

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

3p.

Washington 25, D. C.

OFFICE OF
THE ADMINISTRATOR

A.I.D. Loan No. 512-I-062
(Ref. AID-BIG/P-450)
Project Activity No.
512-22-220-228

LOAN AUTHORIZATION

572-26-220-242

Provided From: Alliance for Progress Funds
BRAZIL: COFER: (Mascarenhas Hydro-Electric)

Pursuant to the authority vested in the Administrator, Agency for International Development (hereinafter "A.I.D.") by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, of said Act to Companhia Central Brasileira Forca Electrica ("Borrower") of not to exceed thirteen million three hundred thousand United States dollars (\$13,300,000) to assist in financing the United States dollar costs of a project for the construction of a hydro-electric plant at the Borrower's site on the Doce River in the State of Espirito Santo, the construction of transmission lines and sub-stations, the improvement of related electrical distribution facilities, and related engineering services. This loan shall be subject to the following terms and conditions:

1. Interest and Terms of Repayment:

- (a) Borrower shall repay the loan to A.I.D. in United States dollars within twenty-four (24) years from the first disbursement under the loan, including a grace period of not to exceed four (4) years. Borrower shall pay to A.I.D. in United States dollars on the disbursed balance of the loan interest of five and one-half (5½) percent per annum.
- (b) If prior to the end of the grace period the Government of Brazil ("Government") so elects, the Borrower shall fulfill its dollar obligation under the loan by paying to Government in currency of Brazil the equivalent, determined as of a time and in a manner satisfactory to A.I.D., of the United States dollar amounts payable to A.I.D. under (a) above and in such event Government shall pay to A.I.D.:

- (i) the equivalent in United States dollars, determined as of the time and in a manner calculated to obtain repayment of all dollars disbursed plus interest, of all amounts paid to Government as follows:
 - (a) all interest immediately upon receipt subject to Government's right to retain all payments in excess of one percent (1%) per annum during a grace period of not to exceed ten (10) years from the first disbursement under the loan ("Government grace period") and all payments in excess of two and one-half percent (2½%) per annum thereafter.
 - (b) principal within forty (40) years, including the Government grace period.
 - (ii) interest in United States dollars of one percent (1%) per annum during the Government grace period, and two and one-half percent (2½%) per annum thereafter on all amounts of outstanding principal paid by Borrower to Government from the respective dates of such payments of principal.
2. Other Terms and Conditions:
- (a) ELETRORRAS (Centrais Eletricas Brasileiras S.A.), a corporation of the Federal Government of Brazil, will furnish a guaranty as co-obligor of the indebtedness and obligations of CCEBE to A.I.D. under the loan.
 - (b) The Government of Brazil shall covenant as a condition precedent to disbursement under the loan to maintain a public utilities rate structure permitting Borrower to generate sufficient funds from internal sources to carry out the investments contemplated in the Loan Agreement, to service its indebtedness, to realize a reasonable return on its investment, and to continue to generate funds internally for future expansion.
 - (c) The Government of Brazil shall provide assurances prior to the first disbursement of this loan, that additional lending from ELETRORRAS will be made available, as contemplated in the Loan Agreement, to Borrower.
 - (d) Equipment, material, and services financed under the loan shall be procured from the United States of America.

- (e) Borrower shall employ qualified technical consultants satisfactory to A.I.D., to advise and assist in carrying out the Project.
- (f) Prior to first disbursement under the loan for other than engineering services, Government shall provide to the Borrower such approvals or permits for the importation of goods and services from the United States, as Borrower of A.I.D. may deem necessary.
- (g) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Doris S. Beece

Administrator

JUN 29 1965

Date

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

512-242

UNITED STATES COORDINATOR
ALLIANCE FOR PROGRESS

A.I.D. Loan No. 512-T-062
(A.I.D.-DEC/P-150)

LOAN AUTHORIZATION (AMENDED)

Provided From: Alliance for Progress Funds
BRAZIL: CCFBE (Mascarenhas Hydro-Electric)

Pursuant to the authority vested in the Deputy United States Coordinator by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, of said Act to Companhia Central Brasileira Forca Electrica, now merged with Espirito Santo Centrais Electricas S.A., ("Borrower") of not to exceed thirteen million three hundred thousand United States dollars (\$13,300,000) to assist in financing the United States dollar costs of a project for the construction of a hydro-electric plant at the Borrower's site on the Doce River in the State of Espirito Santo, the construction of transmission lines and sub-stations, the improvement of related electrical distribution facilities, and related engineering services. This loan shall be subject to the following terms and conditions:

1. Interest and Terms of Repayment:

- (a) Borrower shall repay the loan to A.I.D. in United States dollars within twenty-four (24) years from the first disbursement under the loan, including a grace period of not to exceed seven (7) years. Borrower shall pay to A.I.D. in United States dollars on the disbursed balance of the loan interest of five and one-half (5 1/2%) percent per annum.
- (b) If prior to the end of the grace period the Government of Brazil ("Government") so elects, the Borrower shall fulfill its dollar obligation under the loan by paying to Government in currency of Brazil the equivalent, determined as of a time and in a manner satisfactory to A.I.D., of the United States dollar amounts payable to A.I.D. under (a) above and in such event Government shall pay to A.I.D.:

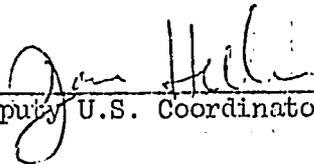
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- (i) the equivalent in United States dollars, determined as of the time and in a manner calculated to obtain repayment of all dollars disbursed plus interest, of all amounts paid to Government as follows:
 - (a) all interest immediately upon receipt subject to Government's right to retain all payments in excess of one percent (1%) per annum during a grace period of not to exceed ten (10) years from the first disbursement under the loan ("Government grace period") and all payments in excess of two and one-half percent (2 1/2%) per annum thereafter.
 - (b) principal within forty (40) years, including the Government grace period.
- (ii) interest in United States dollars of one percent (1%) per annum during the Government grace period, and two and one-half percent (2 1/2%) per annum thereafter on all amounts of outstanding principal paid by Borrower to Government from the respective dates of such payments of principal.

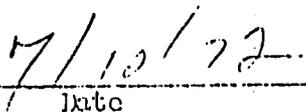
2. Other Terms and Conditions:

- (a) ELETRONAS (Centrais Elétricas Brasileiras S.A.) a corporation of the Federal Government of Brazil, will furnish a guaranty as co-obligor of the indebtedness and obligations of CCEBE (NECELISA) to A.I.D. under the loan.
- (b) The Government of Brazil shall covenant as a condition precedent to disbursement under the loan to maintain a public utilities rate structure permitting Borrower to generate sufficient funds from internal sources to carry out the investments contemplated in the Loan Agreement, to service its indebtedness, to realize a reasonable return on its investment, and to continue to generate funds internally for future expansion.
- (c) The Government of Brazil shall provide assurances prior to the first disbursement of this loan, that additional lending from ELETRONAS will be made available, as contemplated in the Loan Agreement, to Borrower.

- (d) Equipment, material, and services financed under the loan shall be procured from the United States of America.
- (e) Borrower shall employ qualified technical consultants satisfactory to A.I.D., to advise and assist in carrying out the Project.
- (f) Prior to first disbursement under the loan for other than engineering services, Government shall provide to the Borrower such approvals or permits for the importation of goods and services from the United States, as Borrower or A.I.D. may deem necessary.
- (g) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.



Deputy U.S. Coordinator



Date

PD-AAA -277-C1

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5120242 (5)

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A.I.D. Loan No. 512-L-062

41p.

512-26-220-242

LOAN AGREEMENT

Between the

COMPANHIA CENTRAL BRASILEIRA
DE FORÇA ELÉTRICA (CCBFE)

and the

UNITED STATES OF AMERICA

FOR THE MASCARENHAS HYDROELECTRIC PROJECT

Dated: August 18, 1966

LOAN AGREEMENT dated August 18, 1966
between COMPANHIA CENTRAL BRASILEIRA DE FORÇA ELÉTRICA (CCBFE)
("Borrower") and the UNITED STATES OF AMERICA, acting through the
AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend to the Borrower
in furtherance of the Alliance for Progress and pursuant to the
Foreign Assistance Act of 1961, as amended, an amount not to exceed
thirteen million three hundred thousand United States Dollars
(\$13,300,000) ("Loan") to assist the Borrower in carrying out the
Project referred to in Section 1.02 ("Project"). The Loan shall be
used exclusively to finance United States dollar costs of goods and
services required for the Project ("Dollar Costs"). The aggregate
amount of disbursements under the Loan is hereinafter referred to
as "Principal".

SECTION 1.02. The Project. The Project shall consist of the
design, construction, equipment and placing in operation of:

a. A 115 MW hydroelectric plant on the lower Doce River in the
State of Espírito Santo, consisting of reservoir, dam, waterways and
including three approximately 38 MW turbine generator units with all

related electrical and mechanical facilities, civil works and structures.

- b. Transmission lines and substations.
- c. Distribution system extensions, improvements and rebuilding.
- d. Conversion of the system frequency from 50 cycles to 60 cycles.
- e. Equipment and training for management, operations, and maintenance.

The Project is more fully described in Annex 1, attached hereto, which Annex may be modified in writing by agreement between Borrower and A.I.D. The goods and services to be financed under the Loan shall be listed in the implementation letters referred to in Section 9.03 ("Implementation Letters") and, except as A.I.D. may otherwise agree in writing, may include consulting services, training, and goods and goods-related services for the Project, including components, materials and apparatus procured from the United States by Brazilian manufacturers for use in or in connection with Project equipment manufactured in Brazil; but shall not include construction work, land or rights in land.

ARTICLE II

Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of five and one-half percent (5 1/2%) per annum on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.03), and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. The Borrower shall repay to A.I.D. the Principal within twenty-four (24) years from the date of the first disbursement hereunder in forty-one (41) approximately equal semi-annual installments of principal and interest. The first installment of Principal shall be payable three and one-half (3 1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency and Place of Payment.
Except as otherwise provided in Section 2.04, all payments of interest

and Principal hereunder shall be made in United States dollars. All payments shall be applied first to the payment of interest due and then to the repayment of Principal. Except as otherwise provided in Section 2.04, or as A.I.D. may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D.C., U.S.A., and shall be deemed made when received by the Office of the Controller.

SECTION 2.04. Special Payment Procedures.

a. Unless A.I.D. otherwise directs, the Borrower shall discharge its obligations to make payments pursuant to this Article, and if A.I.D. so directs to make payments pursuant to Section 8.02, by making all such payments in accordance with the terms of this Agreement to the Government of Brazil in cruzeiros, equivalent to, and at the same time as, the dollar payments which would otherwise be made ("Special Payment Procedure"). A.I.D. shall specify the exchange rate at which such payments of cruzeiros are to be calculated, provided, however, that the Borrower shall in no case be required to pay more cruzeiros per dollar to the Government of Brazil than it would have been required by the Banco Central da República do Brasil to pay to obtain dollars for payments directly to A.I.D. pursuant to this Agreement.

b. Adoption of this Special Payment Procedure shall in no way affect any rights of A.I.D. or any obligations of the Borrower under this Agreement, except those obligations discharged in accordance with Sub-section 2.04 (a) above.

SECTION 2.05. Prepayment. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement.

Prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- a. An opinion or opinions of legal counsel satisfactory to A.I.D. that:
 - i. This Agreement has been duly authorized or ratified by, and executed on behalf of the Borrower, has been registered if and as required by the law of Brazil, and constitutes a valid and legally binding obligation of the Borrower in accordance with its terms.
 - ii. To the best of counsel's knowledge, the statements contained in Section 4.06 (General Representations and Warranties) are true and accurate.
- b. A statement of the names of the persons holding or acting in the office of the Borrower specified in Section 9.02, and a specimen signature of each person specified in such statement;
- c. Evidence that an agreement of guaranty (Guaranty Agreement) has been executed by a guarantor or guarantors satisfactory to A.I.D. ("Guarantor") guarantying repayment of the Loan and payment of all interest and other payments required pursuant to the Agreement, and that said guaranty

is in effect in accordance with its terms.

d. Evidence that an agreement has been executed, registered and put into effect by A.I.D. and the Government of Brazil ("Government" establishing the Special Payment Procedure described in Section 2.04 and providing for appropriate payments by the Government to A.I.D.

e. Evidence of arrangements with appropriate monetary authorities for the registration of this Agreement in accordance with the Laws of Brazil.

f. An executed contract or other arrangements satisfactory to A.I.D. for consulting services to be performed for the Project by a firm or firms satisfactory to A.I.D.

g. Evidence that the Borrower's electricity rates have been established as permitted by currently existing Brazilian electricity rate legislation to provide an adequate return on investment.

SECTION 3.02. Conditions Precedent to Additional Disbursements.

Prior to any disbursement or to the issuance of any Letter of Commitment under the Loan for any purpose other than to finance the services referred to in Section 3.01(f), the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. A plan for the financing of the Project ("Financial Plan") showing evidence of the availability of the Brazilian currency and

U.S. dollars required for the completion of the Project.

b. Evidence of firm commitments by Centrais Elétricas Brasileiras S.A. (ELETROBRAS) to furnish financial resources additional to this Loan as required to complete the Project on schedule and as planned.

c. A detailed implementation plan for execution of the Project including schedules and cost estimates for procurement, installation, and construction necessary to complete the Project.

d. Evidence that CACEX and/or other approvals from Brazilian Government authorities, required for the timely importation of Project goods to be financed hereunder, will be available as needed.

SECTION 3.03. Additional Conditions Precedent with Respect to Financing Certain Items. Prior to any disbursement or issuance of a Letter of Commitment to finance such items as A.I.D. may hereafter specify, Borrower shall furnish A.I.D. in form and substance satisfactory to A.I.D.:

a. A detailed organizational plan for the management, operation and maintenance of Project facilities when completed;

b. A plan and schedule for training of Borrower's personnel; and

c. Such of the following additional items for all or any portion of the Project as A.I.D. may specify:

i. Additional plans, schedules and/or specifications;

ii. Additional engineering studies;

iii. Signed procurement contracts;

- iv. Evidence of arrangements for installation or construction services;
- v. Statements of procurement procedures, bid analyses and reports;
- vi. Evidence that Borrower has obtained real property rights, including easements and rights of way, required for the Project; and/or
- vii. Such information relating to the eligibility of any item for financing hereunder as A.I.D. may reasonably request.

SECTION 3.04. Terminal Dates for Meeting Conditions Precedent to Disbursement.

a. If all of the conditions specified in Section 3.01 shall not have been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D. at its option may terminate this Agreement by giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties thereunder shall terminate.

b. If all of the conditions specified in Section 3.02 shall not have been met within one hundred and eighty (180) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, or if all the conditions specified pursuant to Section 3.03 shall not have been satisfied within such reasonable time as A.I.D. may specify, A.I.D., at its option, may cancel the then undisbursed balance of the Loan or may terminate this Agreement by giving written

notice to the Borrower. In the event of a termination, upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.05. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Project.

a. The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound engineering, construction financial and administrative practices. In this connection, the Borrower shall at all times employ suitably qualified and experienced consultants to be professionally responsible for the Project.

b. The Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, schedules, and other arrangements, and with all modifications therein, approved by A.I.D. pursuant to this Agreement.

SECTION 4.02. Funds and Resources to be Provided by Borrower.

The Borrower shall provide or cause to be provided promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out, maintenance, repair and operation of the Project and items procured thereunder.

SECTION 4.03. Continuing Consultation. The Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their

representatives with regard to the progress of the Project, the performance of the consultants, contractors and suppliers engaged on the Project, and other matters relating to the Project.

SECTION 4.04. Management. The Borrower shall provide qualified and experienced management for the Project, and it shall train such staff as may be appropriate for the maintenance and operation of the Project, in accordance with the training program approved by A.I.D. pursuant to Section 3.03 (b). Borrower shall establish sound procedures for material and equipment control for the Project, including procedures for expediting, inspection, and cost accounting. All equipment and material delivered to Borrower prior to use shall be suitably protected and stored.

SECTION 4.05. Operation and Maintenance. The Borrower shall operate, maintain and repair items procured for the Project in conformity with sound engineering, financial, administrative and maintenance practices and in such manner as to insure the continuing and successful achievement of the purposes of the Project.

SECTION 4.06. General Representations and Warranties. The Borrower represents and warrants that as of the date of this Agreement:

a. Borrower is a duly organized and existing corporation under the laws and decrees of Brazil with full authority to carry on its present business, to undertake the Project, and to enter into this Agreement;

b. Borrower has taken all legal action and obtained all authorizations, consents, permits, licenses, privileges or other rights or authorities necessary for the completion, operation and maintenance of the Project;

c. Borrower has furnished A.I.D. with a true copy of its charter and by-laws with amendments to date;

d. Borrower is not in violation of, and the execution and delivery of this Agreement, the compliance with all of its terms and the carrying out of the other transactions contemplated hereby do not and will not conflict with or result in any violation of any provisions of any present agreement, franchise, concession, license, permit, decree, order, statute, ordinance, governmental rule or regulation applicable to Borrower;

e. There is no action or proceeding pending or threatened (or, to the best of Borrower's knowledge, any basis therefor) which might result in any material adverse change in the prospects or conditions (financial or other) of Borrower, or which questions the validity of this Agreement or any action taken or to be taken pursuant to or in connection herewith, or in carrying out the Project.

SECTION 4.07. Particular Covenants. Until payment in full of all sums due under this Agreement, the Borrower, except as A.I.D. may otherwise agree in writing:

a. Shall keep its properties insured with financially sound and reputable insurance companies against loss or damage in such

manner and to the same extent as shall be in accordance with good commercial practice with regard to property of like character in comparable circumstances.

b. Shall operate its business in accordance with sound business practices, maintain its existence and right to carry on all rights, powers, privileges, concessions, and franchises which are necessary or materially useful in the conduct of its business.

c. Shall not permit its assets to be subjected to any lien, provided that this sub-section shall not apply to (i) any lien created on property, other than property financed under this Agreement, at the time of purchase thereof, solely as security for the payment of the purchase price of such property, or (ii) liens for taxes not delinquent or taxes being contested in good faith, provided that such liens shall be discharged within thirty (30) days after final adjudication, or (iii) liens for wages not yet due, or (iv) deposits or pledges of property other than capital assets to secure payment or workmen's compensation or other similar benefits required by law, or (v) deposits or pledges of property other than capital assets to secure performance of bids, tenders, leases, public or statutory obligations, surety of appeal bonds, or for other purposes of like general nature in the ordinary course of the Borrower's business, or (vi) after securing approval of A.I.D., liens to secure loans from entities of the Government of Brazil which loans are included in the Financial Plan. For purposes of this sub-section the term "lien"

includes mortgages, pledges, charges, privileges and priorities of any kind, and the term "assets" includes revenues and property of any kind.

d. Shall conduct any transactions with its directors, officers, stockholders, affiliates and employees in accordance with good commercial practices.

e. Shall not enter into any other arrangements by which the Borrower incurs indebtedness maturing in more than twelve (12) months without the prior written concurrence of A.I.D.

f. Shall make no investment or other expenditure of funds other than expenditures required by this Agreement or for the operation and maintenance of the Project facilities and other facilities of Borrower existing at the time of such expenditure unless the Borrower is not in default under this Agreement.

g. Shall not declare or pay any cash dividend on or authorize or make any other distribution on account of any shares of any class of stock of the Borrower whether now or hereafter outstanding, or make any payment on account of the purchase, acquisition, redemption or other retirement of any shares of such stock, (i) except out of the earned surplus of the Borrower or out of capital surplus resulting from monetary correction, to the extent permitted by Brazilian law, both as determined in accordance with generally accepted sound accounting principles and practices, and (ii) unless the Borrower is not in default under this Agreement.

h. Shall not substantially change the nature of its business or its corporate structure.

i. Shall not sell, transfer, lease or otherwise dispose of any significant part of its real estate, plant, equipment or other fixed assets, except in the normal course of business or as otherwise authorized pursuant to this Section.

SECTION 4.08. Taxation.

a. This Agreement, the amount agreed to be lent hereunder and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within the country of the Borrower. If, notwithstanding the foregoing, any taxation or fee is imposed, such tax or fee shall be paid by the Borrower under Section 4.02 of this Agreement with funds other than those provided under the Loan.

b. To the extent that:

- i. All parties to contracts financed hereunder to which the Borrower is a party and any property or transactions relating to such contracts, and
- ii. Any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes, tariffs, duties and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall pay or reimburse the

same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

SECTION 4.09. Utilization of Goods and Services.

a. Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing. Upon completion of the Project, or at such other time as goods financed under the Loan cannot usefully be employed for the Project, the Borrower may use or dispose of such goods in such manner as A.I.D. may agree to in writing prior to such use or disposition.

b. Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION 4.10. Disclosure of Material Facts and Circumstances.

The Borrower represents and warrants that all facts and circumstances that it has disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might

materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.11. Commissions, Fees and Other Payments.

a. Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, or to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees or other payments of any kind, except as regular compensation to the Borrower's full time officers and employees or as compensation for bona fide professional, technical or comparable services. The Borrower shall promptly report to A.I.D. any payment or agreement to pay for bona fide professional, technical or comparable services of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

b. The Borrower covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes or similar payments legally established in

the country of the Borrower.

SECTION 4.12. Maintenance and Audit of Records. The Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- a. The receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- b. The nature and extent of solicitations of prospective suppliers of goods and services acquired;
- c. The basis of the award of contracts and orders to successful bidders; and
- d. The progress of the Project.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period, in such fashion and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.13. Reports. The Borrower shall furnish to A.I.D., such information and reports relating to the Loan and to the Project as A.I.D. may request.

SECTION 4.14. Inspection. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project, the manufacture and utilization of all goods and services financed under the Loan, and the Borrower's books, records and other documents relating to the Project and the Loan. The Borrower shall cooperate with A.I.D. and take all steps that may be necessary to facilitate such inspections.

ARTICLE V

Special Covenants and Warranties

SECTION 5.0i. Rates.

a. Until the Loan is fully repaid, the Borrower shall promptly, and not less often than once a year or as permitted by Brazilian legislation take all such action as may be necessary to establish and maintain electricity tariffs to produce the maximum level of revenues permitted by then existing electricity tariff legislation.

b. Provided, however, that the Borrower and A.I.D. may agree from time to time on a reduced level of electricity tariffs whenever the maximum level of revenues permitted by then existing legislation would otherwise substantially exceed the Borrower's requirements.

ARTICLE VI

Procurement

SECTION 6.01. Procurement from the United States. Except as A.I.D. may otherwise agree in writing, disbursements made hereunder shall be used exclusively to finance the procurement for the Project of goods and services, including ocean shipping and marine insurance, having both their source and origin in the United States of America.

SECTION 6.02. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 6.03. Goods and Services not Financed under Loan. Goods and services procured for the Project, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 6.04. Implementation of Procurement Requirements. The definitions applicable to the eligibility requirements of Section 6.01 and 6.03, will be set forth in detail in Implementation Letters.

SECTION 6.05. Plans, Specifications and Contracts

a. Except as A.I.D. may otherwise agree in writing, the Borrower

shall furnish to A.I.D., promptly upon preparation, all plans, specifications, construction schedules, bid documents and contracts relating to the Project, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

b. A.I.D. shall notify the Borrower which of the items furnished pursuant to Sub-Section (a) above must be approved by A.I.D.

c. All bid documents relating to goods and services financed under the Loan shall, at the request of A.I.D., be approved by A.I.D. in writing prior to their issuance. All plans, specifications and other documents relating to goods financed under the Loan shall be in terms of United States standards and measurements, except as A.I.D. may otherwise agree in writing.

d. The following contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution:

- i. contracts for consulting and other professional services;
- ii. contracts for such other services as A.I.D. may specify;
- iii. contracts for such equipment and materials as A.I.D. may specify.

In the case of any of the above contracts for services, A.I.D. shall also approve in writing the contractor and such contractor personnel as A.I.D. may specify. Material modifications in any of such contracts

and changes in any such personnel shall also be approved by A.I.D. in writing prior to their becoming effective.

e. Consulting and construction firms used by the Borrower for the Project but not financed under the Loan, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify shall be subject to A.I.D. approval at A.I.D.'s request.

SECTION 6.06. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 6.07. Shipping and Insurance.

a. Goods procured from the United States and financed under the Loan shall be transported to the country of the Borrower on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

b. At least fifty percent (50%) of the gross tonnage of all goods procured from the United States and financed under the Loan (computed separately for dry bulk carriers, dry cargo liners and tankers) which shall be transported on ocean vessels shall be transported on privately-owned United States-flag commercial vessels unless A.I.D. shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. No such goods may be

transported on any ocean vessel (or aircraft) (i) which A.I.D., in a notice to the Borrower, has designated as ineligible to carry A.I.D.-financed goods or (ii) which has been chartered for the carriage of A.I.D.-financed goods unless such charter has been approved by A.I.D.

c. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the country of the Borrower, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, goods procured from the United States and financed under the Loan shall during the continuance of such discrimination be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

d. The Borrower shall insure, or cause to be insured, all goods procured in the United States and financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material

damage or any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall be of United States source and origin and otherwise subject to the provisions of this Agreement.

SECTION 6.08. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under this Loan, the Borrower shall furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters.

SECTION 6.09. United States Government-Owned Excess Property. With regard to A.I.D.-financed goods for the Project to which the Borrower takes title at the time of procurement, the Borrower shall procure U.S. Government-owned Excess Property to the maximum extent practicable and consistent with the laws of Brazil and to the extent that the Borrower determines that such equipment is technically suitable and can be made available on a timely basis. The Borrower shall seek assistance from A.I.D. and A.I.D. will assist the Borrower in ascertaining the availability of and in obtaining such Excess Property. A.I.D. will make arrangements for any necessary inspection of such property by the Borrower or its representative. The costs of inspection and of acquisition, and all charges incident to the transfer to the Borrower of such Excess Property, may be

financed under the Loan. Prior to the procurement of any goods, other than Excess Property, financed under the Loan and after having sought such A.I.D. assistance, the Borrower shall indicate to A.I.D., in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government-owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for use in the Project.

SECTION 6.10. Information and Marking. Borrower shall give publicity to the Loan and the Project as a program of United States aid in furtherance of the Alliance for Progress, identify the Project site, and mark goods financed under the Loan, as prescribed in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursements for United States Dollar Costs - Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of letters of credit or otherwise, for Dollar Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Implementation Letters. U.S. banking charges in connection with letters of commitment shall be for the account of the Borrower and may be financed hereunder.

SECTION 7.02. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

SECTION 7.03. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur on the date on which A.I.D. makes a disbursement to the Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment.

SECTION 7.04. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or amendment thereto shall be issued in response to requests received by A.I.D. after December 31, 1971, and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after June 30, 1972. A.I.D., at its option, may at any time or times after June, 1972, reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01. Cancellation by the Borrower. The Borrower may, with prior written consent of A.I.D., by written notice to A.I.D. cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 8.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- a. the Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- b. the Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;
- c. the Guarantor shall have failed to comply with any provision of the Guaranty Agreement;
- d. the Borrower shall have failed to pay when due any interest or any installment of principal or any other payment required under any other loan agreement, any

guaranty agreement, or any other agreement between the Borrower and A.I.D. or any of its predecessor or successor agencies;

- e. in the judgement of A.I.D., the electricity tariff legislation in force on the date of this Agreement shall have been amended so as to adversely and materially affect the Borrower's financial position and prospects.

then A.I.D. may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter; and, unless the Event of Default is cured within such sixty (60) days:

- i. such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately, and
- ii. the amount of any further disbursement made under the outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03. Suspension of Disbursements. In the event that at any time:

- a. an Event of Default has occurred;
- b. an event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations

under this Agreement; or

- c. any disbursement would be in violation of the legislation governing A.I.D.

then A.I.D. may, at its option:

- i. Suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event A.I.D. shall give notice to the Borrower promptly thereafter;
- ii. Decline to make disbursements other than under outstanding commitment documents;
- iii. Decline to issue additional commitment documents; and/or
- iv. At A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D. if the goods are from a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 8.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of any Principal and any accrued interest hereunder.

SECTION 8.06. Refunds.

a. In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D. notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within thirty days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the

extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

b. In the event that A.I.D. receives a refund from any contractor, supplier or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform with specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity.

SECTION 8.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 8.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 8.08. Non-Waiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document or other communication given, made or sent by the Borrower or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable or radiogram at the following addresses:

TO BORROWER:

Mail Address: Companhia Central Brasileira de Fôrça
Elétrica
Av. Rio Branco, 135 - 14º andar
Rio de Janeiro - GB - Brazil

Cable Address: EMBELBRA
Rio de Janeiro, Brazil

To A.I.D.:

Mail Address: Office of Capital Development and Industry
Agency for International Development
United States Embassy
Rio de Janeiro, Brazil

Cable Address: USAID/ADCD
AMEMBASSY
Rio de Janeiro, Brazil

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

SECTION 9.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of President and A.I.D. will be represented by the individuals holding or acting in the office of Director of Mission or Assistant Director for Capital Development and Industry, USAID/Brazil. Such individuals shall have the authority to designate by written notice additional representatives. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 9.04. Promissory Notes. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences or indebtedness with respect to the Loan,

in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

SECTION 9.05. Termination upon Full Payment. Upon payment of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, Borrower and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

COMPANHIA CENTRAL BRASILEIRA DE FORÇA ELETRICA
(CCBFE)

By: 

Title: President

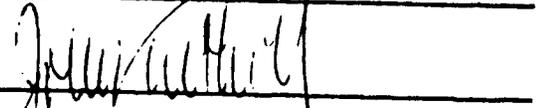
By: 

Title: Director

UNITED STATES OF AMERICA

By: 

Title: Director, USAID/Brazil

By: 

Title: Ambassador



CONCURRENCE

COORDINATING COMMISSION FOR THE ALLIANCE FOR
PROGRESS

By: Francisco de Assis Cordeiro

Title: Coordinator of COCAP

MASCARENHAS
A N N E X I

I. Description of Project

The project is currently defined as consisting of the design, equipment, construction and placing in operation of:

- (a) a 115 MW hydroelectric power plant consisting of reservoir, dam, waterways and including three approximately 38 MW turbine-generator units with all related electrical, mechanical and civil works and structures.
- (b) The expansion and improvement of existing 138 Kv. transmission lines and related 69 Kv. and 34.5 Kv. subtransmission lines.
- (c) Six substations together with synchronous condenser or static capacitor and associated communications equipment.
- (d) Expansion, rebuilding, and improvements in the distribution systems in the following cities: Carapina, Serra, Praia, Vitória, Cachoeiro de Itapemirim, Vila Velha, Cariacica, and other communities. The project will provide: necessary primary lines, distribution equipment, street lighting, new customer connections, change of voltage, and rerouting of lines where necessary.
- (e) Conversion of the existing system frequency from 50 cycles to 60 cycles.
- (f) Engineering services in connection with the foregoing.
- (g) Equipment and training for management, operations and maintenance.

AMENDMENT Nº 1

AMENDMENT, dated the 1st day of March, 1973
to Loan Agreement nº ⁵¹²⁻²⁴² 512-L-062 ("Agreement") between ESPÍRITO SANTO
CENTRAIS ELÉTRICAS S/A. (ESCELSA) successor of Companhia Central
Brasileira de Força Elétrica - CCBFE by merger dated July 5, 1968,
("Borrower") and the United States of America, acting through the
Agency for International Development ("A.I.D."), dated August 18, 1966.

WHEREAS, Borrower and A.I.D. wish to make certain changes in
the Agreement;

NOW THEREFORE, Borrower and A.I.D. agree as follows:

1. SECTION 2.02 of the Agreement is amended to read as follows:

SECTION 2.02. Repayment. The Borrower shall repay to A.I.D.
the Principal within twenty-four (24) years from the date of
the first disbursement hereunder in thirty five (35) approximate-
ly equal semi-annual installments of principal and interest.
The first installment of Principal shall be payable six and
one-half (6 1/2) years after the date on which the first
interest payment is due in accordance with Section 2.01.

A.I.D. shall provide the Borrower with an amortization schedule
in accordance with this Section after the final disbursement
under the Loan.

2. Except as expressly hereby amended, said Agreement is in
all respects ratified, confirmed and continued in accordance
with its terms.

IN WITNESS WHEREOF, Borrower and the United States of America, each acting through its respective duly authorized representatives, have caused this Amendment No 1 to be signed in their names and delivered as of the day and year first above written.

ESPIRITO SANTO CENTRAIS ELÉTRICAS S/A
(ESCLSA)

By: _____

Title: _____

By: _____

Title: _____

UNITED STATES OF AMERICA

By: _____

Title: _____

PAYMENT AND GUARANTY AGREEMENT

Between the

UNITED STATES OF BRAZIL

CENTRAIS ELETRICAS BRASILEIRAS S.A. - ELETROBRAS

and the

UNITED STATES OF AMERICA

In connection with A.I.D. Loan No. 512-L-062

512-26-220-242

MASCARENHAS HYDROELECTRIC PROJECT

Dated: August 18, 1966

ALLIANCE FOR PROGRESS
PAYMENT AND GUARANTY AGREEMENT

PAYMENT AND GUARANTY AGREEMENT, in furtherance of the Alliance for Progress, dated the 18th day of August 1966, between the GOVERNMENT OF THE UNITED STATES OF BRAZIL ("Government"), CENTRAIS ELÉTRICAS BRASILEIRAS S.A. ("Eletrobrás"), and the GOVERNMENT OF THE UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

ARTICLE I

Definitions and Terms

SECTION 1.1. The Loan Agreement. The Loan Agreement, numbered A.I.D. Loan No. 512-L-062 between Companhia Central Brasileira de Força Elétrica (CCBFE) ("Borrower") and A.I.D., dated August 18, 1966, establishing a loan to the Borrower with a total Principal of not to exceed \$13,300,000 (thirteen million three hundred thousand United States dollars) is herein called the "Loan Agreement", and the loan established thereby is herein called the "Loan".

SECTION 1.2. Principal. As used in this Payment Agreement, "Principal" means the aggregate amount of dollars disbursed under the Loan Agreement.

SECTION 1.3. Transferred Principal. As used in this Agreement

"Transferred Principal" means Principal paid by Borrower to Government pursuant to Section 2.04 of the Loan Agreement and Section 2.1 of this Agreement.

SECTION 1.4. Outstanding Transferred Principal. As used in this Agreement, "Outstanding Transferred Principal" means Transferred Principal not repaid to A.I.D. by Government.

SECTION 1.5. Government Interest Rate. As used in this Agreement, "Government Interest Rate" means interest at one (1) per cent for the (10) years following the first disbursement under the Loan Agreement, and two and one-half (2 1/2) per cent thereafter.

SECTION 1.6. Government Amortization Terms. As used in this Agreement, "Government Amortization Terms" means amortization over not more than forty (40) years, in sixty-one (61) semi-annual installments, the first of which shall be due and payable not later than ten (10) years after the first disbursement under the Loan Agreement, on a date to be specified by A.I.D. The amount of each installment shall be determined by dividing the total amount of the Government's obligation to repay outstanding Principal to A.I.D. immediately before paying that installment by the number of installments remaining to be paid at that time.

ARTICLE II

Special Procedure for Borrower's

Payments to Government

SECTION 2.1. Receipt of Borrower's Payments. Pursuant to Section 2.04 of the Loan Agreement, the Government and A.I.D. hereby agree that the Government shall receive from the Borrower payments in Brazilian currency ("Cruzeiros") in discharge of the Borrower's obligations to make payment in United States dollars under the Loan Agreement ("Special Payment Procedure").

SECTION 2.2. Notice.

a. Upon satisfactory completion of the conditions precedent set forth in Article X of this Agreement, A.I.D. shall notify the Borrower in accordance with the Loan Agreement that the Special Payment Procedure is in effect.

b. Promptly upon receipt thereof, Government shall notify A.I.D. of all payments received from Borrower in accordance with this Agreement.

SECTION 2.3. Exchange Rate. The Cruzeiro equivalent of the dollar amount which the Borrower would be obligated to pay to A.I.D. in dollars if this Agreement were not in effect shall be calculated at whichever rate of exchange would be employed by the Central Bank of Brazil if the Borrower were obtaining dollars for payments directly to A.I.D. pursuant to the Loan Agreement.

SECTION 2.4. Denomination of Borrower's Payments.

Although payable to Government in Cruzeiros, all payments by Borrower to Government shall, immediately upon receipt by Government, be denominated in dollars employing the exchange rate specified in or pursuant to Section 2.3.

SECTION 2.5. Use of Borrower's Payments - Special Account.

The Government shall deposit the Borrower's payments in a separate account which the Government shall establish in the Central Bank of Brazil or such other Bank as the Government and A.I.D. may agree upon ("Special Account"). Unless A.I.D. agrees otherwise in writing, such account shall be drawn upon by the Government for the purpose of meeting payment obligations to A.I.D. pursuant to this Agreement or for such purposes beneficial to the economic and social development of Brazil consistent with the goals of the Alliance for Progress as shall be mutually agreed to in writing by the Government, or such organization as it may designate, and A.I.D. Provided, however, that the provisions of this Section shall in no way limit, modify or alter Government's obligation to make payment to A.I.D. pursuant to this Agreement.

ARTICLE III

Deferred Payment by Government to A.I.D.

SECTION 3.1. Scope. The provisions of this Article III shall apply unless and until A.I.D. invokes the guaranty set forth in Article IV.

SECTION 3.2. Interest Payments - Interest on Untransferred Principal. Immediately upon receipt of any interest payment from the Borrower, Government shall pay to A.I.D. the lesser of the following two amounts: (i) an amount equal to the interest which the Borrower would have been obligated to pay to A.I.D. if Borrower's interest obligation had been computed at the Government Interest Rate; or (ii) the amount of interest actually received from the Borrower.

SECTION 3.3. Interest Payments - Interest on Transferred Principal. In addition to the obligations set forth in Section 3.2, Government shall pay to A.I.D. interest at the Government Interest Rate, on Outstanding Transferred Principal and on any interest due and payable by Government to A.I.D. Interest on Outstanding Transferred Principal shall accrue from the dates on which Principal payments are received from Borrower by Government, and shall be payable to A.I.D. semi-annually, the first such payment to be made on a date to be specified by A.I.D., which date shall be no later than six (6) months after interest on Outstanding Transferred Principal begins to accrue.

SECTION 3.4. Amortization of Transferred Principal.

Government agreed to pay to A.I.D. all Transferred Principal in accordance with the Government Amortization Terms.

SECTION 3.5. Use of Balances. All amounts representing

- i. difference between interest paid by Borrower to Government in accordance with Section 2.1, and interest payable by Government to A.I.D. pursuant to this Payment Agreement; and
 - ii. differences between the total amount of Transferred Principal and Transferred Principal due and payable by Government to A.I.D. pursuant to this Agreement;
- shall remain available to Government for use in accordance with Section 2.5.

ARTICLE IV

Independent Guaranties

SECTION 4.1. Guaranty.

a. The Government and ELETROBRAS unconditionally and absolutely, jointly and severally as primary obligors with the Borrower, undertake to make, in accordance with the terms of the Loan Agreement, due and punctual payment of the Principal, interest and any other payment required of the Borrower under the Loan Agreement.

b. The Government and ELETROBRAS shall furnish such information and take such steps, related to making these Guaranties operative as A.I.D. may reasonably request.

c. The Government and ELETROBRAS agree to remain bound under this Agreement notwithstanding the extension of time of performance to, the granting of any other indulgency to, or any other modification of any obligation of the Borrower under the Loan Agreement.

d. A.I.D. may invoke the foregoing guaranty upon the occurrence of any Event of Default as defined in the Loan Agreement, by delivery of notice to the Government or ELETROBRAS. Such notice shall specify either: (i) that Government shall meet its obligations to A.I.D. under this Article by making payments to A.I.D. in accordance with Sections 4.2 and 4.3, or Section 4.4;

or at A.I.D.'s option, that (ii) ELETROBRAS shall meet its obligations to A.I.D. under this Article by making payments to A.I.D. in accordance with Section 4.1. Such payments shall commence upon delivery of such notice and shall continue until such time as A.I.D. may otherwise agree in writing.

SECTION 4.2. Amortization. In the event that the Guaranty is invoked by A.I.D. against Government, the Government shall pay to A.I.D. the amount that the Borrower is obligated to pay to A.I.D. pursuant to Section 2.02 of the Loan Agreement ("Repayment"), whether or not Borrower has discharged said obligation by payments to Government in cruzeiros in accordance with Section 2.04 of the Loan Agreement and Section 2.1 of this Agreement. Such payments by Government to A.I.D. shall be in accordance with the Government Amortization Terms.

SECTION 4.3. Interest. In the event that the Guaranty is invoked by A.I.D. against Government, Government shall pay to A.I.D. interest at the Government Interest Rate on any Principal which has not been repaid to A.I.D., and on any interest due to A.I.D. Such interest shall accrue from the dates of the respective disbursements by A.I.D. under the Loan Agreement, and shall be payable to A.I.D. semi-annually, the first such payment to be due and payable on a date to be specified by A.I.D.

SECTION 4.4. Independent Nature of Guaranty. The Guaranty established in Section 4.1 shall remain in full force and effect whether or not the Special Payment Procedures established by Section 2.1 and other provisions of this Agreement are, for any reason, terminated. In the event such Procedures are, for any reason, terminated, and the Guaranty is invoked by A.I.D., the provisions of Section 4.2 and 4.3 shall cease to apply and Government shall meet its obligations to A.I.D. under this Article by making payments to A.I.D. in accordance with the Loan Agreement and Section 4.1 of this Agreement.

ARTICLE V

Government Payments - General

SECTION 5.1. Currency of Payments. All payments by Government to A.I.D. shall be in United States dollars.

SECTION 5.2. Place of Payments. All payments by Government to A.I.D. shall be deemed to have been paid when delivered to the Controller, Agency for International Development, Washington, D.C., or to such other address as A.I.D. may specify.

SECTION 5.3. Application of Payments. All payments by Government to A.I.D. shall be applied first to the payment of any interest due from Government to A.I.D. and unpaid, and then to the repayment of Principal due from Government to A.I.D.

SECTION 5.4. Prepayment. The Government shall have the right to prepay without penalty at any time, all or any part of the Outstanding Transferred Principal. Any prepayment shall be applied in the order prescribed in Section 5.3. and amounts applied to the remaining installments of Outstanding Transferred Principal shall be applied pro rata to such installments.

SECTION 5.5. Renegotiation of Terms. In the light of the undertakings of the Government of the United States of America, the Government and the other signatories of the Act of Bogota and the Charter of Punta del Este to join in an Alliance for Progress,

the Government agrees that at any time or times when it is requested to do so by A.I.D. under this Section, but not sooner than six (6) months before the date on which the first installment of Outstanding Transferred Principal is payable under Section 3.4 of this Agreement, it will negotiate with A.I.D. concerning the acceleration of payments required to be made to A.I.D. pursuant to this Agreement. The parties hereto shall mutually determine to what extent repayment should be accelerated on the basis of one or more of the following criteria:

- a. The capacity of the Government to service a more rapid liquidation of its obligations in the light of the internal and external financial position of Brazil, taking into account debts owing to any agency of the United States of America or to any international organization of which the United States of America is a member;
- b. The relative capital requirements of the Government and of the other signatories of the Act of Bogota and of the Charter of Punta del Este.

SECTION 5.6. Interest Computations on 365-Day Year Basis.

Interest under this Agreement shall be computed on the basis of a 365-day year.

ARTICLE VIAdditional Covenants and Warranties

SECTION 6.1. Information. The Government shall cooperate with A.I.D. in publicizing this Agreement and the Loan Agreement as programs of American aid in furtherance of the Alliance for Progress.

SECTION 6.2. Notice of Adverse Developments. The Government and ELETROBRAS shall promptly inform A.I.D. of any conditions which interfere with, or threaten to interfere with, the carrying out by the Government and ELETROBRAS of their obligations under this Agreement.

SECTION 6.3. Taxation of this Payment Agreement and Payments Hereunder. This Agreement shall be free from, and all payments to A.I.D. made hereunder shall be paid without deduction for and free from, any taxation or fees imposed under the law of Brazil or laws in effect in its territory.

SECTION 6.4. Electricity Rates. Government agrees that it shall take all such action as may be necessary to permit the Borrower to establish and maintain electricity tariff schedules to produce the maximum level of revenues permitted by currently existing Brazilian electricity tariff legislation.

ARTICLE VIIRecords; Inspections; ReportsSECTION 7.1. Maintenance of Records; Inspections; Reports.

a. The Government shall maintain or cause to be maintained for such time as shall meet the needs of the parties, books and records, including documentation, in accordance with sound accounting principles and practices adequate to identify the payments received pursuant to Section 2.1 hereof, and to identify programs or projects financed by funds disbursed from the Special Account, and indicate the progress of such activities.

b. Such books and records shall be open at all times for examination by authorized representatives of the Government and A.I.D. which procedure is consistent with Article II, Section 5 of the Agreement between the Government of Brazil and the Government of the United States of America signed on May 30, 1953, and subsequently approved by the Brazilian Congress. For this purpose, if the Government and A.I.D. mutually agree, the Government may maintain, within its accounting system, a segregated set of books and records for all transactions specifically related to the Special Account. Examination of the books and records will be carried out in practice by procedures which may include the following whenever mutually agreed to by the Government and A.I.D.:

1. Joint auditing under mutually agreed to conditions.
2. The use of independent auditors selected by the Government and acceptable to A.I.D.
3. The inspection outside the premises of the Government of certified documentation relating to the Special Account.

c. The Government shall cooperate with, and give reasonable assistance to, and shall facilitate inspections by A.I.D. with respect to the execution of the activities financed through the Special Account, and shall afford all reasonable opportunity for authorized representatives of A.I.D. to visit any part of the territory of Brazil for purposes related to this Agreement.

d. The Government shall promptly furnish to A.I.D. such financial and other reports and information relating to the covenants of this Agreement or transactions pursuant hereto as A.I.D. may request.

ARTICLE VIII

Remedies of A.I.D.

SECTION 8.1. Grounds for Termination. If any one or more of the following events ("Grounds for Termination") shall occur:

- a. Government or ELETROBRAS shall fail to comply with any provision contained herein;
- b. A default shall have occurred under any other agreement between Government or any of its agencies and the United States of America or any of its agencies;
- c. A.I.D. determines that any representation or warranty made by or on behalf of Government or ELETROBRAS in connection with this Agreement or the negotiations incident thereto, or pursuant to this Agreement is incorrect in any material respect;
- d. Any change in the character, capacity or credit-worthiness of the Borrower, or a change in the conduct of the project described in the Loan Agreement, which occurs because Government or any governmental authority in Brazil shall have taken any action for the dissolution or disestablishment of the Borrower or for the suspension of the Borrower's activities or a substantial part thereof, or for the cancellation, substantial amendment or suspension of the right of Borrower to carry out the Project.

e. A.I.D. determines that an extraordinary situation has arisen which makes it improbable that the purposes of this Agreement will be attained or that Government or ELETROBRAS will be able to perform their obligations hereunder;

f. Continuation of the procedures established herein would be in violation of the law governing A.I.D.:
then, A.I.D., at its option, may declare:

i. all or any part of the Outstanding Transferred Principal and any interest accrued thereon to be due and payable to A.I.D. immediately, specifying which installments thereof, and interest thereon shall become due and payable;
and/or

ii. the Special Payment Procedure established herein to be terminated. Upon any such declaration, unless the cause for termination is cured within sixty (60) days thereafter, such Principal and interest shall become due and payable immediately, and/or the Special Payment Procedure shall be terminated in accordance with the terms of such declaration. Unless A.I.D. otherwise specifies, such termination shall not in any way affect the continued validity of the guaranties contained in Section 4.1

SECTION 8.2. Waivers of Causes for Termination. No delay in exercising or omission to exercise any right accruing to A.I.D. under this Agreement shall be construed as an acquiescence or as a waiver by A.I.D. of any such right.

SECTION 8.3. Defaults. For purposes of other agreements between Government and the United States of America or any of its agencies, the occurrence of an event specified in Subsections 8.1(a), (c) or (d) shall be considered an "Event of Default" under this Agreement.

ARTICLE IX

Miscellaneous

SECTION 9.1. Use of Representatives.

a. All actions required or permitted to be performed or taken under this Agreement by the Government, ELETROBRAS, or A.I.D. may be performed by their respective duly authorized representatives.

b. The Government hereby designates the Minister of Finance, and ELETROBRAS designates the individual holding or acting in the office of President, as their respective representatives with authority to designate in writing other representatives in their dealings with A.I.D. The representatives named pursuant to the preceding sentence, unless A.I.D. is given notice otherwise, shall have authority to agree on behalf of the Government or ELETROBRAS respectively to any modification of this Agreement which does not substantially increase the obligations of Government or ELETROBRAS hereunder. Until receipt by A.I.D. of written notice of revocation by the Government or ELETROBRAS of the authority of any of their respective representatives, A.I.D. may accept the signature of such representatives on any instrument as conclusive evidence that any action effected by such instrument is authorized.

SECTION 9.2. No Prejudice. No provision of this Agreement shall terminate or modify any right of A.I.D. specified in or which may arise pursuant to the Loan Agreement.

SECTION 9.3. Notice. Any notice, request or communication given, made or sent by the Government, ELETROBRAS or A.I.D. pursuant to this Agreement shall be in writing and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered by hand or by mail, telegram, cable or radiogram to such other party at the following addresses:

To the Government:

Mail Address:

Ministério da Fazenda
Rio de Janeiro
Brasil

Cable Address:

MINIFAZ
Rio de Janeiro

To ELETROBRAS:

Mail Address:

Centrais Elétricas Brasileiras - ELETROBRAS
Av. Presidente Vargas, 642 - 10º andar
Rio de Janeiro, GB

Cable Address:

ELETROBRAS
Rio de Janeiro

To A.I.D. (five copies)

Mail Address:

Office of Capital Development and Industry
Agency for International Development
Embaixada dos Estados Unidos da America
Rio de Janeiro, Brasil

Cable Address:

USAID
Ambassy
Rio de Janeiro.

Other addresses may be substituted for the above upon the giving of notice and acknowledgement of such substitution.

SECTION 9.4. Effective Date of Payment and Guaranty Agreement.

This Agreement shall enter into effect as of the day and year first above written.

ARTICLE X

Conditions Precedent

SECTION 10.1. Conditions Precedent to Use of Deferred

Payment Procedures. The Special Payment Procedure shall not be employed unless and until Government and ELETROBRAS have each furnished A.I.D. in form and substance satisfactory to A.I.D.:

- a. An opinion or opinions of counsel satisfactory to A.I.D., that this Agreement has been duly authorized or ratified by and executed on behalf of Government and ELETROBRAS respectively and that this Agreement, and any obligations incurred by Government and ELETROBRAS respectively pursuant hereto do and will constitute valid and legally binding obligations of such parties in accordance with their terms;
- b. Evidence of the authority of the person or persons who will act as representative or representatives of Government and ELETROBRAS in connection with the operation of this Agreement pursuant to Section 9.1 of this Agreement, together with an authenticated specimen signature of each such person certified as to its authenticity by duly constituted Brazilian authority if said signature has not been heretofore submitted to A.I.D.

SECTION 10.2. Terminal Date for Satisfying Conditions

Precedent. If the conditions contained in Section 10.1 of this Agreement have not been satisfied by October 31, 1966, or such later date as A.I.D. may specify, A.I.D. may at any time thereafter terminate the Special Payment Procedure and/or all provisions of this Agreement by giving notice to Government and ELETROBRAS.

IN WITNESS THEREOF, the Government, ELETROBRAS and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their respective names and delivered as of the day and year first above written.

UNITED STATES OF BRAZIL

By: *Antonio V. Moura*
Title: Minister of Finance

UNITED STATES OF AMERICA

By: *Richard G. ...*
Title: Director, USAID/Brazil

By: *William ...*
Title: Ambassador

CENTRAIS ELÉTRICAS BRASILEIRAS S.A.

By: *Osvaldo ...*
Title: President

By: *Carvalho ...*
Title: Director

LGP

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AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
August 15, 1966

Dr. Léo A. Penna, President
Companhia Auxiliar de Empresas
Elétricas Brasileiras - CAEEB
Av. Rio Branco, 135 - 15º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-062
Implementation Letter No. 1
Mascarenhas Hydroelectric Project
Engineering Services

Dear Dr. Penna:

This letter is being transmitted to you prior to the signing of the Loan Agreement, in order to enable you to make arrangements for consulting engineering services in accordance with A.I.D. procedures and regulations. Subsequent Implementation Letters will clarify the Conditions Precedent which must be fulfilled prior to disbursement under the prospective loan. In addition, they will indicate A.I.D. requirements in regards to the implementation plan, procurement, disbursement, reporting, and other pertinent subjects.

Engineering Services

U.S.A.I.D. must be assured that all the engineering required to carry out the project will be provided, and that the selection of firms and contract arrangements meet A.I.D.'s statutory and policy requirements. It is the responsibility of the Borrower to select the engineering contractor and negotiate a contract satisfactory to A.I.D.

U.S.A.I.D. should be informed of any additional engineering to be provided by CCBFE, CAEEB, suppliers, manufacturers, contractors, or any other individuals. The scope of their services should be clearly defined and related to the Scope of Work included in the Engineering Service Contract.

Attachment I, "Independent Engineering Services", provides a general guideline for selecting and contracting for engineering services. It is suggested that Exhibit "A" or "B" of this attachment

be used, in order to facilitate CCBFE's and U.S.A.I.D.'s evaluation of the reasonableness of the engineering costs.

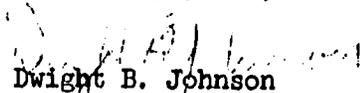
Attachment II, the "Project Description and Scope of Work", indicates the suggested form and content for your guidance. It should be modified when necessary, and must be submitted to U.S.A.I.D. for approval, prior to serious negotiations with a prospective engineering services contractor.

Under U.S.A.I.D. regulations, engineering firms may be considered eligible only if they meet the qualification test. This test is a successful record of completion of projects similar in scope, and of comparable magnitude; the record must be in the name of the firm. Joint ventures or consortiums are considered qualified if one member firm is qualified. U.S.A.I.D. financing of engineering services under this loan is limited to dollar costs.

To satisfy A.I.D.'s requirements for contracting for engineering services under the prospective A.I.D. loan we suggest the following procedure:

1. Prepare a concise description of the Project and submit to U.S.A.I.D. for approval. (See suggested draft - Attachment II)
2. Prepare Scope of Work for U.S.A.I.D. approval. (See suggested draft - Attachment II)
3. Solicit non-price proposals from qualified firms. Joint venture firms should provide a copy of their joint venture agreement; Brazilian firms or the Brazilian subsidiaries of U.S.A. firms should present evidence of ownership, and evidence which indicates that they can legally perform the required services in Brazil. Make the selection and obtain U.S.A.I.D. approval.
4. Negotiate a contract and submit three copies of draft, including cost details, for U.S.A.I.D. approval. (See suggested draft - Attachment I)
5. Sign contract and provide U.S.A.I.D. with five conformed copies. Request U.S.A.I.D. to open a Letter of Commitment to cover the cost of the contract.

Sincerely yours,


Dwight B. Johnson
Deputy Assistant Director
for Capital Development and Industry

L6P2-062

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

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~~6/2~~
7/6

Rio de Janeiro,
November 16, 1966

Dr. Léo A. Penna, President
Companhia Auxiliar de Empresas
Elétricas Brasileiras - CAEEB
Av. Rio Branco, 135 - 14º andar
Rio de Janeiro, GB

512-26-220-242
Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Implementation Letter No. 2

Dear Dr. Penna:

This letter sets forth the procedures to be followed by the Borrower for satisfying Conditions Precedent to disbursement under A.I.D. Loan No. 512-L-062. Nothing in this letter or its attachments alters the scope of the Loan Agreement and the Payment and Guaranty Agreement or any specific terms of these Agreements. Subsequent Implementation Letters may supplement or modify this letter and its attachments. A.I.D. shall inform the Borrower when all these conditions precedent have been met.

Subsequent Implementation Letters will contain information related to bidding, procurement, contracting and reporting procedures which the Borrower should observe. In this connection, we call your attention in particular to Section 6.01 of the Loan Agreement, which specifies that all goods and services financed from A.I.D. loan funds must have their source and origin in the United States, and to Section 6.05 indicating that the Borrower must furnish A.I.D. such plans, bid documents, and contracts as it shall later specify for A.I.D.'s review and approval prior to contracting for the procurement of goods and services for the project.

I. A. Conditions Precedent to Initial Disbursement - Section 3.01

This Section of the Loan Agreement provides that prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan, the Borrower shall furnish the following in form and substance satisfactory to A.I.D.:

(a) Legal Opinion and Supporting Documents - Section 3.01(a)(i) and (ii)

The legal opinion required should be signed by the highest ranking legal officer of CCBFE.

Guidelines for preparing the required legal opinion are set forth in Attachment A.

(b) Designation of the Borrower's Representative(s) and Specimen Signature - Section 3.01(b)

The information specified in the Section noted above and specimen signatures (in three copies) of the representative of the Borrower should be furnished together with the legal opinion referred to above. The authenticity of specimen signatures should be certified by the same person(s) who render the legal opinion referred to above. A suggested form for this purpose is set out in Attachment B.

(c) Guaranty Agreement - Section 3.01(c)

A Guaranty Agreement dated August 18, 1966 between the Government of Brazil, Centrais Elétricas Brasileiras S.A. (ELETROBRÁS) and A.I.D. is satisfactory to A.I.D. This Section 3.01(c) of the Loan Agreement therefore will be fully met upon the receipt by A.I.D. of a legal opinion rendered by the highest legal authority of the Ministry of Finance and ELETROBRÁS that the issuance of this guaranty is legally authorized, that persons acting in behalf of the guarantors to bind their organizations to the guaranty obligation were duly authorized, and that all requirements of registration and other acts under Brazilian Law for giving these guarantees full force and effect have been met.

(d) Special Payment Procedure - Section 3.01(d)

A Special Payment Agreement between A.I.D. and the Minister of Finance was signed on August 18, 1966. The Section 3.01(d) requirement of the Loan Agreement then, will be met upon submission to A.I.D. of the legal opinions specified in Section 10(a) and 10(b) of this Payment and Guaranty Agreement.

(e) Registration with Monetary Authorities - Section 3.01(e)

Evidence of arrangements with appropriate monetary authorities for the registration of the Loan Agreement in accordance with the Laws of Brazil.

(f) Contracts for Consulting Services - Section 3.01(f)

This subject has been dealt with in Implementation Letter No. 1.

As indicated in our letter of September 28, 1966 to Dr. Léo A. Penna, A.I.D. approval of the draft contract with respect to Consulting Services is required prior to the signature of any Agreement.

(g) Electricity Rates - Section 3.01(g)

The Borrower shall submit evidence that it has applied for and received a rate adjustment on the basis of monetarily corrected assets reflecting the CNE index for 1965.

In addition, a statement is required of the Borrower's policy concerning the setting and maintenance of adequate rates consistent with the terms of the Loan Agreement.

B. Terminal Date for Meeting Conditions Precedent to Initial Disbursement

In accordance with Section 3.04(a), all conditions specified in Section 3.01 of the Loan Agreement should be met by November 16, 1966. However, pursuant to the request set forth in the Borrower's letter of October 28, 1966, A.I.D. hereby extends the above terminal date until December 30, 1966.

II. A. Conditions Precedent to Additional Disbursement - Section 3.02

Prior to any disbursements or to the issuance of any Letter of Commitment under the Loan for any purpose other than to finance the services referred to in Section 3.01(f), the Borrower shall furnish, in form and substance satisfactory to A.I.D.:

(a) Financial Resources

The Borrower shall furnish a plan for the financing of the Project showing evidence of the availability of the Brazilian currency and U.S. dollar requirements. This may be accomplished by submitting: (1) a statement of source and application of funds, during the period required to complete the project; and (2) the loan terms to which the Borrower must agree.

(b) Evidence of ELETROBRÁS Commitments on Financial Resources

The letter of July 25, 1966, from Dr. Octávio Marcondes Ferraz to Mr. Louis V. Perez in compliance with this condition is currently under USAID review.

(c) Implementation Plan

An implementation plan and work schedule for the procurement, construction and installation necessary to complete the Project. Detailed information as to the purpose, scope, method, and content of the implementation plan to be submitted by the Borrower is set forth in Attachment C.

Included for your assistance in the preparation of the implementation plan is the attached pamphlet, "USAID/Brazil Procurement Guidelines".

(d) Government of Brazil Approval of Imports

The Borrower shall submit evidence satisfactory to USAID that CACEX has reviewed the list of equipment to be financed with A.I.D. funds and will authorize its importation. USAID has had an exchange of correspondence with ABDIB. Sight translations of these letters dated June 16, 1966 and July 7, 1966 are attached (Attachment D) for your information. They represent the industry policy on this matter and were the basis for determining the amount of the A.I.D. Loan.

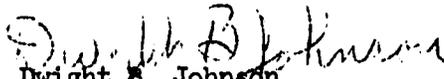
B. Terminal Date for Meeting Conditions Precedent to Additional Disbursements

As stipulated in Section 3.04(b), all conditions specified in Section 3.02 of the Loan Agreement must be met by February 13, 1967.

All documents, letters, reports, etc., referred to in the Loan Agreement, the Payment and Guaranty Agreement, and this Implementation Letter are to be submitted in the English language to the Capital Development Office of the United States A.I.D. Mission in Rio de Janeiro.

This office is at your disposal to provide you with any additional information or clarification.

Sincerely yours,


Dwight B. Johnson

Deputy Assistance Director
for Capital Development and Industry

ATTACHMENTS

- A - Legal Opinion Guidelines
- B - Specimen Signature Form
- C - Implementation Plan
- D - Two Letters

LGP2-062

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

SK

Rio de Janeiro,
DEC 30 1966

7-6

Dr. Léo Penna, President
Companhia Auxiliar de Emprêsas
Elétricas Brasileiras - CAEEB
Av. Rio Branco, 135 - 14º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-062
Conditions Precedent
Implementation Letter No. 4

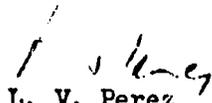
Dear Dr. Penna:

This is to acknowledge the receipt of your letter IAP-167/66 dated December 29, 1966 and to confirm that A.I.D. is in full agreement with its content.

The only outstanding and unapproved conditions precedent at this date are Section 3.01(b) and Section 3.01(f) of the Loan Agreement. We await transmittal of the relevant documents with respect to Section 3.01(b).

To permit sufficient time for A.I.D. to complete its review and approval of the consulting engineering contract and to permit signature of the same by the contracting parties, A.I.D., in compliance with your request, hereby extends the terminal date for Section 3.01 of the Loan Agreement to January 31, 1967.

Sincerely yours,


L. V. Perez

Assistant Director for
Capital Development and Industry

LGP2-062

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
February 13, 1967

Dr. Léo Amaral Penna
Cia. Auxiliar de Empresas Elétricas
Brasileiras (CAEEB)
Av. Rio Branco, 135 - 15º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-062
Conditions Precedent
Implementation Letter No. 5

Dear Dr. Penna:

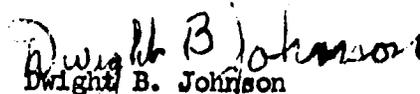
We wish to inform you that the Conditions Precedent in Section 3.01 of A.I.D. Loan Agreement No. 512-L-062 have been fulfilled.

The draft engineering consulting services contract with the joint-venture Engevix - TAMS do Brazil - TAMS of New York required under Section 3.01(f) is hereby approved. The two following items have been left open pending later negotiation.

- (a) Reimbursement and fee for construction management or supervision on the Development.
- (b) Duration of the position of Project Manager.

It should be understood that in the event subsequent negotiations between CAEEB and said joint-venture on the above specified items are not successful or acceptable to USAID, USAID may require the employment of a third-party firm of consulting engineers to be responsible for the construction management or supervision of the Development. Further, it is understood that the duration of the position of Project Manager shall not be limited to 48 months, but rather shall be terminated when all Project responsibilities covered by the contract are completed.

Sincerely yours,


Dwight B. Johnson

Acting Assistant Director
for Capital Development and Industry

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AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
February 17, 1967

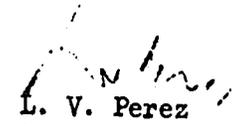
Dr. Léo Amaral Penna, President
Cia. Auxiliar de Empresas Elétricas
Brasileiras (CAEEB)
Av. Rio Branco, 135 - 15º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-062
Conditions Precedent
Implementation Letter No. 6

Dear Dr. Penna:

In response to your letter of February 10, 1967, we wish to inform you that the terminal date for fulfillment of Conditions Precedent found in Section 3.02 of A.I.D. Loan Agreement No. 512-L-062 is hereby extended to March 31, 1967.

Sincerely yours,


L. V. Perez
Assistant Director for
Capital Development and Industry

LGP2-062
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AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A. I. D. Mission to Brazil
c/o American Embassy

Rio de Janeiro
March 16 , 1967

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Dr. Léo Amaral Penna, President
Cia. Auxiliar de Empresas Elétricas
Brasileiras (CAEEB)
Avenida Rio Branco, 135 - 15º andar
Rio de Janeiro, GB

Subject: A. I. D. Loan Nº 512-L-062
Mascarenhas Hydroelectric Project
Implementation Letter Nº 7

Dear Dr. Penna:

We wish to call your attention that there is a technical error in the Certificate of Registration by the Central Bank of the above captioned loan. The Loan Agreement calls for 41 approximately equal semi-annual installments of principal and interest combined (i.e., level payments of principal and interest). The Registration Certificate is based on 41 approximately equal installments of principal alone, with interest computed separately. This is of course substantially different from an amortization schedule based on level payments of interest and principal combined.

This error has been called to the attention of the Central Bank. Although we are informed that the error does not affect the validity of the Registration Certificate, we request that you seek an appropriate amendment to the Certificate in order to avoid any difficulties which might arise in the future.

Sincerely yours,



Dwight B. Johnson
Deputy Assistant Director for
Capital Development and Industry

20/6/P2-062

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
August 14, 1967

Mr. Ronaldo Moreira da Rocha, President
Companhia Central Brasileira de
Fôrça Elétrica - CCBFE
Av. Rio Branco, 135 - 14º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Implementation Letter No. 8

Dear Dr. Rocha:

This letter will inform you of the present status concerning fulfillment of Conditions Precedent in Section 3.02 of the subject Loan Agreement. These Conditions must be satisfied prior to disbursement or issuance of any Letter of Commitment under the Loan to finance other than consulting services.

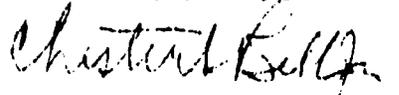
I. Section 3.02(c) - Implementation Plan

The Implementation Plan submitted with Dr. Penna's letter dated March 13, 1967 (your reference LAP-67/67) was subsequently completed by the addition of the section on cost estimates. The Implementation Plan has been reviewed and discussed with Mr. Williams of ENGEVIX-TAMS who has agreed to add certain additional data requested by A.I.D. Upon satisfactory submission of the revised Implementation Plan we will inform you that this Section has been met.

II. Section 3.02(d) - CACEX and/or Other Approvals

Receipt is acknowledged of CACEX letter (reference CACEX/ASTEC-67/38) dated January 6, 1967 which was attached to Dr. Penna's letter also dated March 31, 1967 (your reference LAP-66/67). It is our understanding that a new Law of Similar Regulation will soon be promulgated. We anticipate that this new regulation will include provisions which will enable CCBFE to comply with Section 3.02(d).

Sincerely yours,



Chester S. Bell, Jr.
Acting Deputy Assistant Director
for Capital Development and Industry

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
September 15, 1967

Dr. Ronaldo Moreira da Rocha, President
Companhia Central Brasileira de
Fôrça Elétrica - CCBFE
Av. Rio Branco, 135 - 14º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-062
Mascarenhas - Procurement
Implementation Letter No. 9

Dear Dr. Rocha:

As you are aware, Section 3.02(d) of the Loan Agreement provides that no Letter of Commitment shall be issued for procurement of goods and materials "except as A.I.D. otherwise may agree in writing", until certain general approvals by CACEX are issued. We understand that the required general CACEX approvals will be forthcoming shortly. We have examined the request made by your staff that we waive Section 3.02(d) in respect to the procurement of sheet piling. Your staff and consulting engineers point out that a few week's delay in their procurement could result in as much as the loss of one year's time in your construction schedule.

You may regard this letter as A.I.D. concurrence in this request.

Sincerely yours,


Dwight B. Johnson

Deputy Assistant Director for
Capital Development and Industry.

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
September 22, 1967

Dr. Ronaldo Moreira da Rocha, President
Companhia Central Brasileira de
Força Elétrica - CCBFE
Av. Rio Branco, 135 - 14º andar
Rio de Janeiro, GB

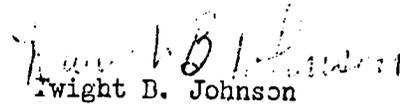
Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Implementation Letter No. 10

Dear Dr. Rocha

Our Implementation Letter No. 9, dated September 15, 1967 waived Section 3.02(d) of the Loan Agreement to permit early procurement of steel sheet piling.

The purpose of this letter is to inform you that Section 6.08 of the Loan Agreement with respect to required notification of potential suppliers (Notice to Small Business) is also waived for this emergency procurement.

Sincerely yours,



Dwight B. Johnson
Deputy Assistant Director for
Capital Development and Industry

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
October 27, 1967

Mr. Ronaldo Moreira da Rocha, President
Companhia Central Brasileira de
Forca Eletrica - CCBFE
Av. Rio Branco, 135 - 14º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Implementation Letter No. 11

Dear Mr. Rocha:

Reference is made to Mr. H. J. Katzer's letter DT-274/67 dated October 11, 1967 which submitted additional copies of the Implementation Plan revised August, 1967.

Our Implementation Letter No. 8, dated August 14, 1967, stated that you would be informed upon satisfactory submission of the revised Implementation Plan.

We are pleased to inform you that the requirements of Section 3.02(c) of the Loan Agreement have been satisfied.

Sincerely yours,


Dwight B. Johnson

Deputy Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL: 31-5820

February 21, 1968

Mr. Ronaldo Moreira da Rocha, President
Companhia Central Brasileira de
Força Elétrica -- CCEFÉ
Av. Rio Branco, 135 - 16º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Reporting, Marking and Signs
Implementation Letter No. 12

Dear Mr. Rocha:

This letter sets forth A.I.D.'s requirements for Quarterly Progress Reports, Shipping Reports, and Monthly Narrative Reports. It also contains advice on our requirements for signs at the project sites and marking requirements of goods and shipping containers.

For your guidance we are enclosing the following:

1. Reporting Requirements - Attachment L
2. Borrower Shipping Statement - Attachment N
3. Marking Requirements, Goods and Shipping Containers - Attachment J
4. Signs at Project Sites - Attachment K

Quarterly Progress Reports

A description of the general information to be included in the Quarterly (3-month) Progress Reports is given in Attachment L. The initial report should cover all prior progress to January 1, 1968 as well as the period January 1, to April 1, 1968. It is due May 1, 1968. Each successive Quarterly Report will be due the end of the month following the 3-month reporting period.

The reports should be numbered successively and submitted to this office in five copies. Reports should be related to the approved Implementation Plan and shall continue on a regular quarterly basis until the Project has been completed. Completion for reporting purposes will be established with the approval of the final report of the Project. Details concerning the final report will be provided in a future Implementation Letter.

The report should be in sufficient detail to be understood by interested people who may not be familiar with the Project. It should show the time

/...

relationship of scheduled and actual progress of all important or critical elements required for the Project's completion. It should also show the financial condition of the Project and, if costs rise above amounts originally estimated, the report should indicate how and from where those additional required funds will come.

The scope of the report shall cover the entire Project as defined in the Loan Agreement. It shall not be limited only to the A.I.D.-financed portion. It must also include progress relating to engineering, design, procurement, manufacture, shipping and handling, delivery, construction, erection, testing, placing in operation, training and final close out. It should include a section showing important authorizations, approvals and concurrences by or from the Brazilian authorities, USAID, etc., that have effect on the Project.

Any work or responsibilities retained by CCBFE or its agents shall be included in the Quarterly Report and it should show as well related progress for off-site work such as work in manufacturers' or fabricators' factories and equipment and material in transit.

The initial report shall describe the methods, procedures, and responsibilities for gathering, compiling, and issuing the reports. Best results are usually obtained where the consulting engineer has responsibility for coordinating and collecting the detailed information and assembling it for the report. A requirement to supply periodic information for reporting progress can be included with purchase orders and procurement contracts to assure a reliable flow of information from the Contractors.

There must be close coordination with CCBFE's accounting people to assure billing and disbursement information is available as needed. Schedules and projections showing cost, financing, and cash flows should relate to the ones in the Implementation Plan. Where schedules or projections have been changed, such changes and effective dates should be shown in all subsequent submittals of the schedule or projection. These should clearly show the financial status of the project and indicate requirements and sources of financing available for completion of the Project.

Any important problems or unforeseen events should be mentioned and their possible effect on the Project noted. Where an element important to the project may be falling behind schedule, a statement concerning its effect on the cost and completion date should be included. Also any remedial action being or to be taken should be stated. Where there may be material changes or modifications to the Project or any of its components, they should be described and the circumstances explained.

The fact that there may have been no progress on certain items does not relieve CCBFE of the need to report on them. If conditions develop in which all the required information is not available, the report should notwithstanding, be submitted on time. It should state, however, what

information is missing and when it will be forthcoming.

To assure that the presentation of the Quarterly Report will be satisfactory to A.I.D., we suggest you provide us an outline or table of contents, list of diagrams, example of exhibits and draft of the general format of the report for our comments.

Monthly Narrative Report

A narrative report should be submitted each month beginning April 1968 for the proceeding month and continue on a routine basis throughout the period for carrying out the Project. This report should be provided as early in the month as possible, normally during the first two weeks. It should be submitted in four copies to this office.

The report need be only three or four pages and may be in letter form. Such charts or other attachments as are readily available may be included. It should touch on any trouble or problem areas and what is being done to meet the situation. Statements concerning accomplishment or lack thereof should be included. The report writer's opinion of the Project status in relation to the completion schedule is desirable. This report is independent of the Quarterly Report.

It is suggested that this report be treated with less formality than the Quarterly Report if this is necessary to expedite its timely distribution. In this manner its preparation should be less time consuming and its submission to USAID prompt and regular.

Borrower Shipping Statement

The Loan Agreement Section 6.9 requires that at least 50% of the gross tonnage of all goods procured from the United States and financed under the loan should be transported on privately-owned United States-flag commercial vessels. Once shipments begin this report will be required on a quarterly basis. A suggested format is shown in Attachment M. It may be included as part of the regular Quarterly Progress Report.

We are aware that CCBFE may be committed to ship the remaining 50% by Brazilian-flag vessels. If shipments are to include several very heavy pieces of equipment, a precise division of weight between United States and Brazilian flag vessels may be difficult so that advance planning is called for. When the share required for United States flag vessels falls below 50%, the report should indicate how the deficit will be recovered.

/...

Marking Requirements - Goods and Shipping Containers

These requirements for marking are described in Attachment J, which also includes a suggested source of supply for official emblems. Proper marking is a responsibility of CCBFE. To conform with this requirement, we suggest that you include provisions in your purchase orders so that suitable emblems may be affixed to equipment and apparatus by the manufacturers prior to shipment.

The purpose of these markings is to publicize the participation of the American people in the Alliance for Progress-partners with Brazil in this undertaking. It is important that this publicity be provided in the United States as well as Brazil. Therefore, manufacturers should be encouraged to apply the markings as early as possible during fabrication so that the general public may be made aware of this multi-national partnership.

Shipping containers, crates, and/or the product itself, as appropriate, should be marked, preferably in the most visible manner.

Signs at Project Sites

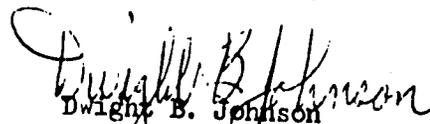
The requirements for signs are described in Attachment K. Signs should be displayed and maintained throughout the life of the Project. Generally there should be one sign at the construction site and another at the entrance to the plant site. These should be positioned to give maximum publicity.

The signs should bear the Hand-Clasp and the Alliance for Progress symbols. It would be appreciated if CCBFE would submit a sketch of the proposed arrangement of the sign to USAID for our approval.

General Comment

The above are continuing requirements of A.I.D. on all construction projects in which we participate. We are particularly interested in establishing a proper and comprehensive reporting system since it will represent the basis for USAID's monitoring of the project. Therefore, we will be glad to discuss any questions which may arise in the preparation of the format and scope of said reports.

Sincerely yours,



Dwight B. Johnson
Deputy Assistant Director for
Capital Development and Industry

Encl.



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL: 31-5820

April 8, 1968

RC

Mr. Ronaldo Moreira da Rocha, President
Companhia Central Brasileira de
Força Elétrica -- CCBFE
Av. Rio Branco, 135 - 16º andar
Rio de Janeiro, GB

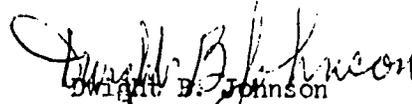
Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Amendment of Registration
Implementation Letter No. 13

Dear Mr. Rocha:

We have reviewed the Central Bank registration certificates of the above referenced Loan Agreement. Our Brazilian Counsel, however, has informed us that an amendment is necessary. I believe the enclosed draft letter to the Central Bank is self-explanatory.

If the letter meets with your approval, please fill in the appropriate blank spaces and forward it to the Central Bank. Please send us a copy of your transmittal letter to the Central Bank. Additionally, please provide us with a copy of the amended registration no later than May 30, 1968.

Sincerely yours,



Dwight B. Johnson
Deputy Assistant Director for
Capital Development and Industry

Encl.



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL
USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL.: 31-5820

August 8, 1968

Dr. Leo Penna, Director
Centrais Elétricas Brasileiras S.A. -
ELETROBRAS
Av. Presidente Vargas, 642 - 10º
Rio de Janeiro, GB

512-26-200-245
Subject: A.I.D. Loan No. 512-L-062
Implementation Letter No. 14
(A) ESCELSA Merger
(B) CACEX Approval

Dear Dr. Penna:

(A) Regarding the ESCELSA-CCBFE merger and its implications on our legal relationship with the Borrower and Guarantor, our counsel informs us that while the new company ESCELSA will automatically assume the obligations undertaken by the original Borrower under the A.I.D. Loan Agreement, both Guarantors, Eletrobrás and the Government of Brazil, must ratify the Payment and Guaranty Agreement after the merger, confirming that they will remain bound as under the original Agreement. Our approval is subject to such ratification and also to a review of the minutes of the shareholders' meeting approving the merger.

It is therefore of importance that we receive all relevant documents pertaining to the existence and identity of the post-merger company ESCELSA and that Eletrobrás initiate whatever actions are required to amend the Payment and Guaranty Agreement. Until the amended Payment and Guaranty Agreement has been ratified, and appropriate modification of the Loan Agreement made, no additional letters of commitment can be issued.

As we have previously indicated, USAID accepts, in principle, the ESCELSA-CCBFE merger subject to the above stated conditions.

(B) Regarding Section 3.02(d) of the Loan Agreement, Dr. Mario Bhering's letter of March 21, 1968 and our subsequent discussions in Vitoria and Rio have indicated that until the study of the integrated system's requirements is completed, an accurate revised list of transmission and distribution items cannot be submitted for CACEX approval.

Accordingly, to permit the timely procurement of power plant equipment, we will consider the conditions precedent under Section 3.02 of A.I.D. Loan 512-L-062 met for those items already approved by CACEX for importation. Again, however, until the actions referred to in Part A of this letter have been taken, no new letters of commitment may be issued.

We will expect to receive at the earliest convenient date a revised Implementation Plan reflecting the post-merger situation with the necessary revised schedules, categorized material lists, and cost estimates for those portions of the Project (transmission and distribution) which have changed in timing, ownership, or location, but which are still within the scope of Project as described in Annex I of the Loan Agreement. We will withhold our clearance of Section 3.02 on these items until we have reviewed the list and been notified of importation approval.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Dwight B. Johnson".

Dwight B. Johnson
Acting Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL
USAID/BRASIL



RUA MELVIM JONES N.º 9 - RIO DE JANEIRO - TEL: 31-5820

September 30, 1968

Dr. Leo Penna, Director
Centrais Elétricas Brasileiras S.A. -
ELETROBRÁS
Av. Presidente Vargas, 642 - 10º
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-062
Implementation Letter No. 15

Dear Dr. Penna:

With reference to our Implementation Letters Nos. 6 and 14 dated February 17, 1967 and August 8, 1968, respectively, may we call to your attention that the terminal date for meeting conditions precedent, Section 3.02 of the subject Loan Agreement, expired March 31, 1967.

As you are aware, all conditions precedent have been met with the exception of the prior importation approval from CACEX for those eligible items related to expansion and improvement of transmission and distribution facilities. These items are referred to in Dr. Mario Bhering's letter of March 21, 1968.

As we have discussed on previous occasions, the merger situation, its prolonged negotiations, and the technical and administrative problems of integrating the CCBFE and Escelsa systems have understandably delayed submittal of a revised equipment list to CACEX.

We are hereby extending the terminal date for compliance with Section 3.02 of the Loan Agreement to December 31, 1968. If, by that date, all items to be financed under the loan have not received importation approval it may be necessary to consider deobligation of certain loan funds so that they may be used on other projects of high priority.

Sincerely yours,

L.V. Pérez

Assistant Director for
Capital Development and Industry

In addition to the above, our formal approval is also subject to the ratification of the Payment and Guaranty Agreement by ELETROBRAS and the Government. (We are attaching the proposed ratification in the form of Supplemental Agreements for the signatures of ELETROBRAS and the Ministry of Finance.) The submission of these Agreements should be accompanied by opinions of legal counsel attesting to their validity and binding nature. Specifically, the legal opinions should be those of the highest legal authority of the Ministry of Finance and ELETROBRAS and state, applicable to ESCELSA as the successor corporation to CCBFE, that the guaranty continues to be legally authorized and that all requirements, if any, of registration and other acts under Brazilian law for giving these guarantees full force and effect have been met.

B. Technical

As set out in Implementation Letter No. 14, it is requested that you submit for the approval of A.I.D. a revised Implementation Plan for the Project, reflecting the post-merger situation. Such a plan should include the necessary revised schedules, categorized materials list and cost estimates for those portions of the Project which have changed in timing, ownership, or location but which are still within the scope of the Project as described in Annex I of the Loan Agreement.

Our approval of Section 3.02(d) for transmission and distribution system items will be subject to our review of the materials list and its approval by CACEX. As the present terminal date for Section 3.02 is December 31, 1968, you will appreciate the urgency of completing the list of materials.

C. Financial

We are requesting that you prepare a revised Financial Plan for the Project in order to clearly demonstrate the sources for its financing. Such a plan should be related to the Implementation Plan and should include the timing, by source, of the various investments to be made. We believe a revised Financial Plan is particularly important in view of the revised cost estimates of the Project submitted as part of the January 1-June 30, 1968 report. These cost estimates show a considerable increase in Project local currency costs.

II. ANNUAL FINANCIAL REPORTS

A financial report is to be submitted annually until the Loan is fully repaid. Such report is to include a detailed Balance Sheet, Profit and Loss Statement and an analysis of Retained Earnings, setting forth the true and fair financial condition of the company and the results of its operations. Attachment A explains A.I.D. audit requirements. Annual financial reports are to be audited by an independent public accounting firm acceptable to A.I.D. pursuant to Section 4.12 of the Loan Agreement, except that such acceptance by A.I.D. shall not be deemed a waiver of the other rights of A.I.D. as provided for in Section 4.12. Attachment B includes a list of firms which are known and are acceptable to A.I.D. If you desire to select a firm other than one of those listed, please advise A.I.D. of the name of the firm as well as its qualifications and experience so that we can advise you whether or not the firm is acceptable to A.I.D.

Please inform us of the report year or other period used by the company to present its financial position and how soon thereafter we may expect to receive the first annual report. Normally, the USAID in Rio de Janeiro will anticipate receiving such a report within 120 days of the end of the reporting period. Thus, if your reports are to be based on calendar year operations, we would expect to receive them by April 30 each year.

If the data outlined above are normally included in existing reports to your stock-holders or Government Agencies and are duly audited and certified by independent public accountants acceptable to A.I.D., such reports may be submitted to meet this requirement.

III. PROCUREMENT REGULATIONS

The policies and procedures for the procurement of goods and services to be financed from the loan are shown in the A.I.D. Capital Projects Guidelines number MO 1442.1 dated October, 1966 (Attachment C). A.I.D. approval will be required for the following where loan funds are to be used for payment:

1. Contracts for major or especially fabricated equipment, including bid invitations with related drawings and specifications, bid evaluations and selections.
2. Procurement of items on a proprietary basis.

3. Awards made to other than the low bidder or where less than three bona fide bids are received.
4. Awards where there are disputes or protests or where controversy is expected.

Contracts for standardized, shelf "price book" or small value items (contract or purchase orders less than \$5,000) will not require A.I.D. approval unless specifically requested. However, this does not preclude the requirements to follow A.I.D. procedures and policies and must be so certified by the engineering consultant.

All documents involving the implementation or procurement actions for the Project shall bear a certification by the engineering consultant indicating that the document has been reviewed by the engineer and it meets the requirements of the Project, Loan Agreement related Implementation Letters and the A.I.D. Capital Project Guidelines. This includes plans and specifications, evaluation of bids, contracts or purchase orders, requests for Letters of Commitment, invoices, inspections, and tests.

IV. DISBURSEMENT PROCEDURES - Dollar Disbursements Section 7.01 Loan Agreement.

Materials and equipment procured in the U.S. and dollar costs of the engineering or services contracts will be paid through the Letter of Commitment procedure described in Attachment D hereto. Requests for Letters of Commitment will contain the certification of the engineering consultant that the items listed are required for the project and are eligible for financing under the Loan.

Disbursements through the letters of credit should also provide for the engineering consultant's certification of invoices and inspection certificates as applicable. Other required documentation is shown in Attachment D.

After satisfaction of the requirements of Implementation Letter No. 14, dated August 8, 1968, you may request issuance of further Letters of Commitment. (In this regard, we are willing to relax our requirement for ratification of the Payment and Guaranty Agreement by the Government prior to issuing additional Letters of Commitment. We will issue such Letters prior to such ratification providing ELETROBRAS has already ratified, and with the understanding that the ratification by the Government will be forthcoming not later than 120 days from the date of this letter.)

The number of Letters of Commitment should be kept to a minimum and each should cover as broad a scope as possible. Except for engineering services or procurement involving special conditions, Letters of Commitment may be opened prior to placing orders on the basis of A.I.D. approved lists of material and equipment showing estimated costs.

In the event you have any questions or we may help you in compliance with these requirements, please call on this office or the Power Division of the Engineering and Natural Resources Office.

Sincerely yours,



L.V. Perez

Assistant Director for
Capital Development and Industry

- Enclosures:**
1. Attachment A: Audit Requirements
 2. Attachment B: List of Acceptable Audit Firms
 3. Attachment C: Capital Project Guidelines
 4. Attachment D: Letter of Commitment Procedure



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL: 31-5620

Brazil Desk
CS

December 31, 1968

Dr. Carlos Alberto Amarante
ESCELSA
Av. Jeronimo Monteiro 490 - r/809
Vitória, Espírito Santo

512-26-220-242
Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Implementation Letter No. 17

Dear Dr. Amarante:

This is written in response to your letter of December 21 in which you requested an extension of the terminal date under Section 3.02 of the Loan Agreement to permit you sufficient time to comply with sub-section 3.02(d).

As the necessary equipment list has now been presented to CACEX, and as discussions are being held with CACEX and ABDIB with regard to such equipment list, we hereby approve your request to extend the terminal date for compliance with Section 3.02 to March 31, 1969.

Sincerely yours,

L. V. Perez
Assistant Director
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



RUA MELVIN JONES N.º 3 - RIO DE JANEIRO - TEL: 31-5820

May 5, 1969

Dr. Carlos Alberto Amarante
ESCELSA
Av. Jeronimo Monteiro 490 - s/809
Vitória, Espírito Santo

Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Implementation Letter No. 18

Dear Dr. Amarante:

The purpose of this letter is to answer pending requests for approvals under the subject loan and to call your attention to certain information previously requested by the USAID.

First, we are happy to inform you that the draft Amendment No. 1 of the contract between ESCELSA and the joint venture Engevix - TAMS do Brasil - TAMS of New York, transmitted with your letter of 24 April 1969, is hereby approved. After signature of the Amendment please submit five conformed copies to the USAID.

Second, as you know we previously declared the conditions of Section 3.02(d) of the Loan Agreement met for those items related to the power plant. Based on the documents submitted with the 31 March 1969 letter of Sr. Brzezinski of CAEEB, we now also declare met the items related to the expansion and improvement of the transmission and distribution facilities. With this latter approval, all conditions precedent under Section 3.02 are considered met.

Finally, you will recall that our Implementation Letter No. 16 requested certain statements as a condition of A.I.D.'s formal approval of the ESCELSA-CCBFE merger. All such statements have now been submitted with the exception of the opinions of legal counsel attesting to the validity and binding nature of the Supplemental Agreement to the Payment and Guaranty Agreement by Eletrobras and the Ministry of Finance. We hope to receive such opinions in the near future.

Sincerely yours,

L. V. Perez
Assistant Director

Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL



USAID/BRASIL

RUA MELVIN JONES N.º 9 - RIO DE JANEIRO - TEL.: 31-5820

MAY 13 1969

Dr. Carlos Alberto Amarante
ESCELSA
Av. Jeronimo Monteiro 490 - S/809
Vitória, Espírito Santo

Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Implementation Letter No. 19

Dear Dr. Amarante:

We have completed our review of the revised Implementation Plan of the Project, submitted with Sr. Vieira's letter of 21 February 1969, and find it acceptable. However, we note that certain items under the Description of the Project (p. 2) do not conform with the description contained in Annex I of the Loan Agreement. As, in accordance with the terms of the Loan Agreement, such Annex may be modified in writing by agreement between Borrower and A.I.D., we propose that the existing Annex I be replaced in its entirety by the following:

"Description of Project

The Project is defined as consisting of the following:

- A. The design, equipment, construction and placing in operation of a hydroelectric plant on the lower Doce River in the State of Espírito Santo, consisting of reservoir, dam, waterways and three turbine-generator units (approximately 40 MW each) with all related electrical and mechanical facilities, civil works and structures.
- B. The design, equipment, construction and placing in operation of approximately 326 km of 69 and 138 kv transmission lines and 400 km of miscellaneous 11.4 and 34.5 kv subtransmission lines.
- C. Construction, enlargement, or improvements to approximately nine substations on the transmission system (including necessary synchronous and static condensers), to approximately five sub-

stations on the secondary network, and to approximately ten miscellaneous substations.

D. Extension, improvements to, and rebuilding of the distribution network system, and conversion of the existing 50 cycle system to 60 cycles.

E. Equipment for laboratory, communication, supervisory control, transmission line erection and maintenance, and training for management, operations and maintenance.

F. Engineering services in connection with the foregoing."

Your countersignature below will indicate your agreement to the new Annex I.

In view of the increased local currency costs of the Project, our Implementation Letter No. 16 called for a revised Financial Plan in order to clearly demonstrate the sources for its financing.

Now that the revised Implementation Plan has been completed and approved, we understand that the revised Financial Plan, requested in Implementation Letter No. 16, will be prepared and submitted to the USAID in the near future. As background material for such plan, we request that you submit a conformed copy of the loan agreement with Eletrobras, presently being negotiated, once it is signed.

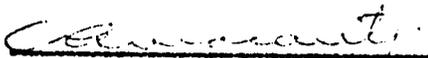
I hope this letter answers all outstanding matters related to the loan. Please do not hesitate to call on us if you have any questions.

Sincerely yours,



L. V. Perez
Assistant Director
Capital Development and Industry

ESCELSA

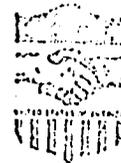


Carlos Alberto Amarante
President



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL.: 31-5520

September 11, 1969

Dr. Carlos Alberto Amarante, President
Espírito Santo Centrais Elétricas S.A. - ESCELSA
Ed. Presidente Castelo Branco
Caixa Postal 452
Vitória, Espírito Santo

Subject: A.I.D. Loan No. 512-L-062
Implementation Letter No. 20

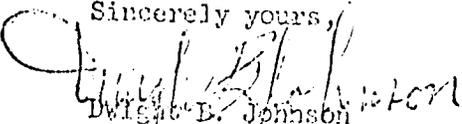
Dear Dr. Amarante:

The Agency for International Development has recently adopted a new policy for all loans regarding A.I.D. financed procurement which affects the procedures required under formal competitive bidding for equipment and/or materials.

- a. Invitations for Bids hereafter issued with respect to A.I.D. financed procurement by foreign borrowers or grantees under formal competitive bid procedures will hold bidders responsible for assuring that their bids are actually received on time at the place and office designated in the invitation.
- b. Under this new policy, a late bid will not be considered even though it became late because of factors beyond the bidder's control, such as delays in mail handling, telegraphic transmission, or customs clearance. Late bids may be considered only when such bids are received at the place designated prior to award and when they became late bids because of mishandling by the purchaser, his employees, or his agents.

In each Invitation for Bids to be issued after receipt of this notice, please include a statement that bids received at the address designated in the Invitation after closing hour of the day for submission will not be considered for award unless the sole cause for its becoming late was mishandling on the part of the purchaser, his employees, or his agents. In no case will the purchaser consider a bid which was received at the designated address after the award was made.

Sincerely yours,


Dwight B. Johnson
Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL.: 31-5020

February 16, 1970

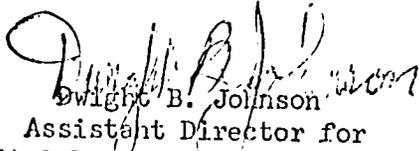
Dr. Carlos Alberto Amarante, President
Espírito Santo Centrais Elétricas S.A. - ESCELSA
Ed. Presidente Castelo Branco
Caixa Postal 452
Vitória, Espírito Santo

572-26-220-242
Subject: A.I.D. Loan No. 512-L-062
Implementation Letter No. 21

Dear Dr. Amarante:

The purpose of this letter is to provide you with information concerning A.I.D. requirements for the Final Project Report. Implementation Letter No. 12 of February 21, 1968 outlined the reporting requirements in Attachment L paragraph II. Attached are further guidelines on the preparation of this report. We trust the guidelines will be self explanatory, however, if any questions arise, please contact us.

Sincerely yours,


Dwight B. Johnson
Assistant Director for
Capital Development and Industry

Attachment: USAID/B Guidelines for Final Reports on
AID Financed Construction Type Projects



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL
USAID/BRASIL



RUA MELVIN JONES N.º 9 - RIO DE JANEIRO - TEL.: 31-9820

June 4, 1970

Dr. Carlos Alberto Amarante, Presidente
Espírito Santo Centrais Elétricas S.A. - ESCELSA
Ed. Presidente Castelo Branco
Caixa Postal 452
Vitória, Espírito Santo

Subject: A. I. D. Loan No. 512-L-062
Implementation Letter Nº 22

Dear Dr. Amarante:

The purpose of this letter is to extend the terminal date of disbursement of the subject loan to December 31, 1973. This extension is required because of delays in construction beyond the Borrower's control.

Sincerely yours,

Reginald van Raalte
G. Reginald van Raalte
Acting Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL
USAID/BRASIL

Schwald
790625 LCP



RUA MELVIN JONES Nº 5 - RIO DE JANEIRO - TEL. : 231-9820

October 26, 1970

Dr. Carlos Alberto Amarante, President
Espírito Santo Centrais Elétricas S.A.
ESCELSA
Caixa Postal 452
Vitoria, Espírito Santo

512-26-220-242
Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Implementation Letter No. 23

Dear Dr. Amarante:

In response to your letter DP-1617/70 dated October 5, 1970, we hereby approve your request to extend the terminal disbursement date for Letters of Commitment (other than the Letter of Commitment No. 512-L-06201 for engineering services) to December 31, 1974.

Your request for extension of the terminal date for issuance of Letters of Commitment or Amendments thereto to June 30, 1974 is also approved.

Sincerely yours,

Dwight E. Johnson
Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL

LAID
4906



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL.: 01-582

October 25, 1972.

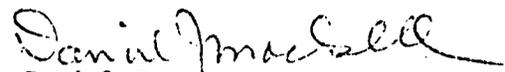
Dr. Olavo A. Vieira
Project Engineer
Espírito Santo Centrais Elétricas S.A.
ESCELSA
Av. Rio Branco, 135 - Sala 1208
Rio de Janeiro, GB

512-26-220-212
Subject: A. I. D. Loan No. 512-L-C²
Mascarenhas Hydroelectric Project
Implementation Letter No. 24

Dear Dr. Vieira:

We are pleased to approve amendment no. 2 of the contract for engineering services between ESCELSA and the Joint Venture of Engevix S.A. and Tams do Brasil as drafted. We also hereby extend Letter of Commitment no. 01 (for engineering services) to December 31, 1974 as requested in your letter 1725/ER/72 dated October 13, 1972. You will note by referring to Implementation Letter No. 23 that the terminal disbursement date for all Letters of Commitment is now December 31, 1974.

Sincerely yours,


Daniel J. Mackell
Chief

Capital Development Operations



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL
USAID/BRASIL

CA/Be

FILE

August 1, 1973

Dr. Luiz Moreira Barbirato,
Presidente, Espírito Santo Centrais
Elétricas
Caixa Postal 452
Vitória, Espírito Santo

512-24-220-242
Subject: A.I.D. ~~Loan 512-L-062~~
Implementation Letter No. 24-A

Dear Dr. Barbirato:

We refer to your letter of May 31, 1973 attaching a draft copy of Amendment No. 3 to the contract for engineering services with the Consorcio.

The language of the Amendment to your contract with the Consorcio reflecting their responsibility for development and implementation of a training program for ESCELSA's staff as well as the reporting requirements under the program is hereby approved.

The Mission still awaits your submission of the required budgeted cost estimates. Once the cost estimates have been approved by USAID, we will initiate the issuance of a new letter of commitment, not to exceed \$100,000. We would appreciate receiving as soon as possible the report with the estimated cost breakdown for the training program.

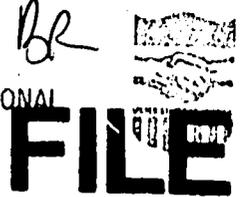
Sincerely yours,


Daniel J. Mackell
Chief, Capital Development
Operations



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



Dr. Luis Moreira Barbirato, President
Espírito Santo Centrais Elétricas S.A.
ESCELSA
Caixa Postal, 452
Vitória, Espírito Santo

September 28, 1973

512-26-220-242
SUBJECT: AID Loan No. 512-L-062
Mascarenhas Hydroelectric Project
Implementation Letter no. 25

Dear Mr. Barbirato:

This will acknowledge receipt of ESCELSA letters 1951/EP dated July 11, 1973 and 1994/ER/73 and supporting documentation received by USAID. It also confirms the understanding reached in conversations on September 13, 1973 between Dr. Flavio Vieira of ESCELSA, Mr. G. Bradley Sparrow, Chief Engineering and Natural Resources Office, USAID and Mr. Arthur Bonny, Chief Power and Telecommunication Division, USAID.

USAID is pleased to approve the acquisition of four (4) additional 69 KV circuit breakers from Westinghouse Co. under Contract No. 1179-20, based on the confirmation in ESCELSA letter 1994/ER/73 that the prices for the four additional circuit breakers are the same as offered in the Westinghouse award winning bid for delivery in 1974 (US\$ 10,779.00 per unit). It is our understanding that this will enable ESCELSA to comply with the demands of the Federal Government's policy of consolidating the State's power companies as well as in the interest of improving the efficiency and economical operation of the ESCELSA distribution system.

Sincerely yours,

Daniel J. Mackell
Chief, Capital Development
Operations

Ave. Pres. Wilson, 147-69
Tel: 252-8055
Rio de Janeiro, G.B.

Ed. Bandeirantes - SCS, Q.17, Lote 2/5
Tel: 24-1555
Brasília, D.F. - Brasil

Praça do Apolo, 2
Tel: 24-4922
Recife, Pe.



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAÍD/BRASIL

FILE



Rio de Janeiro, November 21, 1973

Dr. Luiz Moreira Barbirato
President
Espirito Santo Centrais Eletricas S.A.
ESCELSA
Caixa Postal 452
Vitoria, Espirito Santo

512-26-220-242
Subject: A.I.D. Loan No. 512-L-062
Mascarenhas Hydroelectric Plant
Implementation Letter No. 26

Dear Dr. Barbirato:

This will acknowledge receipt of ESCELSA's letter 2173/73, dated October 2, 1973, and supporting documentation in which you request that the United States Agency for International Development (USAID) initiate a new Letter of Commitment in the amount of US\$ 80,000 (including a provision for a US\$20,000 revolving fund) in order to finance the proposed technical training program.

Further, we refer to Mr. William Shimasaki's letter to Mr. Getulio Rezende, dated October 25, 1973, the contents of which in so far as they refer to financial matters are hereby modified.

Under a Letter of Commitment arrangement, as requested by you, normally, a revolving fund is not practicable, therefore an alternative procedure for financing the proposed training program under the loan is outlined below.

We will request our Washington Office to authorize US\$ 80,000 to cover your estimate of the cost of the Technical Training.

Upon receipt of this approval and of a formal request from you containing the justification for the US\$20,000 advance requested, we will issue a check for this amount payable to the United States bank you specify. The request should be in the form illustrated in Attachment A to this letter.

Av. Pres. Wilson 147
Tel: 252-8055
Rio de Janeiro, G.B.

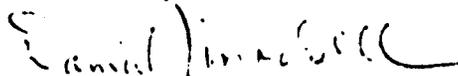
Ed. Bandeirantes - SCS, Q.17, Lote 2/5
Tel: 24-1555
Brasilia, D.F. - Brasil

Praça do Apolo, 243
Tel: 24-4922
Recife, Pe.

This advance will constitute a revolving fund which we will reimburse on a monthly basis. The procedures for reimbursement are outlined as Attachment "B" to this letter. Any funds remaining available in the revolving fund upon the completion of disbursements shall be immediately refunded to A.I.D. at A.I.D.'s request.

Please provide us with your formal request and the name and address of your U.S. bank and we will proceed with the above.

Sincerely yours,



Daniel J. Mackell
Chief

Capital Development Operations

ATTACHMENT "A"

REQUEST FOR ADVANCE FOR A TECHNICAL TRAINING PROGRAM

Pursuant to Loan Agreement No. 512-L-062, dated August 18, 1966, ESCELSA hereby requests and certifies as follows:

(1) ESCELSA requests USAID to advance \$20,000.00 and, on the basis of such advance, to make a charge against the loan.

(2) The amount requested is an estimate of the highest cost per group of ESCELSA's engineers in the United States and Puerto Rico.

(3) The amount requested will be used for the procurement of goods and services authorized by the Loan Agreement.

Documentation in support of disbursements will be supplied to USAID as outlined in Attachment "B" to Implementation Letter NO. 26.

(Signed) _____
(Authorized Representative)

Date _____



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNA-CIONAL
USAID/BRASÍLIA



Ed. Bandelrantes SCS, Q. 17, Lote 2/5 - Brasília, D. F. - Brasil Tel. 241-1357

August 22, 1974

Dr. Luiz Moreira Barbirato
President
Espirito Santo Centrais Eletricas S.A. (ESCELSA)
Rua Pietrangelo de Biase s/n
Ed. Castelo Branco - 10o. andar
Vitoria - ES

512-26-220-212
Subject: AID Loan 512-L-062 - ESCELSA
Mascarenhas Hydroelectric Plant
Implementation Letter No. 27

Dear Dr. Barbirato:

Thank you for your letter to me dated June 20, 1974 (DP No.1397/74) in which you advised that ESCELSA was preparing an accounting to determine the exact balance of the loan that would not be utilized. As you know, AID is constantly under pressure to deobligate loan funds that will not be utilized so that such funds can be reprogrammed for use in other urgent projects to be implemented, so we greatly appreciate your excellent cooperation.

It now appears to us that at least \$800,000 can be deobligated eventually, but the reduction of individual Letters of Credit and Letters of Commitment by precise amounts at this time is somewhat difficult. I suggest, therefore, that L/Comm 06204 be reduced at this time by \$770,000 and that a deobligation of \$790,000 (including \$20,000 presently uncommitted) be processed as soon as possible. The relatively minor balances could then await deobligation until precise amounts can be determined or the Terminal Disbursement Date has expired.

I understand that reduction of L/Comm 06204 in the above amount would not be complicated since there are no outstanding Letters of Credit that would require acceptance of cancellation by suppliers.

If you approve of the above action, I would appreciate your signing in the space provided below and returning one signed copy to me at your earliest convenience.

Sincerely,



Marvin Weissman
Director

Approved:

Luis Moreira Barbirato
President, ECELSA

Date

AID 10-5
(10-52)

PRO AG

PROJECT AGREEMENT
 BETWEEN THE AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)
 AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND
 MINISTRY OF EDUCATION AND CULTURE, AND BRAZILIAN GOVERNMENT REPRESENTATION
 FOR POINT IV
 AN AGENCY OF THE GOVERNMENT OF UNITED STATES OF BRAZIL

PD-AAA-277-A1

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in the Standard Provisions annexed in any additional annexes attached hereto.

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

- GENERAL AGREEMENT FOR TECHNICAL COOPERATION
DATE: December 19, 1950
- ECONOMIC COOPERATION AGREEMENT
DATE:
- OTHER: Special Technical Services Agreement of
DATE: May 30, 1953

1. PROJECT NO. 512-11-610-042
(formerly 512-N-61-AG)
 2. AGREEMENT NO. ED-8
 3. ORIGINAL
 REVISION NO. 1

4. PROJECT TITLE:
 Industrial Vocational Education

5. PROJECT DESCRIPTION AND EXPLANATION:
 (See Annex A attached)

6. AID APPROPRIATION SYMBOL: 72-11x0070
 7. AID ALLOTMENT SYMBOL: 181-50-512-31-69-00

AID DOLLAR FINANCING	PREVIOUS TOTAL (A)	INCREASE (B)	DECREASE (C)	TOTAL TO DATE (D)
(a) Total	493,500			493,500
(b) Contract Services	190,000			190,000
(c) Commodities	303,500			303,500
(d) Other Costs				
6. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT				
(a) Total				
(b) Technical and Other Services				
(c) Commodities				
(d) Other Costs				

8. SPECIAL PROVISIONS
 The sole purpose of this revision is to extend the Final Contribution Date to July 31, 1966.
 A finalidade unica desta emenda é prorrogar a Data de Contribuição Final até 31 de julho de 1966.

DATE OF ORIGINAL AGREEMENT: May 31, 1963
 DATE OF THIS REVISION: May 18, 1964
 FINAL CONTRIBUTION DATE: July 31, 1966

FOR THE COOPERATING AGENCY: Representante do Governo Brasileiro junto ao Ponto IV
 FOR THE DIRECTOR, AID: Director, USAID/Brazil

JC

AID 10-2
(8-23)

PRO AG

PROJECT AGREEMENT
 BETWEEN THE AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)
 AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND
 THE SUPERINTENDENCY FOR THE DEVELOPMENT OF THE NORTHEAST (SUDENE)
 AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF BRAZIL.

The above named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in the Standard Provision Annex and in any additional annexes attached hereto.

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

- GENERAL AGREEMENT FOR TECHNICAL COOPERATION DATED December 19, 1950
- ECONOMIC COOPERATION AGREEMENT DATED May 30, 1953
- OTHER Northeast Agreement DATED April 13, 1962

1. PROJECT NO.
512-11-610-042

2. AGREEMENT NO.
NE 042-A-64-38

3. PROJECT TITLE
Industrial Vocational Education
(Fishes - Feasibility Study)

4. PROJECT DESCRIPTION AND EXPLANATION
See Annex A attached

5. AID APPROPRIATION SYMBOL
N.A.

6. AID ALLOTMENT SYMBOL
N.A.

AID DOLLAR FINANCING	PREVIOUS TOTAL (a)	INCREASE		TOTAL TO DATE (c)
		(b)	(d)	
(a) Total	- 0 -	- 0 -	- 0 -	- 0 -
(b) Contract Services	- 0 -	- 0 -	- 0 -	- 0 -
(c) Commodities	- 0 -	- 0 -	- 0 -	- 0 -
(d) Other Costs	- 0 -	- 0 -	- 0 -	- 0 -
COOPERATIVE AGENCY FINANCING - DO LAR CASH CONTRIBUTION				
(a) Total	- 0 -	- 0 -	- 0 -	- 0 -
(b) Technical and Other Services	- 0 -	- 0 -	- 0 -	- 0 -
(c) Commodities	- 0 -	- 0 -	- 0 -	- 0 -
(d) Other Costs	- 0 -	- 0 -	- 0 -	- 0 -

12. SPECIAL PROVISIONS
 \$55,000.00 was previously obligated for this Project by Project Implementation Order/Technical Services 512-C-18-AA-3-30197 (Appropriation Symbol 72-1131010, Allotment Symbol 395-50-512-32-69-32) issued June 12, 1963

DATE OF ORIGINAL AGREEMENT: June 15, 1964

DATE OF THIS REVISION: _____

FINAL CONTRIBUTION DATA: N/A

FOR THE COOPERATING AGENCY: As assinaturas dos representantes das partes contratantes deste Acordo acham-se na ultima pagina do Anexo A.

FOR THE DIRECTOR, AID: Signatures of the parties to this Agreement appear on the last page of Annex A.

NO. TO-3
11-53

TITLE OR DESCRIPTION OF DUNA

1. COOPERATING COUNTRY

2. CODE NUMBER

BRAZIL

912-33-610-042

Cont

CONTINUATION SHEET
DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA

3. TITLE OR DESCRIPTION OF DUNA

Industrial Vocational Education
(Fisheries Feasibility Study)USE THIS PART TO COMPLETE THE INFORMATION REQUIRED IN ANY BLOCK OF A 510 OR PAR FORM.
INSERT TITLE OF FORM ABOVE, INDICATE BLOCK NUMBER BELOW.ESTUDO DE VIABILIDADE DE
PESCAFISHERIES FEASIBILITY STUDY

São partes deste Convênio o Superintendência do Desenvolvimento do Nordeste (SUDENE), órgão do Governo Brasileiro, e a Agência para o Desenvolvimento Internacional (USAID/BRASIL), órgão do Governo dos Estados Unidos da América.

The parties to this Agreement are the Superintendency for the Development of the Northeast (SUDENE) an agency of the Government of Brazil and the Agency for International Development (USAID/BRASIL) an agency of the Government of the United States of America.

Este Convênio é celebrado em conformidade com o "Acordo entre os Governos dos Estados Unidos do Brasil e dos Estados Unidos da América do Norte, para a cooperação do Governo dos Estados Unidos da América do Norte na promoção do desenvolvimento social e econômico do Nordeste Brasileiro assinado em Washington, D.C. no dia 13 de abril de 1962.

This agreement is entered into in accordance with the "Agreement between the Government of the United States of Brazil and the Government of the United States of America on the Cooperation of the Government of the United States of America for the Promotion of Economic and Social Development in the Brazilian Northeast" signed on April 13, 1962 in Washington, D.C.

1 - SITUAÇÃO ATUAL1 - PRESENT SITUATION

Os estudos lavados a respeito pela SUDENE sobre a indústria pesqueira do Nordeste demonstram não existir a mesma suficiência de desenvolvimento e produção de peixe de conservação adequada para a população residente nas regiões costeiras, especialmente no Nordeste brasileiro, devido a) a ausência quase absoluta de mão de obra especializada, b) deficiência de apoio logístico infra-estrutural e c) carência de pesquisas e métodos modernos, em geral, para o melhor aproveitamento dos recursos existentes.

Studies carried out by SUDENE relative to the needs of the fishing industry of Northeast Brazil have shown that the industry has not been effectively developed as a potential source of food due to various problems, among which are the following and all of which are necessary to the effective development of existing resources: a) the almost complete lack of skilled labor, b) deficiency in infra-structural logistic support, c) lack of research and modern methods in general.

Estudos complementares fazem-se ainda necessários para a determinação da viabilidade de um programa global de desenvolvimento das pescas nordestinas, interessando diretamente a indústria pesqueira. Nesse sentido, em carta dirigida a

Further studies are necessary to determine the feasibility of a program of improvement of the fishing industry of Northeast Brazil, and to assist in the development of such a program. Accordingly, in a letter sent to USAID/Brazil

D-10-3 (11-59)	TITLE OR DESCRIPTION OF FORM	1. COOPERATING COUNTRY	2. CODE NUMBER
	CONT. CONTINUATION SHEET DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT UNITED STATES OF AMERICA	BRAZIL	512-11-610-042
		3. TITLE OR DESCRIPTION OF ACTIVITY	

**Industrial Vocational Education
(Fisheries Feasibility Study)**

USE THIS FORM TO COMPLETE THE INFORMATION REQUIRED IN ANY BLOCK OF A FIO OR PAA FORM.
INSERT TITLE OF FORM ABOVE. INDICATE BLOCK NUMBER BELOW.

USAID/Brasil em 30 de maio de 1963, a SUDENE solicitou, preliminarmente técnicos para estudar o aproveitamento dos recursos pesqueiros no interior da região e o aperfeiçoamento da Escola de Pesca Tamandaré.

on May 30, 1963, SUDENE made a preliminary request for technicians to study the improvement of the fisheries resources in the interior of the region and the improvement of the Tamandaré Fishing School.

II. FINALIDADES

A finalidade deste Convênio é a realização dos estudos necessários para: 1) determinar a viabilidade de um programa de desenvolvimento da pesca no interior do Nordeste e fazer recomendações para a sua execução. 2) Determinar a viabilidade de um programa de formação de pessoal técnico para a indústria pesqueira junto ao Centro de Instrução e Treinamento do Nordeste (ex-Escola de Pesca Tamandaré) e fazer recomendações para a sua execução.

II. PURPOSE

The purpose of this agreement is to carry out studies needed to: 1) Determine the feasibility of and make recommendations for a program of development of fisheries in the inland water impoundments of Northeast Brazil. 2) Determine the feasibility of a Training Program for technical personnel for the fishing industry in cooperation with the Northeast Instruction and Training Center (formerly Tamandaré Fishing School) and to make recommendations for the execution of this program.

III. RESPONSABILIDADES

A - A SUDENE compromete-se a:

1) Designar, pelo presente, o Chefe da Divisão de Indústria Pesqueira do seu Departamento de Industrialização como responsável pela execução deste projeto.

2) Destacar os técnicos do seu quadro necessários para trabalhar com a equipe técnica americana, na execução deste Convênio.

3) Responsabilizar-se pelos salários e outras despesas dos seus técnicos designados para trabalhar com a equipe técnica americana.

III. RESPONSIBILITIES

A - SUDENE agrees to:

1) Designate the Chief of the Division of Industrial Fisheries of its Department of Industrialization as the executor of this project.

2) Select the necessary technicians from its staff to work with the United States' technical team in the execution of this project.

3) Pay the salaries and other costs of its technicians selected to work with the United States technical team.

D-10.3 (11-59)	TITLE OR DESCRIPTION OF FORM	1. COOPERATING COUNTRY	2. CODE NUMBER
		BRAZIL	512-11-610-042
CONT.	CONTINUATION SHEET DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT UNITED STATES OF AMERICA	3. TITLE OR DESCRIPTION OF ACTIVITY Industrial Vocational Education (Fisheries Feasibility Study)	
USE THIS FORM TO COMPLETE THE INFORMATION REQUIRED IN ANY BLOCK OF A PIO OR PAA FORM. INSERT TITLE OF FORM ABOVE. INDICATE BLOCK NUMBER BELOW.			

4) Envidar todos os esforços no sentido de obter do DNOCS, da SUDEPE e de outros órgãos competentes do Governo brasileiro a maior contribuição possível para os trabalhos deste Convênio.

5) Ajudar a obter, sem ônus para a USAID/Brazil ou para os técnicos dos Estados Unidos da América, quaisquer licenças, permissões ou outras autorizações necessárias a execução deste projeto.

6) Fornecer toda a assistência material necessária aos técnicos americanos, quando no Brasil, conforme estabelecido na Ordem de Implementação de Projeto para Técnicos nº 512-C-18-AA-3-3019712 emitida em 12 de junho de 1963.

B - A USAID/BRAZIL compromete-se a:

1) Fornecer, para a execução dos trabalhos deste Convênio, uma equipe de técnicos especializados, conforme já estabelecido na Ordem de Implementação de Projeto (PIO/T) nº 512-C-18-AA-3-30197, emitida em 12 de junho de 1963, em atendimento a solicitação formal da SUDENE. O citado PIO/T compromete recursos no valor de US\$55,000 (cinquenta e cinco mil dólares), para a finalidade mencionada.

2) Assegurar que sejam fornecidos a SUDENE relatórios elaborados pela equipe técnica sobre os resultados do projeto, logo que sejam recebidos pela USAID/BRAZIL.

4) Use its influence and efforts to assure that DNOCS, SUDEPE and other Brazilian government agencies concerned make their greatest possible contribution to furthering the objectives of this Project Agreement.

5) Assist in obtaining as promptly as possible, and without charge to USAID/Brazil or the technicians from the United States of America, any licenses, permits or other clearances necessary for the execution of this project.

6) Provide necessary logistic and other support to the United States team, while in Brazil, as described in Project Implementation Order for Technical Services (PIO/T) nº 512-C-18-AA-3-30197, issued June 12, 1963.

B- USAID/BRAZIL agrees to:

1) Provide, for the execution of the work of this Agreement, a team of technicians, as already set forth in the Project Implementation Order for Technical Services (PIO/T) nº 512-C-18-AA-3-30197, issued June 12, 1963, in accordance with the formal request of SUDENE. Subject PIO/T provides not to exceed \$55,000 (fifty five thousand dollars) for this purpose.

2) Ensure that all reports made by the technical team on the results of the project are forwarded to SUDENE, as soon as they are received by USAID/Brazil.

WORK SHEET ISSUANCE

PAGE 4 OF 4 PAGES

AID-10-3

TITLE OR DESCRIPTION OF FORM

1. COOPERATING COUNTRY

2. CODE NUMBER

381

BRAZIL

512-11-610-042

CONT.

CONTINUATION SHEET
DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA

3. TITLE OR DESCRIPTION OF ACTIVITY

Industrial Vocational Education
(Fisheries Feasibility Study)USE THIS FORM TO COMPLETE THE INFORMATION REQUIRED IN ANY BLOCK OF A PIO OR PAA FORM.
INSERT TITLE OF FORM ABOVE. INDICATE BLOCK NUMBER BELOW.

IV. DISPOSIÇÕES GERAIS

IV. GENERAL

A - Fica assegurado ao DNOCS e a SUDEPE, além da SUDENE, o direito a destacarem técnicos dos seus quadros para trabalhar com a equipe técnica americana segundo este Convênio.

A. It is agreed that DNOCS and SUDEPE will have the same right as SUDENE to select technicians from their staffs to work with the United States' technical team under this Agreement.

B - A troca de cartas entre a SUDENE e a USAID/Brasil, de 4 de junho de 1963, sobre a utilização das Doações em Dólar e o Memorandum de Entendimento sobre Auditoria, datado de 22 de abril de 1963, entre a USAID/Brasil e o Governo Brasileiro, são incorporados como parte deste convênio.

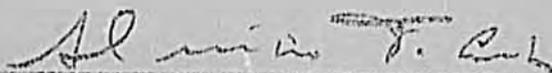
B. The exchange of letters between SUDENE and USAID/Brazil on the utilization of dollar grants dated June 4, 1962, as modified by the Memorandum of Understanding on Audit dated April 22, 1963, between USAID/Brazil and the Government of Brazil are hereby incorporated in and made a part of this Agreement.

C - As partes deste Convênio divulgarão os resultados deste programa pelo rádio, imprensa e outros meios de comunicação, identificando-os adequadamente como parte da Aliança para o Progresso.

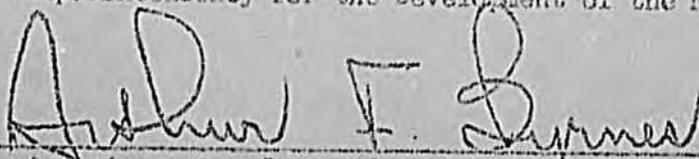
C. The parties to this Agreement will take appropriate action to publicize the progress made and the objectives to be attained as a result of this program, identifying the same with the Alliance for Progress.

D - Este Convênio entrará em vigor na data de sua assinatura, assim permanecendo até 31 de dezembro de 1964, a menos que seja modificado em qualquer época por acordo mútuo, ou cancelado anteriormente aquela data, por qualquer signatário, mediante aviso prévio por escrito de 30 dias.

D. This Project Agreement shall become effective on the date of its signature below, and will remain in force until December 31, 1964, unless it is modified by mutual agreement or cancelled on 30 days notice by either of the signatories to this agreement prior to that date.



Date: 15/6/1964

Superintendencia do Desenvolvimento do Nordeste (SUDENE)
Superintendency for the Development of the Northeast (SUDENE)

Date: June 15, 1964

Agência para o Desenvolvimento Internacional (USAID/Brasil)
Agency for International Development (USAID/Brazil)

SC

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PRO AG

PROJECT AGREEMENT
BETWEEN THE AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)
AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND
MINISTRY OF EDUCATION AND CULTURE AND THE DIRECTORATE OF INDUSTRIAL
EDUCATION
AN AGENCY OF THE GOVERNMENT OF UNITED STATES OF BRAZIL
WITH THE CONCURRENCE OF BRAZILIAN GOVERNMENT REPRESENTATIVE FOR POINT IV

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in the Standard Provisions annexed and in any additional annexes attached hereto.

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented.

- GENERAL AGREEMENT FOR TECHNICAL COOPERATION
DATE December 19, 1950
- ECONOMIC COOPERATION AGREEMENT
DATE
- SPECIAL Technical Services Agreement of
DATE May 30, 1953

1. PROJECT NO. 512-11-610-042	3. ORIGINAL <input checked="" type="checkbox"/>
2. AGREEMENT NO. MEC-1	REVISION NO.
4. PROJECT TITLE Industrial Vocational Education	
5. PROJECT DESCRIPTION AND EXPLANATION (See Annex A attached)	
6. AID APPROPRIATION SYMBOL 72-1141010	7. AID ALLOTMENT SYMBOL 495-50-512-32-69-41

AID DOLLAR FINANCING	PREVIOUS TOTAL (A)	INCREASE (B)	DECREASE (C)	TOTAL TO DATE (D)
(a) Total		\$95,000		\$95,000
(b) Contract Services		\$95,000		\$95,000
(c) Commodities				
(d) Other Costs				
8. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT				
(a) Total				
(b) Technical and Other Services	See III A of May 31, 1963 Agreement			
(c) Commodities				
(d) Other Costs				

9. SPECIAL PROVISIONS
 Annex A (description of project) and Annex B (Standard Provisions), as modified by the Memorandum of Understanding on Audit between the Ministry of Planning and AID, dated April 22, 1963, are incorporated in and made part of this agreement.

DATE OF ORIGINAL AGREEMENT May 29, 1964	DATE OF THIS REVISION	FINAL CONTRIBUTION DATE December 31, 1966
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FOR THE COOPERATING AGENCY Signatures of the parties to this agreement appear on page 3 of Annex A.	FOR THE DIRECTOR, AID As assinaturas das partes contratantes constam da página 3 do Anexo A.
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PROJECT AGREEMENT BETWEEN AID AND
MINISTRY OF EDUCATION AND BRAZILIAN
GOVERNMENT REPRESENTATIVE FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF
UNITED STATES OF BRAZIL

1. PROJECT NO.
512-11-610-0422. ORIGINAL 2. AGREEMENT NO.
MEC-1

REVISION NO.

ANNEX A

SHEET
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OF

As partes contratantes do presente convênio são o Ministério da Educação e Cultura (o Ministério), a Diretoria de Educação Industrial (DEI) e a Agência Norte-americana para o Desenvolvimento Internacional (USAID/Brazil), com a colaboração do Representante do Governo Brasileiro junto ao Ponto IV (o Coordenador).

I. SITUAÇÃO ATUAL

Em 31 de maio de 1963 o Ministério, o DEI, o Coordenador e a USAID/Brazil firmaram um convênio para a continuação de um programa cooperativo de educação vocacional industrial. Providências anteriores para este projeto foram incorporadas em convênios assinados em 3 de janeiro de 1946, 30 de outubro de 1948, 14 de outubro de 1950, 16 de junho de 1955, 20 de julho de 1960 e 30 de janeiro de 1961.

Para o cumprimento das finalidades visadas no convênio de 31 de maio de 1963, ficou estabelecido que é necessário fornecer serviços adicionais de técnicos norte-americanos e equipamento didático suplementar para o Programa Nacional.

II. FINALIDADE

A finalidade do presente convênio é providenciar o fornecimento de assistência técnica adicional logo que possível.

The parties to this agreement are the Ministry of Education and Culture (the Ministry), the Directorate of Industrial Education (DEI) and the United States Agency for International Development (USAID/Brazil), with the concurrence of the Brazilian Government Representative for Point IV (the Coordinator).

I. CURRENT SITUATION

On May 31, 1963 an agreement for the continuation of a cooperative program in industrial vocational education was signed by the Ministry, the DEI, the Coordinator and the USAID/Brazil. Earlier arrangements for this project were incorporated in agreements signed on January 3, 1946, October 30, 1948, October 14, 1950, June 16, 1955, July 20, 1960 and January 31, 1961.

It has been determined that, in order to accomplish the purposes set forth in the May 31, 1963 agreement, it is necessary to provide the services of additional United States specialists and additional teaching equipment for the National Program.

II. PURPOSE

The purpose of this agreement is to arrange for the provision of additional technical assistance at the earliest possible date.

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PRO AG
ANNEX

PROJECT AGREEMENT BETWEEN AID AND
MINISTRY OF EDUCATION AND BRAZILIAN
GOVERNMENT REPRES. FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF
UNITED STATES OF BRAZIL

1. PROJECT NO.
512-11-610-042

3. ORIGINAL

2. AGREEMENT NO.
MEC 1

REVISION NO.

ANNEX A SHEET 2 OF SHEET

III - RESPONSABILIDADES

A. A USAID/Brazil pelo presente acorda em liberar verbas até \$95,000, conforme indicado no Item 8 da primeira fôlha deste convênio, para cobrir, por dois anos, os custos dos serviços de Técnicos Norte-americanos Contratados. Os detalhes dos serviços necessários constam das "Project Implementation Orders" (PIO/T's).

B. O Ministério acorda em:

1) Fornecer os serviços de pelo menos um técnico em ensino industrial vocacional que colaborará com os respectivos técnicos que venham a ser designados pela USAID/Brazil para prestar serviços ao presente projeto, e

2) Fornecer instalações de escritório adequadas, serviços de secretariado, transporte oficial local e outras formas de serviços que se fizerem necessários.

IV - GENERALIDADES

A. As partes brasileiras deste convênio se empenharão em dar publicidade do andamento e realizações deste projeto através da imprensa escrita e falada, ou outro qualquer meio, identificando-o especificamente como parte da Aliança para o Progresso.

III - RESPONSIBILITIES

A. USAID/Brazil hereby agrees to make available not to exceed \$95,000, as indicated in Block 8 of the first page of this agreement, to cover the costs of the services of United States Contract Advisors for two years. The details of the services required are contained in Project Implementation Orders (PIO/T's).

B. The Ministry agrees to:

1) To provide at least one industrial vocational education specialist to work with each of the specialists made available by the USAID/Brazil for carrying out the purposes of this project, and

2) To provide suitable office space, office furnishings, secretarial assistance, official local transportation and other supporting services as required.

IV - GENERAL

A. The Brazilian parties to this agreement will make every effort to publicize the progress and accomplishments of this project through newspapers, radio and other means, clearly identifying it as part of the Alliance for Progress.

FOR THE COOPERATING AGENCY

FOR THE DIRECTOR, AID

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PRO AG
ANNEX

PROJECT AGREEMENT BETWEEN AID AND
MINISTRY OF EDUCATION AND BRAZILIAN
GOVERNMENT REPRES. FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF
UNITED STATES OF BRAZIL

1. PROJECT NO.
512-11-610-042
2. AGREEMENT NO.
MEC-1

3. ORIGINAL
REVISION NO.

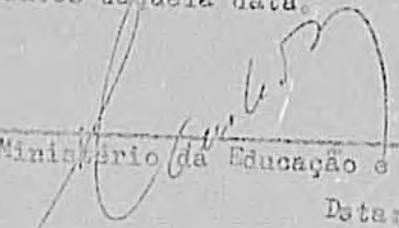
ANNEX A SHEET 3 OF 3

B. Todas as disposições do convênio firmado em 31 de maio de 1963 que não foram especificamente alteradas pelo presente permanecerão em vigor.

B. All other provisions of the agreement signed on May 31, 1963, not specifically modified herein, remain in effect.

C. O presente convênio entrará em vigor a partir da data da última assinatura constante abaixo e vigorará até 31 de dezembro de 1968 salvo se alterado ou revogado antes daquela data.

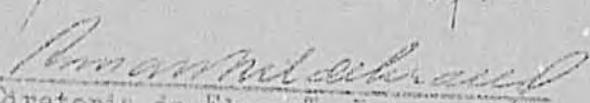
C. This agreement will become effective on the date of the last signature below and will remain in effect until December 31, 1968 unless modified or cancelled prior to that date.


Ministério da Educação e Cultura

Data: 27.5.64


Director, USAID/Brazil

Date: 5/29/64


Diretoria de Educação Industrial

Data: 27.5.64


Representante do Governo Brasileiro
junto ao Ponto IV

Data: 26-V-64

FOR THE COOPERATING AGENCY

FOR THE DIRECTOR, AID

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PROJECT AGREEMENT

BETWEEN THE AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)
AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND
STATE OF PARANA THROUGH SECRETARY OF EDUCATION AND CULTURE AND THE
BRAZILIAN GOVERNMENT REPRESENTATIVE FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF UNITED STATES OF BRAZIL

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in the Standard Provisions annex and in any additional annexes attached hereto.

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented.

- GENERAL AGREEMENT FOR TECHNICAL COOPERATION
DATE December 19, 1950
- ECONOMIC COOPERATION AGREEMENT
DATE
- Special Technical Services Agreement of
DATE May 30, 1953

1. PROJECT NO. 512-11-610-042

2. AGREEMENT NO. Paraná

3. ORIGINAL

REVISION NO. 1

4. PROJECT TITLE: Industrial Vocational Education

5. SUBJECT DESCRIPTION AND EXPLANATION: (See Annex B attached)

6. AID APPROPRIATION SYMBOL: 72-1141010

7. AID ALLOCATION SYMBOL: 495-50-512-32-69-41

a.	AID DOLLAR FINANCING	PREVIOUS TOTAL (\$)	INCREASE (\$)	DECREASE (\$)	TOTAL TO DATE
					(\$)
(a) Total		\$95,000	\$12,000		\$107,000
(b) Contract Services		\$95,000			\$95,000
(c) Commodities			\$12,000		\$12,000
(d) Other Costs					
b. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT					
(a) Total					
(b) Technical and Other Services					
(c) Commodities					
(d) Other Costs					

10. SPECIAL PROVISIONS
Annex A (description of project) and Annex B (Standard Provisions) as modified by the Memorandum of Understanding on Audit between AID and the Ministry of Planning dated April 22, 1963, are incorporated in and made part of this agreement.

DATE OF ORIGINAL AGREEMENT May 29, 1964	DATE OF THIS REVISION June 2, 1964	FINAL CONTRIBUTION DATE December 31, 1966
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FOR THE COOPERATING AGENCY Signatures appear on page 7 of Annex A.	FOR THE DIRECTOR, AID Assinaturas constam da página 7 do Anexo A.
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FOR AID/W AND USAID USE ONLY
TOTAL PAGE SHEET FOR INDUSTRIAL VOCATIONAL EDUCATION (Activities: MEC-1 and Paraná)

PROJECT AGREEMENT

BETWEEN THE AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)
AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND
STATE OF PARANA THROUGH SECRETARY OF EDUCATION AND CULTURE AND THE
BRAZILIAN GOVERNMENT REPRESENTATIVE FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF UNITED STATES OF BRAZIL.

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in the Standard Provisions Annex and in any additional annexes attached hereto.

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented.

GENERAL AGREEMENT FOR TECHNICAL COOPERATION
DATE December 19, 1950

ECONOMIC COOPERATION AGREEMENT
DATE

OTHER
DATE Special Technical
Services Agreement of
May 30, 1953

1. PROJECT NO.
512-11-610-042

2. ORIGINAL NO.

3. AGREEMENT NO.
Parana

REVISION NO.

4. PROJECT TITLE
Industrial Vocational Education

5. PROJECT DESCRIPTION AND EXPLANATION
(See Annex A attached)

6. AID APPROPRIATION SYMBOL
72-1141010

7. AID ALLOTMENT SYMBOL
495-50-512-32-69-41

a.	AID DOLLAR FINANCING	PREVIOUS TOTAL (a)	CHANGE		TOTAL TO DATE (d)
			INCREASE (b)	DECREASE (c)	
(a) Total			\$12,000		\$12,000
(b) Contract Services					
(c) Commodities			\$12,000		\$12,000
(d) Other Costs					
b. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT					
(a) Total					
(b) Technical and Other Services					
(c) Commodities					
(d) Other Costs					

10. SPECIAL PROVISIONS

Annex A (description of project) and Annex B (Standard Provisions) as modified by the Memorandum of Understanding on Audit between AID and the Ministry of Planning dated April 22, 1963, are incorporated in and made part of this agreement.

DATE OF ORIGINAL AGREEMENT

June 2, 1964

DATE OF THIS INSTRUMENT

FINAL CONTRIBUTION DATE

December 31, 1966

FOR THE COOPERATING AGENCY

Signatures of the parties to this agreement appear on page 7 of Annex A.

FOR THE DIRECTOR, AID

As assinaturas das partes contratantes constam da página 7 do Anexo A.

10-5A -55) PRO AG ANNEX	PROJECT AGREEMENT BETWEEN AID AND STATE OF PARANA, BRAZILIAN GOV. REPRESENTATIVE FOR POINT IV AN AGENCY OF THE GOVERNMENT OF UNITED STATES OF BRAZIL	1. PROJECT NO. 512-11-610-042	3. ORIGINAL <input checked="" type="checkbox"/>
		2. AGREEMENT NO. Paraná	REVISION NO.
		ANNEX A	SHEET 1 OF SHEET

São partes do presente convênio o Estado do Paraná (o Estado) por intermédio de sua Secretaria de Educação e Cultura (SEC), o Representante do Governo Brasileiro junto ao Ponto IV (o Coordenador), e a Missão Norte-Americana de Cooperação Econômica e Técnica do Brasil (USAID/Brazil).

The parties to this agreement are the State of Paraná (the State), acting through its Secretary of Education and Culture (SEC), the Brazilian Government Representative for Point IV (the Coordinator) and the United States Agency for International Development (USAID/Brazil).

I - SITUAÇÃO ATUAL

I - CURRENT SITUATION

Consta do programa do Governo Brasileiro conforme enunciam os Objetivos do Plano Trienal no tocante à educação, prolongar a duração do ensino primário, de quatro séries para seis, acrescentando a 5ª e 6ª séries criadas por aquele plano. As artes industriais e a economia doméstica deverão ser ministradas em oficinas e laboratórios adequados. O ensino das "artes práticas" a ser propiciado tem, por conseguinte a dupla finalidade de (1) incentivar a permanência na escola de um maior número de jovens; e (2) proporcionar aprendizagem de ofícios úteis, solicitados pelo mercado de trabalho, à maioria de jovens que não receberão instrução secundária.

It is part of the Brazilian Government's program, as outlined in the objectives of its "Three Year Plan" for education, to increase the duration of elementary education from four grades to six by adding the 5th and 6th grades created by this plan. Industrial arts and home economics are to be taught in appropriate shops and laboratories. The "practical arts" education thus to be provided has the dual purpose of (1) encouraging more youngsters to remain in school, and (2) providing usable, saleable skills for the majority of youngsters who will not go on to secondary-level education.

Para atingir esse objetivo o Estado baixou um decreto, aos 13 de dezembro de 1962, instituindo um novo programa de ensino elementar, para ser ministrado a um novo contingente de alunos no ano letivo de 1963, de modo a que a 5ª e 6ª séries estejam em pleno funciona-

To achieve this objective the State decreed on December 13, 1962 a new program of elementary education to apply to new students in school year 1963 so that the new 5th and 6th grades will be in full function by school year 1967-1968. For the introduction

FOR THE COOPERATING AGENCY

FOR THE DIRECTOR, AID

PRO AG
ANNEX

PROJECT AGREEMENT BETWEEN AID AND
STATE OF PARANA, BRAZILIAN GOV.
REPRESENTATIVE FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF
UNITED STATES OF BRAZIL

1. PROJECT NO.
512-11-610-042

5. ORIGINAL

2. AGREEMENT NO.
Paraná

REVISION NO.

ANNEX A

SHEET
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OF

mento no ano letivo de 1967-68. Para a instituição de novas séries, o Estado, após determinar "as artes práticas" que, de acordo com o sexo, idade e condições e necessidades regionais fossem mais adequadas ao ensino elementar, elaborou planos para as Artes Industriais e para Economia Doméstica. Em conformidade com esses planos e programas, o Estado projetou a construção e aparelhamento das oficinas escolares necessárias e formulou um plano para o treinamento de professores.

of the new grades, the State, after determining the practical arts which, according to sex, age, and regional conditions and the needs of the State would be most appropriate to elementary education, prepared plans for Industrial Arts and for Home Economics. According to these plans and programs, the State projected the construction and equipping of the necessary school shops and established a plan for the training of teachers.

O Estado firmou um convênio especial com o Ministério da Educação e Cultura, pelo qual verbas federais e estaduais estão sendo utilizadas na construção dos necessários centros de treinamento de professores, nas cidades de Curitiba, Ponta Grossa, Londrina, Paranaguá, Jacarezinho, Maringá, Paraná, Cascavel e Guarapuava. Os maiores destes centros são os das cidades de Curitiba, Ponta Grossa e Londrina onde se acham localizados os Institutos de Educação mantidos pelo Estado. A construção desses três centros está em fase de conclusão.

The State signed a special agreement with the Ministry of Education and Culture through which federal and state resources are being used to construct the necessary teacher training centers in the cities of Curitiba, Ponta Grossa, Londrina, Paranaguá, Jacarezinho, Maringá, Paraná, Cascavel, and Guarapuava. The largest of these are in the cities of Curitiba, Ponta Grossa, and Londrina, where the three state-supported Institutes of Education are located. Construction of these three is nearing completion.

Em 1963, o governo estadual iniciou um programa de treinamento de professores por meio de cursos intensivos ministrados nos Institutos de Educação de Curitiba, Ponta Grossa e Londrina, com posterior treinamento em Oficinas de Artes Industriais na Escola Técnica de Curitiba, sob a supervisão do Centro Pedagógico.

In 1963 the state government started the training of teachers by means of intensive courses in the Institutes of Education of Curitiba, Ponta Grossa and Londrina with later training in the Industrial Arts Shops of the Technical School of Curitiba, under the supervision of the Centro

FOR THE COOPERATING AGENCY

FOR THE DIRECTOR, AID

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ANNEX

PROJECT AGREEMENT BETWEEN AID AND
STATE OF PARANA, BRAZILIAN GOV.
REPRESENTATIVE FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF
UNITED STATES OF BRAZIL

1. PROJECT NO.
512-11-610-042

3. ORIGINAL

2. AGREEMENT NO.
Parana

REVISION NO.

ANNEX A

SHEET
3

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OF

de do Ensino Industrial e com a co-
operação da Comissão Brasileiro-Ame-
ricana de Educação Industrial. O
curso de Economia Doméstica foi ma-
nistrado na Escola de Educação Fami-
liar e na Escola de Enfermagem de
Curitiba.

Pedagógico do Ensino Industrial
and the cooperation of the
Brazilian-American Commission for
Industrial Education. The Home
Economics course was given in the
Escola de Educação Familiar and
in the Nursing School of Curitiba.

O Estado acredita que as artes
práticas a serem incluídas no curri-
culo de suas escolas, deverão accele-
rar o desenvolvimento social da po-
pulação paranaense, preparando-a me-
lhor para o desenvolvimento econômi-
co que se processa no Estado.

The State believes that the
practical arts to be included in
its schools will accelerate the
social development of the people
of Paraná, better preparing them
for the economic development that
is taking place in the state.

II - FINALIDADE

A finalidade do presente convê-
nio é concorrer para o êxito da in-
clusão das Artes Industriais no cui-
riculo escolar estadual, proporcio-
nando assistência técnica aos três
centros de treinamento de profes-
sores de Curitiba, Ponta Grossa e Lon-
drina, no aparelhamento das ofici-
nas e consultoria técnica à Secreta-
ria de Educação do Estado, no setor
de treinamento de professores para
as recém-criadas 5ª e 6ª séries.

II - PURPOSE

The purpose of this agreement
is to assist in the successful
introduction of the Industrial
Arts into the State's school
system, furnishing technical
assistance to the three teacher
training centers at Curitiba,
Ponta Grossa and Londrina in the
form of shop equipment and
technical advice to the State
Secretariat of Education in the
field of teacher training for the
newly created 5th and 6th grade
levels.

A assistência técnica a ser
propiciada, nos termos deste convê-
nio, assegurará a formação de 300
professores de artes industriais
por ano que receberão treinamento
nos três centros através de cursos

The technical assistance
afforded under this agreement will
result in 300 industrial arts
teachers per year being trained in
the three centers in courses of
five-month duration. These three

FOR THE COOPERATING AGENCY

FOR THE DIRECTOR, AID

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ANNEX

PROJECT AGREEMENT BETWEEN AID AND
STATE OF PARANA, BRAZILIAN GOV.
REPRESENTATIVE FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF
UNITED STATES OF BRAZIL

1. PROJECT NO.
512-11-610-042

3. ORIGINAL

2. AGREEMENT NO.
Parand

REVISION NO.

ANNEX A SHEET 4 OF 7 SHEET

de 5 meses. Esses três centros, es-
tabelecerão padrões de treinamento
a serem seguidos por seis outros
centros complementares cujas obras
já estão planejadas ou que já se
acham em execução.

centers will establish training
patterns to be followed in six
additional centers now planned
or under construction.

III - RESPONSABILIDADES

A. O Estado designa, por ês-
te instrumento, a Secretaria de E-
ducação e Cultura como o órgão a
que caberá a execução deste convê-
nio e concorda em:

III - RESPONSIBILITIES

A. The State hereby
designates the Secretariat of
Education and Culture as the entity
responsible for carrying out
the terms of this agreement; and
agrees to:

1) Facilitar a rápida conclu-
são das obras dos centros de trei-
namento de professores em Curitiba,
Ponta Grossa e Londrina e propor-
cionar assistência financeira ade-
quada que permita o funcionamento
desses centros.

1) Facilitate the early
completion of the teacher training
centers in Curitiba, Ponta Grossa
and Londrina and to provide
adequate financial support for
the operation of these centers.

2) Fornecer os serviços de
uma equipe de instrutores para
treinamento de professores, que
funcionará junto a êsses centros
para a consecução dos objetivos
dêste projeto.

2) Provide a staff of teacher
trainers to work in each of these
centers to carry out the purpose
of this project.

3) Fornecer instalações ade-
quadas de escritório, serviços de
secretariado e outros serviços su-
plementares necessários ao pessoal
designado pela USAID/Brazil.

3) Provide suitable office
space and secretarial and other
necessary supporting assistance
to personnel made available by
USAID/Brazil.

4) Custear as despesas de
viagem de ida e volta aos Estados
Unidos, bem como os salários e diá

4) Provide international
travel to and from the United States
as well as for continuation of

FOR THE COOPERATING AGENCY

FOR THE DIRECTOR, AID

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PRO AG
ANNEX

PROJECT AGREEMENT BETWEEN AID AND
STATE OF PARANA, BRAZILIAN GOV.
REPRESENTATIVE FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF
UNITED STATES OF BRAZIL

1. PROJECT NO.
512-11-610-042

3. ORIGINAL

2. AGREEMENT NO.
Paraná

REVISION NO.

ANNEX A

SHEET
5

SHEET
OF 7

rian de bolsistas selecionados de
comum acôrdo para receber treïnamen
to nos Estados Unidos ou em outros
países, além do Brasil.

salaries and allowances for jointly
selected participants who may be
sent to the United States or
elsewhere outside of Brazil for
training.

5) Informar à USAID/Brazil em
1º de setembro de cada ano, dentro
de 10 dias úteis após essa data, sô
bre o custo dessas instalações e
serviços correspondentes ao ano an-
terior.

5) Inform USAID/Brazil annual-
ly as of September 1st of each
year, within 10 working days
following this date, how much it
has cost to provide these
facilities and services during the
proceeding year.

B. A USAID/Brazil concorda
em:

B. USAID/Brazil agrees to:

1) Fornecer até \$12,000 para
equipamento didático a ser adquiri-
do nos Estados Unidos. Os detalhes
relativos a esse material acham-se
incluídos numa Ordem de Execução do
Projeto separada (PIO/C).

1) Provide not to exceed
\$12,000 for teaching equipment to
be purchased in the United States.
The details of these commodities
are contained in a separate
Project Implementation Order (PIO/C).

2) Dependendo da disponibili-
dade de verbas e de pessoal, forne-
cer parte dos serviços de assessora-
mento dos quadros permanentes de En-
sino Industrial da USAID/Brazil.

2) Subject to the availability
of funds and personnel to provide
part time advisory services of
USAID/Brazil regular Industrial
Education staff.

3) Custear matrícula, livros,
despesas de viagem e diárias nos Es-
tados Unidos e outras despesas apro-
vadas, de bolsistas brasileiros se-
lecionados de comum acôrdo para re-
ceber treinamento nos Estados Uni-
dos ou em outros países, além do
Brasil, salvo conforme indicado no

3) Pay tuition, books, travel
and per diem within the United
States, and other approved costs
of jointly selected Brazilians for
training in the United States or
elsewhere outside of Brazil, except
as indicated in III-A-4.

FOR THE COOPERATING AGENCY

FOR THE DIRECTOR, AID

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PRO AG
ANNEX

PROJECT AGREEMENT BETWEEN AID AND
STATE OF PARANA, BRAZILIAN GOV.
REPRESENTATIVE FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF
UNITED STATES OF BRAZIL

1. PROJECT NO.
512-11-610-042

3. ORIGINAL

2. AGREEMENT NO.
Parand

REVISION NO.

ANNEX A SHEET C SHEET OF

Item III-A-4.

IV - DISPOSIÇÕES GERAIS

IV - GENERAL

A. O material constante do Paragrafo B, será utilizado nos centros para treinamento de professores, organizados e mantidos pela SEC, para a finalidade precípua de treinamento de professores de Artes Industriais, para a 5ª e 6ª séries do programa de ensino elementar.

A. The commodities referred to in Paragraph B will be used in teacher training centers, organized and operated by SEC, for the immediate purpose of training Industrial Arts teachers for the 5th and 6th grades of the elementary level education program.

B. O suprimento e equipamento adquiridos com verbas da USAID/Brazil existentes ao término deste projeto, passarão ao patrimônio do Estado, para ser utilizados em atividades semelhantes às deste projeto.

B. Supplies and equipment purchased with USAID/Brazil funds remaining on hand at the termination of this project shall become the property of the State for continuing use on work similar to that undertaken by the project.

C. As partes brasileiras do presente convênio envidarão os melhores esforços para dar publicidade do andamento e realizações do presente projeto através da imprensa, rádio e outros meios de difusão identificando-o especificamente como parte da Aliança para o Progresso.

C. The Brazilian parties to this agreement will make every effort to publicize the progress and accomplishments of this project through newspapers, radio and other means, clearly identifying it as part of the Alliance for Progress.

D. As partes brasileiras deste convênio autorizam pelo presente, o Coordenador a firmar emendas ao mesmo, quando essas não forem de caráter essencial, tais como contribuições complementares, modificações da data da última contribuição, etc.

D. The Brazilian parties to this agreement hereby authorize the Coordinator to sign revisions of this agreement when these changes are of a non-substantive nature such as the addition of funds, modification of the final contribution date, etc.

FOR THE COOPERATING AGENCY

FOR THE DIRECTOR, AID

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ANNEX

PROJECT AGREEMENT BETWEEN AID AND
STATE OF PARANA, BRAZILIAN GOV.
REPRESENTATIVE FOR POINT IV
AN AGENCY OF THE GOVERNMENT OF
UNITED STATES OF BRAZIL

1. PROJECT NO.
512-11-010-042

3. ORIGINAL

2. AGREEMENT NO.
Paraná

REVISION NO.

ANNEX A

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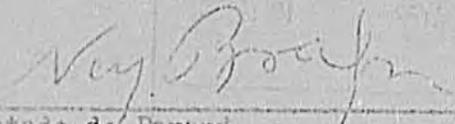
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SHEET

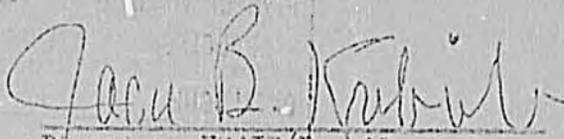
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E. O presente convênio entrará em vigor na data da última assinatura abaixo e permanecerá em vigência até 31 de dezembro de 1968, salvo se alterado ou revogado antes dessa data.

E. This agreement becomes effective on the date of the last signature below and will remain in force until December 31, 1968 unless it has been modified or cancelled prior to that date.


Estado do Paraná

Data:


Director, USAID/Brazil

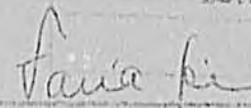
Date:

1968


Secretaria Estadual de Educação

Data:

ESTADIMMO


Representante do Governo Brasileiro
junto ao Ponto IV

Data: 6/2/64

FOR THE COOPERATING AGENCY

FOR THE DIRECTOR, AID