service a loan of \$31 million repayable in 20 years.

19. EDELCA does not yet have the enabling legislation for the proposed powerhouse extension project, and a law for this purpose cannot be approved before the Venezuelan Congress reconvenes in March 1969. Enactment of such legislation would be a condition for signing of the loan. I therefore propose that we proceed with negotiations, but wait until Congressional action

on such legislation has been essentially completed before presenting the proposed loan to the Executive Directors.

Recommendation

20. I recommend that the Bank inform EDELCA and the Venezuelan Government that the Bank is prepared to begin negotiations for a loan of \$31 million on the conditions set forth in the attached appraisal report, subject to its amendment with respect to the explanation of the Bank's position on the proposed rates of return as mentioned in paragraphs 14 through 16 above, and except for the repayment term which would be 20 years as proposed in paragraph 18 above.

Gerald Alter
Director

Attachment

353-1E
1/23/07

Extension of
Closing Date

C
O
P
Y

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - INTBAFRAD

353 VE
Closing Date

REGISTERED
MAIL NUMBER 11763 Venezuela

January 23, 1969

C.V.G. Electrificación del Caroni, C.A.
Apartado 11563 Este
Caracas, Venezuela

Loan 353-VE
(Postponement of Closing Date)

Dear Sirs:

With reference to Section 7.01 of the Loan Agreement (Guri Hydroelectric Project) between EDELCA and the Bank dated September 20, 1963, as amended on September 9, 1966, we hereby further extend the Closing Date provided for in said Section from January 31, 1969, to September 30, 1969.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Sincerely yours,

G. K. Wiese
Gunter Wiese
Deputy Director

Western Hemisphere Department

CONFIRMED:

C.V.G. ELECTRIFICACION DEL CARONI, C.A.

By: *[Signature]*

Date: 23 Jan 1969

January 23, 1969

C.V.G. Electrificación del Caroni, C.A.
Apartado 11563 Este
Caracas, Venezuela

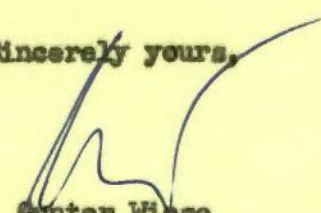
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Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Sincerely yours,


Gunter Wiese
Deputy Director
Western Hemisphere Department

CONFIRMED:

C.V.G. ELECTRIFICACION DEL CARONI, C.A.

By: _____

Date: _____

Cleared with and cc: Mr. Cancio (Legal)
cc: Messrs. Howell
Rigby
Reitter o/r

Mr. J. Burke Knapp

January 22, 1963

Gerald Altar

VENEZUELA - Gari Rasmussen Extension Project

I am attaching a copy of my memorandum to the Loan Committee together with the green cover appraisal report on the proposed loan for the above-cited project. In my opinion, the issues discussed in these documents do not require a meeting of the Loan Committee.

As indicated in paragraph 19 of the attached memorandum, I propose that we proceed with negotiations but wait until Congressional action has been essentially completed on enabling legislation before presenting the loan to the Executive Directors. We have also been informed by the Venezuelan Government that, since the staffs of government agencies and the Central Bank will be fully occupied preparing data for the new Administration, it will not be opportune for a 2-man economic mission to visit Venezuela early in February, as planned, to update our information on the economy and to obtain an idea of the new Government's investment plans for the public sector. We are trying to arrange for a specific date for the mission later in February, but it is conceivable that the Government will not be ready, and that therefore Board presentation will have to be delayed.

Attachments

cc: Messrs. ~~Casale~~
Howell
Rigby
Bitter c/r

RE: 100000000

January 22, 1969

General Rafael Alfonso Ravard
President
C.V.G. Electrificación del Caroní, S.A.
Apartado 11563 Este
Caracas, Venezuela

Dear General Alfonso:

I am pleased to inform you that our staff work on the proposed loan for the Guri powerhouse expansion project is at an advanced stage. As Mr. Zinman explained to you earlier, however, we will wish to see Congressional action on the enabling legislation essentially completed before presenting the loan to our Board of Executive Directors. In addition, before such presentation it will be necessary for us to bring up to date our economic information on Venezuela. Since our last report on the economy was circulated to the Board of Executive Directors more than two years ago in connection with the loan presentation for the extra-high-voltage transmission project. We will also have to convey to the Board an idea of the preliminary plans of the new Government on investment in the public sector over the next few years.

For the purpose of obtaining the economic information, we were planning to send Mr. Enrique Lerdau to Venezuela early in February. Mr. Hurtado however, recently informed us that it will be impossible for members of CONDIPLAN, the Banco Central or other agencies to spend any time with Bank economic staff in early February, even briefly, as the pertinent staff of institutions are fully occupied with the preparation of reports for the new administration. He promised to advise us regarding a suitable date for the visit.

Unfortunately, the postponement of the planned brief economic review much beyond early February may delay it for a much longer period because of other work commitments of our staff in the next several months. We do hope, however, to move as far along as possible with this loan so that we can present it to our Board of Executive Directors as soon as Congressional action on the enabling legislation has been essentially completed and our review of the economic situation of Venezuela has been made. Meanwhile, we hope to be able to invite you for loan negotiations at a mutually convenient date during February and will be in touch with you on this matter shortly.

Sincerely yours,

Gerald Alter
Director
Western Hemisphere Department

Cleared with and cc: Mr. Lerdau (WM)
cc: Messrs. Cancio, Howell, Rigby, Rutter e/r

BZinman:sm

Dept. File

Mr. B. Zinsman

January 17, 1969

F. H. Howell

VENEZUELA: Cari Powerhouse Extension

I mentioned to you earlier this month when we were pursuing with EDELCA the questions relating to the CADAPE/La Electricidad sales agreement that we should seek a covenant in the Loan Agreement not foreseen in the appraisal report. Because we have not yet gone to the Loan Committee, I think we still have ample opportunity to introduce amendments to the draft documents.

I suggest we require in the Loan Agreement that EDELCA install additional generating units (excluding civil engineering works) only after written request by the system planning committee, as provided in the power sales agreement. (I have already sent this agreement to Mr. Cancio.)

FHHowell:ls
Bank

cc: Mr. Reitter
Mr. Cancio
Mr. Rigby

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: GENERAL ALFONZO RAVARD
ELCARONI
CARACAS

DATE: JANUARY 15, 1969

CLASS OF
SERVICE: IBF GOVT

COUNTRY: (VENEZUELA)

TEXT:
Cable No.:

REFERENCE LOAN 353-VE BANK HAS AGREED EXTEND
CLOSING DATE FROM JANUARY 31 TO SEPTEMBER 30,
1969 STOP LETTER FORMALIZING EXTENSION WILL
FOLLOW REGARDS

ZINMAN

INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Bernard Zinman

DEPT. Western Hemisphere

SIGNATURE

BZinman:sb

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Cancio
Howell
Rigby
Reitter

For Use By General Files and Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: 

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

OUTGOING WIRE

DATE JANUARY 15, 1969

TO: GENERAL ALVARO RIVERO
NICARAGUA
CARACAS

CLASS OF
SERVICE THE GOVT

COUNTRY (VENEZUELA)

TEXT

CALL NO.

REFERENCE LOAN 353-VE BANK HAS AGREED EXTEND
CLOSING DATE FROM JANUARY 31 TO SEPTEMBER 30,
1969. SOME LATER FORMALIZING EXTENSION WILL
FOLLOW RECORDS

FINANCIAL

INTEREST

NOT TO BE TRANSMITTED
COMMUNICATIONS
GENERAL FILES

RECEIVED AND COPY DISTRIBUTION

GENERAL FILES
Rivero
Rivero

JAN 15 5 14 PM 1969

JAN 15 4 17 PM 1969

NAME Rivero, Alvaro

DEPT. Western Hemisphere

SIGNATURE

Belmont: 60

ORIGINAL (File Copy)

(IMPORTANT: See Standard Guide for preparing form)

Checked for Disposition

Howell

Mr. Gerald Alter (through Mr. Reitter)

January 14, 1969

Bernard Zinnen

VENEZUELA - Guri Powerhouse Extension

We have looked into the question of the sensitivity of the effect of a shortfall in market demand for Guri power as related to the decision to expand the Guri powerhouse to full 10-unit capacity rather than expanding on various piecemeal bases. I am attaching Mr. Howell's memorandum to me on the subject.

We have also been in touch with Harza Engineering on this matter. They have informed us that the quantitative result of a shortfall in market demand would not be significant, i.e., the discount rate applicable to the present value calculation for comparing the construction of an expansion of the powerhouse to 10-unit capacity compared with piecemeal expansion would not be highly sensitive to even a 10-15 percent shortfall in demand for Guri power.

You will recall that the appraisal report (paragraph 4.02) states that the Harza engineering studies indicate that the present values (at a 12 percent discount rate) are virtually equal for the full expansion or piecemeal expansion of the powerhouse, assuming the demand forecast shown in the appraisal report.

Although we have not calculated the precise effect of a shortfall in demand, it is possible to estimate the effect indirectly. For 1975, we have assumed ALCASA would not go ahead with a redoubling of capacity, and therefore that demand for Guri power would be 5 percent less than shown in the appraisal report. For 1980, we have assumed a shortfall in demand of 10 percent (as compared with 5 percent for 1975) on grounds of greater uncertainty about the level of demand by that year.

On the foregoing assumptions, the MW capacity required and the need for additional units is shown below:

	<u>MW of Installed Capacity Required</u> ^{1/}	<u>No. of Units Required</u>	<u>MW of Installed Capacity Required</u> ^{1/}	<u>No. of Units Required</u>
Assuming demand as shown in ap- praisal report	1,063	5	1,057	10
Assuming 5 per- cent shortfall in demand in 1975 and 10 percent in 1980	1,013	5	1,671	9

^{1/} Includes dry year capacity of Macagua plant (about 307 MW).

January 14, 1969

In 1975, with market demand 5 percent lower than shown in the appraisal report, 50 MW less in installed capacity would be required. This reduction of capacity would be considerably less than the capacity of one additional unit (175 MW). Since the dam has been designed for 10 units of equal capacity (i.e., 175 MW each), it would not be feasible to consider increments by installing units of smaller size. The effect of a shortfall in demand requiring less than one unit in 1975 could, of course, be measured in terms of the unused portion of capacity of a single unit and the portion of civil works related thereto. The matter is academic, however, since the precise matching of additions to demand with installation of units of indivisible size is not practical once the size of the units to be employed is established. Moreover, such a discontinuity could happen even in the case of piecemeal expansion of the powerhouse.

In the event that the shortfall in demand would be as much as 10 percent in 1975, the installation of one 175 MW unit could be postponed by one year (until 1976). Given the need for an adequate margin of reserve energy, however, it is not likely that such postponement would be advisable. Moreover, a 10 percent shortfall in 1975 is equivalent to assuming that ALCASA would fail to redouble its capacity (removing the need for 50 MW), and that either SIDOR's planned expansion, which is fairly firm, would not take place, or the other Guayana industries would actually need less energy in 1965 than in 1969. The development of demand in this manner, particularly for SIDOR and other Guayana industries, is unlikely; it is therefore highly probable that if there is a shortfall in demand by 1975, it would be closer to 5 percent (because of ALCASA) rather than to 10 percent.

For 1980, if a 10 percent shortfall in demand is assumed (reducing the need by 186 MW), then the tenth unit would not be required until a year later, i.e., in 1981 rather than in 1980. Thus the relevant factor in measuring the effect of the shortfall in demand would be the idle portion of the civil works built, in effect, one year too early for the tenth unit. The difference in cost to EDHCO of having this small portion of the civil works idle for a year would be the difference in the present values of investing the money in 1980 or 1981. At 12 percent discount, this difference is about \$150,000, which compares with the present value of all the investment of about \$40 million at the same discount rate. It is obvious that this difference is so small as to be meaningless.^{1/} In other words, the effect of a difference in timing of one year at the end of the period under consideration cannot really be measured.

1/ Strictly speaking, we should search for a discount rate - below 12 percent in this case - that would make the present value of the time distribution of the alternative investment patterns equal not to \$40 million, but to (\$40.0-0.15). Here we would be seeking a refinement unwarranted by the precision of the estimates of cost given us.

Cleared with and cc. ✓ Mr. Howell
cc. Mr. Wiese
Mr. Cancio

Mr. Bernard Zinnen

January 13, 1969

F. H. Howell

VENEZUELA: Proposed Third Loan to HDELCA
Guri Powerhouse Extension

1. I am not sure I understand precisely the questions being put to us by your Department regarding the effect a slowdown in HDELCA's sales would have on the justification of the proposed project, as it is set forth in our December 23, 1968 appraisal report PU-6. I think it has been suggested that I estimate the effect of assuming 1975 sales to be 5% less than forecast in the report. (This would be equivalent to assuming that the aluminum reduction load of ALCASA does not increase beyond the second potline, now under construction.)¹ This implies, I suppose, that sales in 1976 and later years would also be lower, by the same amount. The economic analysis of the proposed project is indifferent to this assumption, because the difference in demand implied by the assumption is much smaller than the size of a Guri unit. In other words, the schedule of installation shown in our report would be unchanged if ALCASA does not double its demand in 1975. Thus the calculation underlying the statements in paragraph 4.02 of the report would also be unchanged.

2. The same results would obtain if in addition we assume that SIDOR's demand does not increase beyond the level to which it is already committed. We can say that the time distribution of investments for the extension of the Guri powerhouse and installation of units 4-10 is insensitive to assumptions about future growth in the demands of ALCASA and SIDOR. This of course can be seen from inspection of Annex 1 of our report.

3. On the other hand, failure of HDELCA's revenues to develop as forecast would reduce the estimated rate of return on the additional investment discussed in paragraph 5.09 of the report. I have made a calculation of the effect of assuming that neither ALCASA nor SIDOR increase their demands above the 1974 levels. This is equivalent to a reduction in revenues during 1975-1980 of only 4%. It is intuitively obvious that in the range of rates of return involved, such a modest reduction in future revenues will have but a small effect, and in fact the return drops only one percentage point to 16-17% from 17-18%.

✓ ALCASA has in operation one 12,500 m ton potline, and requires 25 MW. The second potline is scheduled to go into operation in April 1969, increasing demand to 50 MW. A further doubling--to 50,000 m ton and 100 MW--is planned for 1975.

FHowell:ls

Bank

cc: Mr. Knox; Mr. Reitter; Dept. File; Operational Files.

Mr. Howell

Mr. Gerald Alter (Through Mr. Reitter)

January 10, 1969

Bernard Zinner

VENEZUELA - Guri Powerhouse Extension

This is in response to your request for clarification of certain points relating to the extension of the Guri Powerhouse beginning in 1969, as proposed in the appraisal report. We have addressed ourselves to the following questions:

1. The failure of sales to develop as forecasted earlier, as stated in the appraisal report, versus the reference to the Borrower's forecast of increased demand in your memorandum of October 11, 1968, to Mr. Knapp.
2. The effects of a reduction in demand if ALCASA (the aluminum plant) does not re-double its capacity in 1975.
3. The alternative of expanding to a 10-unit powerhouse later instead of now.

+ more processing by CADAFE?

Point 1. In your memorandum to Mr. Knapp, you referred to the Borrower's estimate of an increase in the long-term demand in the general market for EHECASA power. The appraisal report, on the other hand, states that there has been a one-year lag in sales by EHECASA. The two positions are not in conflict. The Borrower was referring to the demand growth forecast over the long term, whereas the appraisal report pointed out that the expected sales by EHECASA to meet the growth in demand, did not materialize in 1968, as expected earlier. The reasons for the shortfall of EHECASA's sales were: first, a year's delay in the completion of the Guri Hydroelectric Project which caused La Electricidad and CADAFE to install additional capacity to tide them over; and secondly, a delay in completion of frequency unification which affected sales to La Electricidad.

Point 2. We have considered the question of the required timing of EHECASA's installed capacity in the event that ALCASA does not re-double its capacity by 1975, as projected in the appraisal report. In fact, we have examined the effect of no further expansion of ALCASA beyond the present doubling of capacity; and in addition we assumed no growth, which is unlikely, in other industries (not including the steel plant) in the Guyana beyond the level reached in 1969. Since the expansion plans of SIDOR steel plant are fairly firm up to the mid-1970's (with no major expansion projected after 1975), we have not reduced the demand figures for SIDOR shown in the appraisal report.

On these assumptions, EHECASA's installed capacity requirements for 1975 would be reduced by about 75 MW or 6 percent less than projected in the appraisal report. The financial result would be a reduction in the financial rate of return for 1975 from 8.1 percent to about 7.4 percent under this unlikely assumption. The same assumption applied to 1980 would call for one unit less in installed capacity (175 MW), or

Mr. Alter

- 2 -

January 10, 1969 *for review!*

less than 10 percent of total capacity assumed for 1980 in the appraisal report. It would also result in a decrease in the rate of return from about 14.4 percent to a little over 11 percent (assumed higher than 11 percent if installation of the tenth unit is postponed by one year or so, thus reducing the rate base).

The main reason for the relatively small effect of a reduction in demand by ALCAM is that a re-building of plant would require somewhat less than 5 percent of EHECA's total installed capacity in 1975, and would account for less than 4 percent of EHECA's total revenues. In 1980, these proportions would drop off to less than 3 percent and less than 2 percent, respectively.

Point 3. Expanding the powerhouse to 10-unit capacity later is not an alternative to expanding it to that capacity now. As indicated in paragraph 4.02 of the appraisal report, the alternative to full expansion now would be piecemeal expansion. The reason for this is that the fourth unit will be required in 1973 (even taking into consideration the one-year lag in EHECA's sales). For the fourth unit to be placed in operation by 1973 it would be necessary to begin in 1969 to expand the powerhouse capacity for at least two units, in accordance with the minimum piecemeal expansion under the original engineering plan.

Cleared with and cc: Mr. Howell (FU)

cc: Messrs. Wiese
Cancio

SKimmer:ab

Mr. J. Burke Knapp

January 9, 1969

Gunter Wiese

VENEZUELA: Loan 353-VE - Extension of Closing Date

1. In a letter dated November 25, 1968, the Borrower has requested a further extension of the Closing Date of this loan from January 31, 1969, to September 30, 1969.

2. The basic features of the loan are:

Amount:	US\$85 million.
Purpose:	To assist in financing the first stage of the Guri Hydro-electric Project and related facilities.
Terms:	25 years, including 4-1/2 years of grace, interest 5-1/2 percent. Final maturity: November 1, 1988.
Date of Loan Agreement:	September 20, 1963.
Date of Effectiveness:	October 7, 1963.
Original Closing Date:	March 31, 1968.
First Extension to:	January 31, 1969.
Undisbursed Balance as of December 31, 1968:	\$7.2 million.

3. The Borrower has informed the Bank that payments to Consorcio Guri (the consortium of construction companies headed by Kaiser Engineers and Constructors) under the Financial Agreement between the Borrower and the Consorcio will extend to July 31, 1969. Of a total of \$13.4 million which the Bank has agreed to make available from the Loan Account for the purpose of the Financial Agreement, \$12.5 million have been disbursed to date. The Borrower has paid to Consorcio Guri an equivalent amount under the Financial Agreement.

4. The Financial Agreement, signed on June 6, 1967, between the Borrower and Consorcio Guri, provides for payment from the Borrower to the Consorcio for expenditures over and above the regular contract revenues for the civil works. The Financial Agreement was arranged in order to facilitate the financing of the Consorcio pending a resolution of differences between the latter and the Borrower concerning contract claims which threatened to interrupt construction of the Project. After the Financial Agreement was signed, construction progressed satisfactorily and without interruption.

January 9, 1969

The first of the three units and the dam were inaugurated and placed into operation on November 8, 1968.

5. A second extension of the Closing Date was foreseen in May 1967, during negotiations of the Financial Agreement between the Borrower and the Consorcio Guri. In this connection, Mr. Alter's memorandum to Mr. Cope of May 22, 1967, "Guri Hydroelectric Project", stated that:

"The new construction schedule indicates that the project would be completed by March 15, 1969. It will be recalled that the Closing Date of the Loan was extended to January 31, 1969, in connection with an earlier proposal for a special commitment by the Bank. Thus it appears likely that we will again be requested to extend the Closing Date."

6. Completion of the Project is now scheduled for April 1969. Recognizing that it will be necessary to make certain retention payments to equipment suppliers after the Project has been completed, the Borrower has requested the Bank to postpone the Closing Date until September 30, 1969.

7. Since it was fully recognized in mid-1967 that the Project would not be completed on time because of certain difficulties encountered by the construction consortium, I recommend that we accede to the Borrower's request for a postponement of the Closing Date until September 30, 1969. If you agree, I propose that we so inform the Borrower by letter, and that we also inform the Executive Directors of the action taken by including the following statement in the Semi-Monthly Report on Bank and IDA Operations:

"\$85 Million (Guri Hydroelectric) Loan of September 20, 1963, to Electrificación del Caroni (EDELCA): At the request of the Borrower, the Closing Date has been postponed from January 31, 1969, until September 30, 1969, to permit (a) the completion of payments under a Financial Agreement between the Borrower and the consortium of construction companies; and (b) retention payments to equipment suppliers. The Project is scheduled for completion in April 1969. The undisbursed balance on December 31, 1968, was \$7.7 million (B68-38)."

Cleared with and cc: Messrs. Cancio (Legal)
Howell (PU)
Reitter (WH)

cc: Mr. Rigby

BZinman:sb



Mr. Bernard Zinman

January 8, 1969

F. H. Howell

VENEZUELA: Cari Powerhouse Extension Project

Alberto Alasrachi telephoned me this afternoon from Caracas with some information we had asked Telleria for yesterday.

- (i) There is no legislation prohibiting the revaluation of assets in Venezuela. It is therefore possible, but with the authorization of the income tax authorities. Alasrachi reports that they are extremely reluctant to grant authorization.
- (ii) La Electricidad (and its subsidiary Luz Eléctrica) operates in two political jurisdictions: the Distrito Federal, and the State of Sucre. Alasrachi passed along what Telleria told him about franchises after he (Telleria) spoke to Oscar Machado, General Manager of La Electricidad. It seems that La Electricidad has developed in each jurisdiction a "modus vivendi" which Alasrachi reports is formalized in some kind of written instrument. But the agreement in the D.F. has lapsed, and its extension is under discussion. The arrangement in Sucre has also expired, but there is no one to talk to about it apparently because a governing council has been accused of stealing Bs200 million and has been thrown out of office.

FHHowell:ls
Bank

cc: Mr. Beach/Dept. File ✓
Operational Files

Operational Files

January 7, 1969

F. H. Howell

VENEZUELA: EDELCA - Guri Powerhouse Extension

I spoke this morning to Ing. Rudolfo Telleria, Manager of Operations at EDELCA, concerning the sales agreement EDELCA has with CADAFE and La Electricidad.

Telleria confirmed my understanding: the agreement is silent with respect to the effects of possible inflation and devaluation.

FHHowell:ls
Bank

cc: Mr. Wiese
Messrs. Reitter/Kinman
Mr. Beach/Dept. File ✓