

No. 9484

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
COLOMBIA

Guarantee Agreement—*Fifth Railway Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Ferrocarriles Nacionales). Signed at Washington on 25 July 1968

Authentic text : English.

Registered by the International Bank for Reconstruction and Development on 27 March 1969.

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
COLOMBIE

Contrat de garantie — *Cinquième projet relatif au chemins de fer* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque et les Ferrocarriles Nacionales). Signé à Washington le 25 juillet 1968

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 27 mars 1969.

GUARANTEE AGREEMENT ¹

AGREEMENT, dated July 25, 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 Ferrocarriles Nacionales de Colombia (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement, ² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to eighteen million three hundred thousand dollars (\$ 18,300,000), 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 Regulations No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967 ² (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.

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

¹ Came into force on 20 September 1968, upon notification of the Bank to the Government of Colombia.

² See p. 280 of this volume.

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 Republica 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 reason-

ably 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 enable the Borrower promptly to adjust its tariffs of rates and fares as required under Section 5.07 of the Loan Agreement.

Section 3.06. The Guarantor shall cause the Borrower to have, not later than December 31, 1969, suitable yard and access facilities at the port of Buenaventura and shall finance, or cause to be financed by entities other than the Borrower, the cost of new rail facilities on the island of Buenaventura to replace the existing facilities of the Borrower.

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 Credito Publico
Palacio de los Ministerios, Plaza San Agustin
Bogota, Colombia

Cable address :

Minhacienda
Bogota

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 H. ECHAVARRIA
Authorized Representative

International Bank for Reconstruction and Development :

By Simon ALDEWERELD
Vice 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

AGREEMENT, dated July 25, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and FERROCARRILES NACIONALES DE COLOMBIA (hereinafter called the Borrower).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITION

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961, as amended February 9, 1967,¹ 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).

Section 1.02. Wherever used in this Loan Agreement, except as the context shall otherwise require, the term "Investment Program" means the 1968-1972 Investment Program of the Borrower, approved by its *Junta Directiva* on June 25, 1968, which is described in summary form in Schedule 2 to this Agreement.

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 eighteen million three hundred thousand dollars (\$ 18,300,000).

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

¹ See above.

to the rights and cancellation and suspension set forth in, this Agreement and the Loan Regulations.

Section 2.03. If the Borrower shall obtain from sources other than the Bank adequate financing for the purchase of track required for the Project, the Bank, after consultation with the Borrower and the Guarantor, may by notice to the Borrower cancel the amount of the Loan then allocated for such purchase and no longer required. The provisions of Section 5.05 of the Loan Regulations shall apply to such cancellation.

Section 2.04. 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 2.05. The Borrower shall pay interest at the rate of six and one-fourth per cent ($6\frac{1}{4}$ %) per annum on principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. 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 2.07. Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

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 allocation of the proceeds of the Loan is set forth in Schedule 3 to this Agreement and shall be subject to modification by agreement between the Borrower and the Bank.

Section 3.02. Except as the Bank shall otherwise agree (i) the goods to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding as set forth in the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as shall be agreed between the Borrower and the Bank, and (ii) any contract for the procurement of such goods shall be subject to the approval of the Bank.

Section 3.03. Except as 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 *Administrador General* of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The *Administrador General* 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 and financial practices.

(b) In carrying out the Project, the Borrower shall employ competent and experienced consultants acceptable to the Bank upon such terms and conditions as shall have been approved by the Bank.

(c) The Borrower shall promptly furnish or cause to be furnished to the Bank the plans, specifications and work or procurement 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, in accordance with sound business, financial and railroad 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 auditor 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 auditor'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 performances by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower, the Investment Program and any proposed modifications thereof or departure therefrom, 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 expenditure of the proceeds of the Loan, the Project, the goods, the administration, operations and financial condition of the Borrower and the Investment Program.

(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 and of any proposed modification of, or departure from, the Investment Program.

(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 railroad 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. (a) The Borrower shall from time to time take all such steps, including but not limited to adjustments in its tariffs of rates and fares, as shall be required to provide revenues from its operations sufficient :

- (i) to cover operating costs, including adequate maintenance and depreciation ;
- (ii) to cover its fixed costs (except fixed costs during the years from 1968 to and including 1973 on the loans Nos. 68 CO, 119 CO and 267 CO made by the Bank to or for the benefit of the Borrower) ;
- (iii) to create or maintain adequate reserves for future liabilities (including staff pensions and severance payments) ;
- (iv) to maintain an adequate working capital (including cash and bank balances in an average amount equal to not less than 10 % of annual cash operating expenses) ;
- (v) to finance out of its own funds the purchase of new equipment and the cost of betterments which are not financed out of the proceeds of borrowings on reasonable terms, contributions by Government and sales of assets.

(b) It is agreed that for the purpose of meeting the requirements set forth in paragraph (a) above, the Borrower shall take all reasonable steps to earn an annual return on its net fixed assets in use at the rate of at least 1 % in the year 1969, at least 3 % in the year 1972, at least 4.5 % in the year 1974 and at least 6 % in the year 1976 and thereafter.

(c) Such annual return shall be calculated by relating the Borrower's revenues from its operations in each year, after deduction of operating expenses, including adequate maintenance and depreciation but excluding interest and other charges on debt, to the average of the net fixed assets in use of the Borrower at the beginning and at the end of such year.

(d) For the purposes of this Section :

- (i) the term "fixed costs" means amortization (including sinking fund payments, if any) of all debt of the Borrower in excess of provision for depreciation, and interest and other charges on such debt ;
- (ii) the term "debt of the Borrower" includes the Loan No. 68 CO made by the Bank to the Guarantor for the benefit of the Borrower but excludes all other funds made available by the Guarantor to the Borrower ;

- (iii) the term "net fixed assets in use" means the original cost of assets, adjusted from time to time to reflect the current replacement cost of such assets, less accumulated depreciation thereon; and
- (iv) the term "depreciation" means straight-line depreciation based on the useful lives of depreciable assets and calculated on the original cost of such assets, as adjusted under (iii) above, in accordance with sound accounting principles consistently applied.

(e) The adequacy of the Borrower's tariffs to provide by the times specified in this Section the revenues required to be provided pursuant thereto will be reviewed by the Borrower at least once a year and the Borrower shall promptly inform the Bank of the results of such review and of the steps which the Borrower shall have taken or intends to take to comply with its obligations under this Section.

Section 5.08. The loan agreement between the Bank and the Borrower dated June 21, 1963 (*Railroad Rehabilitation Project*)¹ is amended by deleting the provision of Section 5.09 thereof.

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.

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 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

¹ United Nations, *Treaty Series*, Vol. 482, p. 159.

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 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.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1971, 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 affect by October 4, 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 :

Ferrocarriles Nacionales de Colombia
Calle 13, No. 18-24
Bogota, Colombia

Alternative address for cables :

Ferrocarriles
Bogota, 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 Simon ALDEWERELD
Vice President

Ferrocarriles Nacionales de Colombia :

By J. RAMIREZ S.
Authorized Representative

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>
October 1, 1971	310,000	April 1, 1980	520,000
April 1, 1972	320,000	October 1, 1980	540,000
October 1, 1972	330,000	April 1, 1981	555,000
April 1, 1973	340,000	October 1, 1981	575,000
October 1, 1973	350,000	April 1, 1982	590,000
April 1, 1974	360,000	October 1, 1982	610,000
October 1, 1974	370,000	April 1, 1983	630,000
April 1, 1975	385,000	October 1, 1983	650,000
October 1, 1975	395,000	April 1, 1984	670,000
April 1, 1976	410,000	October 1, 1984	690,000
October 1, 1976	420,000	April 1, 1985	710,000
April 1, 1977	435,000	October 1, 1985	735,000
October 1, 1977	450,000	April 1, 1986	755,000
April 1, 1978	460,000	October 1, 1986	780,000
October 1, 1978	475,000	April 1, 1987	805,000
April 1, 1979	490,000	October 1, 1987	830,000
October 1, 1979	505,000	April 1, 1988	850,000

* 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	½ %
More than three years but not more than six years before maturity	1 ½ %
More than six years but not more than eleven years before maturity	2 ½ %
More than eleven years but not more than sixteen years before maturity	3 ¾ %
More than sixteen years but not more than eighteen years before maturity	5 %
More than eighteen years before maturity	6 ¼ %

SCHEDULE 2

DESCRIPTION OF INVESTMENT PROGRAM AND PROJECT

A. *The Investment Program*

The Investment Program, estimated to require the expenditure of about Pesos 1,320,000,000, consists of :

(1) *Way and structure renewals and improvements.* Rehabilitation of 700 km of line to be laid with new 75 lb rail ; rehabilitation of 205 km of line to be laid with recovered rail ; welding of rails over some 200 km of line ; purchase of 110 ballast hopper cars and other mechanical maintenance equipment ; extensive ballasting on lines being rehabilitated and on the Atlantic line ; strengthening of bridges.

(2) *Construction and equipment of workshops.* Construction of new workshops at Facatativa and Cali and provision of machinery and tools as well as new facilities to complete dieselization ; closing of workshop at Girardot if recommended by the Borrower's consultants.

(3) *Motive power and rolling stock.* Purchase of 60 new diesel locomotives and 1200 new freight cars ; rehabilitation of 1050 and scrapping of about 1,000 existing freight cars ; modernization of about 250 and scrapping of about 220 passenger cars ; purchase of 14 additional railcar motors.

(4) *Increase in station and line capacity.* Extension of marshalling yards and crossing stations ; procurement of freight handling equipment ; remodelling of warehouses ; improvement of inadequate station buildings.

(5) *Reorganization of Passenger Service.* Reduction of operating losses in passenger traffic by means of improvement to fleet and services, reduction in number and rescheduling of passenger trains, revision of fares and classes.

(6) *Consulting Services.* Employment of consultants to improve track maintenance and rehabilitation, organization of workshops and maintenance and repair of locomotives and rolling stock, and train operation and control, to assist

in general management functions and practices, and to recommend solutions for the problem of uneconomic lines or services.

(7) *Miscellaneous.* Completion of communications network ; staff housing ; local and overseas training of staff.

B. *The Project*

The Project to be carried out by the Borrower consists of the first three years (1968-1970) of the Investment Program and is estimated to require the expenditure of about Pesos 1,010,000,000, including contingencies. The main components of the Project are :

- (a) rehabilitation of about 496 km of track ;
- (b) ballasting of existing lines and purchase of 110 ballast cars and track maintenance equipment ;
- (c) reorganization of workshops, including closing of workshops at Girardot as soon as steam locomotives are phased out, if recommended by the Borrower's consultants ;
- (d) rehabilitation or reconstruction of about 120 and scrapping of about 175 existing passenger cars and purchase of 14 additional railcar motors ;
- (e) purchase of 60 diesel locomotives and phasing out of steam locomotives ;
- (f) purchase of 1200 new freight cars and rehabilitation of about 600 and scrapping of about 1,000 existing freight cars ;
- (g) purchase and installation of telecommunications and signalling facilities ;
- (h) purchase of freight handling equipment and other railway material ;
- (i) increases in station and line capacity ;
- (j) initial reorganization of passenger service as indicated in the Investment Program, including the reduction of classes of passenger travel to first and second classes by December 31, 1970 ;
- (k) employment of consultants as indicated in the Investment Program.

SCHEDULE 3

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amount (in dollar equivalent)</i>
I. 410 km track	\$ 6,600,000
II. Switches and accessories	840,000
III. 110 ballast cars and track maintenance equipment	3,000,000
IV. Workshop equipment and tools	1,550,000
V. Passenger car, railcar and freight car parts	1,870,000
VI. Freight handling equipment	530,000
VII. Telecommunications and signalling equipment	380,000
VIII. Steel for bridges and structures	525,000
IX. Consulting services and training	1,690,000
X. Unallocated *	1,315,000
	<hr/>
	TOTAL \$18,300,000
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* 1. If the estimated cost of the items included in any of the Categories I to IX shall increase, an amount equal to such increase will be reallocated by the Bank, at the request of the Borrower, to such Category from Category X, subject, however, to the requirements for contingencies, as determined by the Bank in respect of the cost of the items in the other Categories.

2. If the estimated cost of the items included in any of the Categories I to IX shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category X.