

No. 9334

---

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

**Guarantee Agreement—*Bogotá Water Supply Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Empresa de Acueducto y Alcantarillado de Bogotá, and with a letter relating to the Loan). Signed at Washington, on 3 June 1968**

*Official text : English.*

*Registered by the International Bank for Reconstruction and Development on 5 December 1968.*

---

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

**Contrat de garantie — *Projet relatif à l'approvisionnement en eau de Bogotá* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, le Contrat d'emprunt entre la Banque et la Empresa de Acueducto y Alcantarillado de Bogotá, et lettre relative à l'Emprunt). Signé à Washington, le 3 juin 1968**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 5 décembre 1968.*

No. 9334. GUARANTEE AGREEMENT<sup>1</sup> (*BOGOTÁ WATER SUPPLY PROJECT*) BETWEEN THE REPUBLIC OF COLOMBIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 3 JUNE 1968

---

AGREEMENT, dated June 3, 1968, between REPUBLIC OF COLOMBIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Empresa de Acueducto y Alcantarillado de Bogotá (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement<sup>2</sup>, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fourteen million dollars (\$14,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

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

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

*Section 1.01.* The parties to this Guarantee Agreement accept all the provisions of Loan Regulation No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967<sup>3</sup> (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

---

<sup>1</sup> Came into force on 7 August 1968, upon notification by the Bank to the Government of Colombia.

<sup>2</sup> See p. 278 of this volume.

<sup>3</sup> See p. 278 of this volume.

## Article II

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

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

## Article III

*Section 3.01.* It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section, (a) the term “assets of the Guarantor” includes assets of the Guarantor or of any of its political subdivisions or of any Agency or of Banco de la República or any other institution acting as the central bank of the Guarantor, and (b) the term “Agency” means any agency or instrumentality of the Guarantor or of any political subdivision of the Guarantor and shall include any institution or organization which is owned or controlled directly or indirectly by the Guarantor or by any political subdivision of the Guarantor or the operations of which are conducted primarily in the interest of or for account of the Guarantor or any political subdivision of the Guarantor.

*Section 3.02.* (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

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

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

*Section 3.03.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 3.04.* This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.05.* The Guarantor covenants that it will cause the Borrower's tariffs to be set and maintained at such levels as may be required to provide the Borrower with revenues at least sufficient, after covering all its operating and administrative expenses (including taxes, if any, and adequate provision for maintenance and depreciation), to produce a reasonable return on the Borrower's average net fixed assets in operation.

*Section 3.06.* The Guarantor shall take all reasonable steps required on its part to enable the Borrower to obtain other loans or other financing on reasonable terms from sources outside Colombia and apply the proceeds of such loan or financing to meet as large a portion of the foreign exchange requirements of the Project as possible.

*Article IV*

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

*Article V*

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

For the Guarantor :

Republic of Colombia  
Ministerio de Hacienda y Crédito Público  
Palacio de los Ministerios, Plaza San Agustín  
Bogotá, Colombia  
Cable address :  
Minhacienda  
Bogotá

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America  
Cable address :  
Intbafrad  
Washington, D.C.

*Section 5.02.* The Minister of Finance and Public Credit of the Guarantor 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 Guarantee 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 José CAMACHO L.  
Authorized Representative

International Bank for Reconstruction and Development :  
By Robert S. McNAMARA  
President

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,  
AS AMENDED 9 FEBRUARY 1967REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN  
MEMBER GOVERNMENTS[*Not published herein. See United Nations, Treaty Series, Vol. 598, p. 270.*]LOAN AGREEMENT  
(BOGOTÁ WATER SUPPLY PROJECT)

AGREEMENT, dated June 3, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and EMPRESA DE ACUEDUCTO Y ALCANTARILLADO DE BOGOTÁ (hereinafter called the Borrower).

WHEREAS the Borrower has requested the Bank to assist in the financing of a project of expansion of the Borrower's facilities;

WHEREAS the Governments of certain countries from which goods and services for such project may be supplied have agreed, subject to certain conditions, to make financing available to the Borrower for one-half of the foreign exchange cost of such goods and services;

WHEREAS the Bank has agreed, on the basis *inter alia* of the foregoing, to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

## LOAN REGULATIONS

*Section 1.01.* The parties to the Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967,<sup>1</sup> with the same force and effect as if they were fully set forth herein (said Loan Regulations No. 4 being hereinafter called the Loan Regulations).

*Article II*

## THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to fourteen million dollars (\$14,000,000).

<sup>1</sup> See above.

*Section 2.02.* 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, this Agreement and the Loan Regulations.

*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 so withdrawn from time to time.

*Section 2.04.* The Borrower shall pay interest at the rate of six and one quarter per cent ( $6\frac{1}{4}\%$ ) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Except as the Bank and the Borrower 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 any such special commitments outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on June 1 and December 1 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 1 to this Agreement; provided, however, that, to the extent that the loans or other financing referred to in Section 5.11 of this Agreement are obtained by the Borrower and the proceeds thereof are used for the Project before June 30, 1972, the Bank shall adjust installments in the column headed "Payment of Principal" in said Schedule 1 (as such installments may be reduced pursuant to Section 5.05 of the Loan Regulations) so that, insofar as practicable and without reducing any principal repayment to the Bank on any scheduled repayment date below one hundred thousand dollars (\$100,000) or extending the final scheduled repayment date, the aggregate principal amounts of the Loan and such other loans or financing to be repaid by the Borrower in any six-monthly payment period shall not exceed 1.25 times the amount shown in such column in said Schedule 1 for such period.

*Section 2.08.* If at any time the Bank, after consultation with the Borrower and the Guarantor, determines that loans (including the Loan) and other financing available to the Borrower to meet the estimated foreign exchange requirements of the Project are in excess of such requirements, then the Bank may by notice to the Borrower cancel an amount of the Loan equivalent to such excess. The provision of Section 5.05 of the Loan Regulations shall apply to any such cancellation.

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Agreement to expenditures on the Project described in Schedule

2 to this Agreement. The specific allocation of the proceeds of the Loan, and the methods and procedures for procurement of the goods to be financed out of such proceeds, shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

*Section 3.02.* Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

#### *Article IV*

##### BONDS

*Section 4.01.* If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

*Section 4.02.* The *Gerente General* of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The *Junta* of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

#### *Article V*

##### PARTICULAR COVENANTS

*Section 5.01. (a)* The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

*(b)* In carrying out the Project, the Borrower shall employ competent and experienced consultants and contractors acceptable to, and to an extent and upon terms and conditions satisfactory to, the Bank and the Borrower.

*(c)* The Borrower shall promptly furnish or cause to be furnished to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

*Section 5.02. (a)* The Borrower shall at all times manage its affairs, maintain its financial position, plan its future expansion and carry on its operations, all in accordance with sound business, financial and public utility practices and under the supervision of experienced and competent management.

*(b)* The Borrower shall have its accounts audited and its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the Borrower's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.



*Section 5.03.* (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and any other matters relating to the purposes of the Loan and the maintenance of the service thereof.

(b) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, the administration, operations and financial condition of the Borrower and other loans or financing required or obtained for the Project.

(c) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

(d) The Borrower shall : (i) maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower; and (ii) shall enable the Bank's representatives to inspect the Project, the goods, all other plants, sites, works, properties and equipment of the Borrower and any relevant records and documents.

*Section 5.04.* (a) The Borrower shall take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall at all times operate and maintain its plants, equipment and property, and promptly make all necessary repairs and renewals thereof, in accordance with sound engineering and public utility practices.

(c) The Borrower shall not, without the prior approval of the Bank, sell, lease, transfer or otherwise dispose of any of its property or assets which shall be required for the efficient operation of its business and undertaking unless the Borrower shall first pay or redeem, or make adequate provision satisfactory to the Bank for repayment or redemption of, all of the Loan and the Bonds which shall then be outstanding and unpaid.

*Section 5.05.* (a) The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amount as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to

the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

*Section 5.06.* The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

*Section 5.07.* Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, other than for money borrowed for financing the Project in an amount not exceeding \$17,000,000 equivalent, unless its net revenues for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever is the greater, shall be not less than 1.5 times the maximum debt service requirement for any succeeding fiscal year on all debt, including the debt to be incurred. For the purposes of this Section :

1. The term " debt " shall mean all indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.
2. Debt shall be deemed to be incurred on the date of execution and delivery of a contract, loan agreement or other instrument providing for such debt.
3. The term " net revenues " shall mean gross revenues from all sources, adjusted to take account of the Borrower's rates in effect at the time of the incurrence of debt even though they were not in effect during the fiscal year or twelve-month period to which such revenues relate, less all operating and administrative expenses and provision for taxes, if any, but before provision covering depreciation and interest and other charges on debt.
4. The term " debt service requirement " shall mean the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt.
5. Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

*Section 5.08.* The Borrower shall take from time to time all necessary or desirable steps (including, but without limitations, adjustments in tariffs) as shall be required to provide revenues from its operations at least sufficient, after covering all operating and

administrative expenses of the Borrower (including taxes, if any, and adequate provision for maintenance and depreciation), to produce a reasonable return on its average net fixed assets in operation.

*Section 5.09.* Subject to such exemptions as shall be conferred by the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement or otherwise, the Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 5.10.* The Borrower shall pay or cause to be paid all taxes, 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 on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

*Section 5.11.* The Borrower shall use its best efforts to obtain other loans or other financing on reasonable terms from sources outside Colombia and to apply the proceeds of such loans or financing to meet as large a portion of the foreign exchange requirements of the Project as possible.

*Section 5.12.* The Borrower undertakes that no services will be provided by the Borrower without adequate charges, except for water and sewer services to buildings occupied by agencies of the Special District of Bogota other than decentralized enterprises and for public standpipes, public parks and fire hydrants.

## *Article VI*

### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations or in Section 6.02 (a) and (b) of this Agreement shall occur and shall continue for a period of thirty days, or (ii) if a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto or under any credit agreement between the Association and the Borrower and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any credit agreement between the Association and the Guarantor under circumstances which, in the judgment

of the Bank, would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) if any event specified in Section 6.02 (c) of this Agreement shall occur, or (v) 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 Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* Pursuant to paragraph (1) of Section 5.02 of the Loan Regulations, the following are specified as additional events for the purposes of said Section :

(a) the provisions of *acuerdo* No. 105 of 1955 adopted by the Municipal Council of the Special District of Bogota on December 9, 1955 concerning the constitution of the Borrower shall have been amended, suspended or abrogated without the prior agreement of the Bank;

(b) the right of the Borrower to withdraw or otherwise use the proceeds of any loan or other financing obtained by the Borrower for the purposes of the Project shall have been suspended or terminated;

(c) the principal amount of any loan or other financing obtained by the Borrower for the purposes of the Project shall, in accordance with the terms thereof, have become due and payable prior to the agreed maturity thereof by reason of any default on the part of the Borrower specified in the agreement providing for such loan or financing or in any security representing it.

## Article VII

### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be June 30, 1972, or such later date as may be agreed by the Bank.

*Section 7.02.* If this Loan Agreement and the Guarantee Agreement shall not have come into force and effect by August 5, 1968, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

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

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Alternative address for cables :

Intbafrad

Washington, D.C.

For the Borrower :

Empresa de Acueducto y Alcantarillado de Bogotá  
Bogotá  
Colombia

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.

International Bank for Reconstruction and Development :

By Robert S. McNAMARA  
President

Empresa de Acueducto y Alcantarillado de Bogotá :

By Virgilio BARCO  
Oscar TORRES G.  
Authorized Representatives

## SCHEDULE 1

### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
December 1, 1972 . . . . .	260,000	December 1, 1980 . . . . .	425,000
June 1, 1973 . . . . .	270,000	June 1, 1981 . . . . .	440,000
December 1, 1973 . . . . .	275,000	December 1, 1981 . . . . .	455,000
June 1, 1974 . . . . .	285,000	June 1, 1982 . . . . .	470,000
December 1, 1974 . . . . .	295,000	December 1, 1982 . . . . .	485,000
June 1, 1975 . . . . .	305,000	June 1, 1983 . . . . .	500,000
December 1, 1975 . . . . .	315,000	December 1, 1983 . . . . .	515,000
June 1, 1976 . . . . .	325,000	June 1, 1984 . . . . .	530,000
December 1, 1976 . . . . .	335,000	December 1, 1984 . . . . .	545,000
June 1, 1977 . . . . .	345,000	June 1, 1985 . . . . .	565,000
December 1, 1977 . . . . .	355,000	December 1, 1985 . . . . .	580,000
June 1, 1978 . . . . .	365,000	June 1, 1986 . . . . .	600,000
December 1, 1978 . . . . .	375,000	December 1, 1986 . . . . .	620,000
June 1, 1979 . . . . .	390,000	June 1, 1987 . . . . .	635,000
December 1, 1979 . . . . .	400,000	December 1, 1987 . . . . .	655,000
June 1, 1980 . . . . .	415,000	June 1, 1988 . . . . .	670,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column 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 three years before maturity . . . . .	$\frac{1}{8}\%$
More than three years but not more than six years before maturity . . . . .	$1\frac{1}{8}\%$
More than six years but not more than eleven years before maturity . . . . .	$2\frac{1}{8}\%$
More than eleven years but not more than sixteen years before maturity. . . . .	$3\frac{3}{4}\%$
More than sixteen years but not more than eighteen years before maturity. . . . .	5%
More than eighteen years before maturity. . . . .	$6\frac{1}{4}\%$

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project consists of : (i) engineering for, and construction of, the Tibito IIA scheme; (ii) preparation of the next stage of the Borrower's expansion program and investigation of subsequent projects; and (iii) improvement of the Borrower's operations by means of procurement of equipment.

(i) *Tibito IIA Scheme*

The Tibito IIA scheme is the first stage of a long-range plan to meet the water requirements of Bogota. The works to be constructed under this scheme are :

- (a) additions to the raw water pumping and treatment facilities at Tibito;
- (b) construction of a booster pumping station at Tibito;
- (c) manufacture and installation of a large diameter pipeline from Tibito to the city and through the western suburbs to the southern city limits;
- (d) distribution system improvements and expansion, including storage tanks, distribution trunk lines, and partial renovation of the existing secondary distribution system.

(ii) *Preparation of the next stage and investigation of subsequent projects*

These preparations consist of feasibility studies of alternatives for, and selection of, the next stage, after Tibito IIA, of the long-range plan to meet the water requirements of Bogota; final design of, and land acquisition for, the selected next stage; continuation of preliminary studies on other future schemes; other preparatory works, such as construction of access roads needed for investigations on future projects.

(iii) *Improvement of the Borrower's operations*

Procurement of maintenance and construction equipment, special purpose vehicles, water meters and meter repair equipment, and special items for leak detection, communications and pressure control.

The Project is expected to be completed by the end of 1971.

LETTER RELATING TO THE LOAN AND GUARANTEE AGREEMENTS

REPUBLIC OF COLOMBIA

EMPRESA DE ACUEDUCTO Y ALCANTARILLADO DE BOGOTÁ

June 3, 1968

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

Re : *Loan No. 536 CO (Bogotá Water Supply Project)*  
*Revenues and Tariffs*

Dear Sirs :

1. We refer to Section 5.08 of the Loan Agreement (*Bogotá Water Supply Project*) between the Bank and Empresa de Acueducto y Alcantarillado de Bogotá and Section 3.05 of the Guarantee Agreement (*Bogotá Water Supply Project*) between Republic of Colombia and the Bank, both of even date herewith.

2. We wish to confirm our agreement that a reasonable annual rate of return should enable the Borrower to maintain its revenues at a level which will provide sufficient funds to cover the Borrower's requirements for payment of interest on and amortization of debt in excess of depreciation and a reasonable portion of the cost of the planned expansion of the Borrower's facilities after covering all operating and administrative expenses. We agree that on the basis of present estimates of the financial requirements of the Borrower for the Project and its long-range plans for further expansion of its facilities, a rate of return of less than 5% until completion of the major components of the Project, now scheduled for December 1970, and thereafter of less than 9% would not be reasonable.

3. The required annual return will be calculated by using as the denominator the average between the net current value of fixed assets of the Borrower in operation at the beginning and at the end of the year in question and, as the numerator, the operating income of the Borrower for the year under review.

4. Until a method satisfactory to the Bank for the maintenance of the value of the assets of public utilities shall have been introduced in Colombia and shall have been made applicable to the Borrower, the " net current value of fixed assets in operation " for the

purpose of the said calculation at any given date will be the gross value of such assets less accumulated depreciation and customers' contributions in aid of construction, as shown in the Borrower's property accounts, adjusted as follows :

- (a) the gross value of fixed assets in operation, accumulated depreciation and customers' contributions in aid of construction at December 31, 1967 will be established at

Gross value of fixed assets . . . . .	Col. \$1,035,000,000
Accumulated depreciation . . . . .	Col. \$ 214,000,000
Customers' contributions in aid of construction . . . . .	Col. \$ 206,000,000

and the above amounts will be revalued in accordance with the variations in the *Indice Nacional de los Precios al Consumidor (Costo de Vida)* — *Obreros* (published by the Departamento Administrativo Nacional de Estadística of the Guarantor), or a similar index approved by the Bank, from December 31, 1967, to the last month preceding the calendar semester in which the calculation is to be made;

- (b) the gross value of fixed assets the cost of which was incurred after December 31, 1967, in currencies other than Colombian Pesos, will be the U. S. dollar equivalent of such cost at the time the expenditures therefor were incurred, converted into Colombian Pesos at the exchange rate prevailing on the last business day preceding the calendar semester in which the calculation is to be made;
- (c) the gross value of fixed assets the cost of which was incurred after December 31, 1967, in Colombian Pesos, will be the cost in Colombian Pesos revalued from the date the expenditures therefor were incurred in accordance with the corresponding variations in the *Indice Nacional de los Precios al Consumidor (Costo de Vida)* — *Obreros* (published by the Departamento Administrativo Nacional de Estadística of the Guarantor), or a similar index approved by the Bank, to the last month preceding the calendar semester in which the calculation is to be made;
- (d) straight-line depreciation will be applied after December 31, 1967 to the gross value of the assets as adjusted under (a), (b) and (c) above on the basis of the useful life of the fixed assets of the Borrower, such useful lives not to exceed the years set forth in the following schedule :

Dams and reservoirs . . . . .	.50 years
Buildings and other structures . . . . .	.50 years
Electrical and mechanical equipment . . . . .	.20 years
Cast iron and concrete pipes and sewerage system . . . . .	.50 years
Asbestos cement pipes . . . . .	.40 years
Steel pipes . . . . .	.30 years
Valves, hydrants and standpipes . . . . .	.20 years
Water meters . . . . .	.10 years
Vehicles and maintenance equipment . . . . .	5 years;

- (e) the value of customers' contributions in aid of construction made after December 31, 1967 will be revalued from the dates on which they were made, in accordance



with the corresponding variations in the index referred to in paragraph (a) above to the last month preceding the calendar semester in which the calculation is to be made;

- (f) the rate of exchange between the U. S. dollar and the Colombian Peso at any particular time shall, for the purposes of (b) above, be deemed to be the rate at which the Borrower could have bought U. S. dollars for Colombian Pesos at such time for the importation of equipment.

5. "Operating income" will be the difference between operating revenues and operating costs. Operating revenues shall mean all revenues arising from sales of water and sewerage services, including *derechos de matrícula*, *suministro* and *desagüe* and other incidental revenues but excluding customers' contributions in aid of construction; operating costs shall mean all the direct costs of operation of the Borrower's business including maintenance and adequate provision for depreciation, in accordance with the method specified under 4 above, cost of services to buildings occupied by agencies of the Special District of Bogotá and for public standpipes, public parks and fire hydrants, and taxes, if any, but excluding interest and other charges on debt.

6. New tariffs, approved by the Superintendencia de Regulación Económica with *Resolución* No. 143 of April 24, 1968, are attached as an Annex to this letter. We will exercise our best efforts to apply the new tariffs immediately and in any event all bills issued after July 1, 1968 will reflect these new tariffs.

7. The adequacy of the tariffs of the Borrower to produce the annual return required pursuant to Section 5.08 of the Loan Agreement and Section 3.05 of the Guarantee Agreement will be reviewed by the Borrower within the first two months of each calendar semester. This review will be based on estimates of the average of the net current value of the Borrower's fixed assets in operation and the Borrower's operating income for the twelve-month period starting with the calendar semester in which the review is made, determined in the manner described in the preceding paragraphs. In the course of such review the Borrower will also determine whether the required annual return was earned during the previous twelve-month period and such determination will be made in accordance with the method described above. Any shortfall or overrun in the Borrower's operating income during the previous twelve-month period shown by this determination will be carried forward and subtracted or added to the numerator of the fraction used in estimating the return for the forthcoming twelve-month period.

8. Should any semi-annual review show that the Borrower will not earn the required annual return for the twelve-month period starting with the calendar semester in which the review is made, the tariffs of the Borrower will be adjusted accordingly and all bills issued after the end of such semester will reflect the adjusted tariffs.

9. We undertake to furnish to the Bank by March 1, 1969, the results of the first review in accordance with the method outlined in this letter and thereafter to furnish the result of each semi-annual review by the end of the second month of each calendar semester.

10. In addition to the periodic review of the adequacy of the tariffs we shall revise and simplify the tariff structure shown in the attached Annex as soon as improved metering will permit a more consumption-oriented structure, so as to permit in turn more efficient use of water, but in no case later than June 30, 1971.

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

Very truly yours,

Republic of Colombia :

By José CAMACHO L.

Authorized Representative

Empresa de Acueducto y Alcantarillado de Bogotá :

By Oscar TORRES G.

Authorized Representative

*Confirmed :*

International Bank for  
Reconstruction and Development :

By Gerald ALTER

Director

Western Hemisphere Department

ANNEX  
COLOMBIA — BOGOTÁ WATER SUPPLY PROJECT  
EMPRESA DE ACUEDUCTO Y ALCANTARILLADO DE BOGOTÁ

TARIFFS

Category	Assessed Property Value (1000 Col. \$ from—to)	Allowance Under Minimum Charge (m <sup>3</sup> /month)	Minimum Charge (Col. \$ monthly)	Rate for Allowance (Col. \$/m <sup>3</sup> )	Rate for Consumption above Allowance (Col. \$/m <sup>3</sup> )				
					16-25 (m <sup>3</sup> /month)	26-50 (m <sup>3</sup> /month)	51-200 (m <sup>3</sup> /month)	201-2000 (m <sup>3</sup> /month)	2001 and up (m <sup>3</sup> /month)
I. Domestic A	0-15	15	5.00	0.33	—	0.75	—	2.30	2.50
Domestic B	15-50	15	10.00	0.67	—	1.00	—	2.30	2.50
Industrial	0-50	15	20.00	1.33	—	1.00	—	2.30	2.50
II. Domestic A	50-125	25	25.00	1.00	—	1.50	—	2.30	2.50
Domestic B	125-200	25	40.00	1.60	—	1.50	—	2.30	2.50
Industrial	50-200	25	80.00	3.20	—	1.50	—	2.30	2.50
III. Domestic	above 200	50	80.00	1.60			2.00	2.30	2.50
Industrial	above 200	50	160.00	3.20			2.00	2.30	2.50
IV. Official	—	50	40.00	0.80			—	51 m <sup>3</sup> /month and up 0.70	—