

No. 2094

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

**Loan Agreement — National Railroads Project — (with
annexed Loan Regulations No. 3). Signed at Wash-
ington, on 26 August 1952**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
11 February 1953.*

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

**Contrat d'emprunt — Projet relatif aux chemins de fer
nationaux — (avec, en annexe, le Règlement n° 3 sur
les emprunts). Signé à Washington, le 26 août 1952**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 11 février 1953.*

No. 2094. LOAN AGREEMENT¹ (*NATIONAL RAILROADS PROJECT*) BETWEEN THE REPUBLIC OF COLOMBIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 26 AUGUST 1952

AGREEMENT, dated August 26, 1952, between REPUBLIC OF COLOMBIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3² of the Bank dated December 6, 1950, subject, however, to the modifications thereof set forth in Schedule 3³ to this Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any Schedule hereto :

(a) The term "Railroads" shall mean the *Consejo Administrativo de los Ferrocarriles Nacionales*, an Agency of the Borrower established by Decree No. 1695 of 1931, or any successor organization established in accordance with the provisions of Schedule 2³ to this Agreement.

(b) The term " Program" shall mean the program described in Schedule 2 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

(c) The term "Agency" shall mean any agency or instrumentality of the Borrower or of any political subdivision of the Borrower and shall include any institution or organization which is owned or controlled directly or indirectly

¹ Came into force on 23 December 1952, upon notification by the Bank to the Government of Colombia.

² See p. 360 of this volume.

³ See p. 354 of this volume.

by the Borrower or by any political subdivision of the Borrower or the operations of which are conducted primarily in the interest of or for account of the Borrower or any political subdivision of the Borrower.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, the sum of twenty-five million dollars (\$ 25,000,000) or the equivalent thereof in currencies other than dollars.

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations. All purchase orders on which applications for withdrawal pursuant to Section 4.03 of the Loan Regulations are based shall be presented with the comments of the consultants employed pursuant to Section 5.01 of this Agreement.

(b) Notwithstanding anything to the contrary contained in this Agreement, unless the Bank shall otherwise agree, the Borrower shall not be entitled to make withdrawals from the Loan Account in respect of goods required for carrying out that portion of the Project described in paragraph II *(b)* of Schedule 2 to this agreement until plans and specifications satisfactory to the Bank in respect of such portion of the Project shall have been submitted to and approved by the Bank.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of four and three-fourths per cent ($4\frac{3}{4}$ %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of such special commitments outstanding.

Section 2.06. Interest and other charges shall be payable semi-annually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the cost of goods which will be required for the carrying out of the Project described in Schedule 2 to this Agreement. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, and the list of such goods may be modified from time to time by agreement between them.

Section 3.02. The Borrower shall cause all goods purchased with the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Section 3.03. All construction contracts entered into by the Borrower or by the Railroads for the carrying out of the Project shall be in form and substance satisfactory to the Bank.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices. The Borrower shall cause the remainder of the Program to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices ; provided that the obligation of the Borrower to carry out that portion of the Program described in paragraph I (b) of Schedule 2 to this Agreement shall be subject to the availability of foreign exchange. The Borrower shall employ technical consultants satisfactory to the Bank, upon such

¹ See p. 352 of this volume.

terms and conditions as will ensure the effective coordination, implementation and supervision of the Program.

(b) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein.

(c) The Borrower shall maintain or cause to be maintained records showing the use made of the goods and the progress of the Program (including the cost thereof) and the financial condition and operations of the Railroads ; shall enable the Bank's representatives to examine the Program, the goods and any relevant records and documents ; and shall furnish or cause to be furnished to the Bank all such information, including information available from the consultants employed pursuant to subsection (a) of this Section, as the Bank shall reasonably request concerning the goods, the Program, and the financial condition and operations of the Railroads.

Section 5.02. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which shall arise that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

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

Section 5.03. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any of its political subdivisions or of any Agency as security for the payment of any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and the interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply (a) to any lien created on any property, at the time

of purchase thereof, solely as security for the payment of the purchase price of such property ; or (b) to any lien created on commercial goods to secure debt maturing not more than one year after its date and to be paid out of the proceeds of sale of such commercial goods.

Section 5.04. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for and free from any taxes or fees imposed under the laws of the Borrower or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.05. The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.06. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 5.07. The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Section 5.08. Except as the Bank shall otherwise agree, if at any time it appears that progress of the Program may be delayed because insufficient funds in currency of the Borrower are available to the Railroads, the Borrower shall promptly appropriate or cause to be appropriated by a specifically named appropriation in a specific article of the budget funds sufficient to enable the Railroads to proceed with the Program without delay. Without limitation upon the foregoing, the Borrower shall appropriate or cause to be appropriated by specifically named appropriations in a specific article of the budget the following amounts to be used only in carrying out the Project :

<i>Calendar Year</i>	<i>Amount (in Colombian Pesos)</i>
1952	6,000,000
1953	15,000,000
1954	15,000,000
1955	15,000,000
1956	9,300,000

Any appropriations made for the Project and not completely expended during any one budgetary year will be carried over to the next budgetary year and will be used only for the carrying out of the Project.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days or if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be August 15, 1957.

Section 7.02. A date 120 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Ministro de Hacienda y Crédito Público, Bogotá, Colombia.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington 25, D.C., United States of America.

Section 7.04. The Minister of Finance or the Minister of Public Works of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Colombia :
By Cipriano RESTREPO J.
Authorized Representative

International Bank for Reconstruction and Development :
By Eugene R. BLACK
President

SCHEDULE I

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in dollars*)</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in dollars*)</i>	<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in dollars*)</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in dollars*)</i>
February 15, 1957	\$ —	\$25,000,000	February 15, 1968	\$578,000	\$14,943,000
August 15, 1957	353,000	24,647,000	August 15, 1968	592,000	14,351,000
February 15, 1958	362,000	24,285,000	February 15, 1969	606,000	13,745,000
August 15, 1958	370,000	23,915,000	August 15, 1969	621,000	13,124,000
February 15, 1959	379,000	23,536,000	February 15, 1970	636,000	12,488,000
August 15, 1959	388,000	23,148,000	August 15, 1970	651,000	11,837,000
February 15, 1960	397,000	22,751,000	February 15, 1971	666,000	11,171,000
August 15, 1960	407,000	22,344,000	August 15, 1971	682,000	10,489,000
February 15, 1961	416,000	21,928,000	February 15, 1972	698,000	9,791,000
August 15, 1961	426,000	21,502,000	August 15, 1972	715,000	9,076,000
February 15, 1962	437,000	21,065,000	February 15, 1973	732,000	8,344,000
August 15, 1962	447,000	20,618,000	August 15, 1973	749,000	7,595,000
February 15, 1963	458,000	20,160,000	February 15, 1974	767,000	6,828,000
August 15, 1963	468,000	19,692,000	August 15, 1974	785,000	6,043,000
February 15, 1964	480,000	19,212,000	February 15, 1975	804,000	5,239,000
August 15, 1964	491,000	18,721,000	August 15, 1975	823,000	4,416,000
February 15, 1965	503,000	18,218,000	February 15, 1976	842,000	3,574,000
August 15, 1965	514,000	17,704,000	August 15, 1976	862,000	2,712,000
February 15, 1966	527,000	17,177,000	February 15, 1977	883,000	1,829,000
August 15, 1966	539,000	16,638,000	August 15, 1977	904,000	925,000
February 15, 1967	552,000	16,086,000	February 15, 1978	925,000	—
August 15, 1967	565,000	15,521,000			

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 5 years before maturity	1/2 %
More than 5 years and not more than 10 years before maturity	1 %
More than 10 years and not more than 15 years before maturity	1 1/2 %
More than 15 years and not more than 20 years before maturity	2 %
More than 20 years before maturity	2 1/2 %

SCHEDULE 2

DESCRIPTION OF THE PROGRAM AND THE PROJECT

The Program, which includes the Project, is a program of the Borrower for the reorganization of the railway system of Colombia and for the unification, expansion, rehabilitation and improvement of the existing lines operated by the Railroads. It is contemplated that the Program will be completed by the date the construction of the Project is finished.

I. In addition to the Project, the Program includes the following :

(a) A thorough administrative, operational and financial reorganization of the Colombian railway system will be carried out upon the following bases :

(i) Within six months after the Effective Date an autonomous, non-political corporate body with adequate powers to operate the railroad network owned by the Borrower will be organized on terms mutually satisfactory to the Borrower and the Bank substantially in accordance with the report entitled "Basic Principles of Reorganization and Rehabilitation for the Colombian National Railroads" dated August 5, 1952, by Madigan-Hyland Corporation. A general manager and board of directors independent of political control will have been appointed and will be functioning, and the assets now owned and operated by the *Consejo Administrativo de los Ferrocarriles Nacionales* will have been transferred to the new institution.

(ii) On or before the date of transfer of properties to the new institution, the Borrower will have made adequate arrangements by assumption of debt or otherwise to release the Railroads from liability for all their then outstanding funded indebtedness ; provided, however, that the Railroads will be liable for payment out of net earnings of the Colombian currency equivalent of the foreign exchange required for service of the Loan. Thereafter any funds in Colombian currency which the Borrower is required to furnish to the Railroads to enable the Railroads to carry

out the Program will be supplied to the Railroads as a contribution to capital recoverable only out of net earnings. The Borrower may require that any funds furnished by the Borrower to the Railroads to cover any operating deficits incurred during the period of construction of the Project be repaid by the Railroads after construction of the Project is completed. The Railroads will be liable for payment out of net earnings of the Colombian currency equivalent of the service of any loans contracted by the Borrower or the Railroads in foreign exchange for purposes of carrying out the Program. Any funds needed in order to carry out the provisions of this clause (ii) will be obtained by the Borrower or the Railroads in such manner as to avoid inflationary effect.

(iii) The administrative, operational and financial reorganization of the Railroads will be carried out as provided herein and in such report of Madigan-Hyland Corporation.

(b) The existing properties of the Railroads will be rehabilitated and improved in the following respects :

(i) The permanent way of the existing lines operated by the Railroads will be rehabilitated and improved so as to serve traffic needs more adequately.

(ii) Existing track will be converted from meter-gauge to yard-gauge to the extent necessary to permit the physical integration of existing lines operated by the Railroads.

(iii) Existing rolling stock and cargo handling equipment will be redistributed and such supplementary items will be purchased as may be required for efficient operation of the expanded and rehabilitated railroad system.

II. The Project consists of the unification, expansion and improvement of the railway system owned by the Borrower and of its operations through construction and operation of the following facilities :

(a) A single-track, yard-gauge railroad approximately 380 kilometers in length will be constructed along the middle Magdalena River Valley, north from Puerto Salgar to Capulco. The track will be constructed of 75-pound rails. The right-of-way, which will be completely fenced, will be approximately 30 meters wide with approximately 30 meters of additional width at intermediate stations. The southern terminus of the line will be Puerto Salgar on the eastern bank of the Magdalena River, where the new line will connect with the Cundinamarca Railroad from Bogotá. The line will cross the River at Puerto Salgar, where it will connect with the La Dorada Railroad. It will then proceed northward on the western side of the Magdalena River via Nare to Puerto Berrío, where it will connect with the Antioquia Railroad. It will again cross the River between Puerto Berrío and Puerto Olaya. It will proceed northward on the eastern side of the River via Barrancabermeja through a point near Puerto Wilches, where exchange with the Puerto Wilches-Bucaramanga Railroad will be established, and thence to Capulco.

At Capulco a terminal and dock will be constructed. The terminal will include a station building, locomotive servicing platforms and pits, a service powerhouse building so constructed that diesel generators may later be installed, water supply system, freight sheds and other service buildings. Service buildings will also be constructed at La Dorada, Puerto Berrío, the mid-point town, Barranca and Puerto Wilches. Ample additional

land will be provided for terminals and yards at La Dorada and Puerto Berrío and for townsite development at the mid-point of the line and at Capulco.

Miscellaneous buildings and equipment will include dwellings for roadmasters and track patrolmen, switches and other maintenance-of-way facilities, train dispatch telephone circuits for the full length of the line and automatic station signals protecting junction switches with other main lines.

(b) A centralized service area for the lines operating out of Bogotá will be constructed at a site in or near Bogotá. Existing shops and yard activities in Bogotá together with their serviceable and suitable machine tools will be transferred to the new location. Facilities will include central repair shops, a roundhouse, pits, turntable and wash racks, substation and electric distribution system. In addition to the repair shops, a material storage warehouse, a maintenance shop for autoferro cars, a scrap concentration yard, office and welfare buildings, coal and sand facilities, foundry and other accessory facilities will be constructed in the new freight and passenger car yards. Adequate space will be provided for future expansion.

III. Estimated Cost of Works and Equipment Included in the Portion of the Program Other Than the Project

	<i>Foreign Exchange (millions of Dollars)</i>	<i>Local Currency (millions of Pesos)</i>	<i>Total Cost in millions of</i>	
			<i>Dollars</i>	<i>Pesos</i>
Rehabilitation and Improvement of Permanent Way	3.33	16.70	10.00	25.00
New Rolling Stock for Existing Lines	4.25	—	4.25	10.63
Equipment for MVRR :				
Minimum	1.10	3.15	2.36	5.90
Maximum	7.00	0.70	7.28	18.20
Total Remainder Program				
from	8.68	19.85	16.61	41.53
to	14.58	17.40	21.53	53.83

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 3¹

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated December 6, 1950, shall be deemed to be modified as follows :

(a) The second sentence of Section 2.02 shall read as follows :

“Such commitment charge shall accrue from the Effective Date or from a date 60 days after the date of the Loan Agreement, whichever shall be the earlier, to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV or shall be cancelled pursuant to Article V.”

(b) The last two sentences of Section 4.02 shall be deleted.

(c) Subparagraph 11 of Section 10.01 shall read as follows :

“The term ‘Project’ means the project for which the Loan is granted, as such project is described in the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Borrower and the Bank.”

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 6 DECEMBER 1950

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 158, p. 170.*]

¹ See below.