

No. 9592

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
COLOMBIA

Guarantee Agreement—Power Interconnection Project
(with annexed Loan Regulations No. 4, as amended,
and Loan Agreement between the Bank and the
Interconexión Eléctrica S.A.). Signed at Washington
on 2 December 1968

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development
on 30 May 1969.*

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
COLOMBIE

**Contrat de garantie — Projet relatif au raccordement des
réseaux électriques** (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 l'Interconexión
Eléctrica SA). Signé à Washington le 2 décembre
1968

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développe-
ment le 30 mai 1969.*

GUARANTEE AGREEMENT ¹

AGREEMENT, dated December 2, 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 Interconexión Eléctrica S.A. (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 dollars (\$18,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor and certain shareholders of the Borrower agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided ; and

WHEREAS by an agreement of even date herewith between the Bank and said shareholders of the Borrower, which agreement is hereinafter called the Shareholders' Agreement, ³ said Shareholders have agreed to guarantee the obligations of the Borrower in respect of such loan as in such Shareholders' Agreement 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 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 ⁴ (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.

¹ Came into force on 25 February 1969, upon notification by the Bank to the Government of Colombia.

² See p. 220 of this volume.

³ Shareholders Agreement (*Power Interconnection Project*) between the International Bank for Reconstruction and Development and Corporación Autónoma Regional del Cauca, Empresa de Energía Eléctrica de Bogotá, Empresas Públicas de Medellín and Instituto de Aprovechamiento de Aguas y Fomento Eléctrico, signed at Washington on 2 December 1968. Not published herein.

⁴ See p. 220 of this volume.

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 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 shall be required under Section 5.09 of the Loan Agreement.

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
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 José CAMACHO L.
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 December 2, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INTERCONEXIÓN ELÉCTRICA S.A. (hereinafter called the Borrower).

WHEREAS the Borrower has requested the Bank to assist in the financing of a project for the construction of interconnection power facilities ;

WHEREAS by an agreement of even date herewith between the Republic of Colombia (hereinafter called the Guarantor) and the Bank (such agreement being hereinafter called the Guarantee Agreement) ¹ the Guarantor has agreed *inter alia* to guarantee the obligation of the Borrower under this Agreement ;

WHEREAS by an agreement of even date herewith between the Bank and certain shareholders of the Borrower (such agreement being hereinafter called the Shareholders' Agreement) ² said shareholders have agreed *inter alia* to guarantee the obligations of the Borrower under this Agreement ;

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 on the terms and conditions hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

¹ See p. 212 of this volume.

² Shareholders Agreement (*Power Interconnection Project*) between the International Bank for Reconstruction and Development and Corporación Autónoma Regional del Cauca, Empresa de Energía Eléctrica de Bogotá, Empresas Públicas de Medellín and Instituto de Aprovechamiento de Aguas y Fomento Eléctrico, signed at Washington on 2 December 1968. Not published herein.

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, 1967,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 4, as so modified, being hereinafter called the Loan Regulations) :

(a) In Sections 6.01, 6.07, 6.12 (b), 6.14, 6.15, 6.17, 6.18 and 6.19 the words "and the Shareholders" shall be added after the word "Guarantor" and the words "or the Shareholders Agreement" shall be added after the words "Guarantee Agreement", wherever they appear.

(b) In Section 7.03 the words "or Shareholders Agreement" shall be added after the words "Loan Agreement or Guarantee Agreement".

(c) In Section 10.01 the following definitions shall be added :

"19. The term "Shareholders" means Corporación Autónoma Regional del Cauca, Empresa de Energía Eléctrica de Bogotá, Empresas Públicas de Medellín and Instituto de Aprovechamiento de Aguas y Fomento Eléctrico.

20. The term "Shareholders Agreement" means the agreement between the Bank and the Shareholders providing for the guarantee of the Loan, as amended from time to time."

(d) The following Form of Shareholder's Guarantee shall be added at the end of Schedule 3 :

"FORM OF SHAREHOLDER'S GUARANTEE"

[Name of SHAREHOLDER], for value received, as primary obligor and not as surety merely, hereby unconditionally guarantees the due and punctual payment of one-fourth of the principal and redemption price of the within Bond and the interest thereon, free from taxes as therein provided, prior notice to, demand upon or action against the obligor on said Bond or any other guarantor thereon being waived.

[Name of SHAREHOLDER] hereby agrees to affix a similar guarantee on any Bond or Bonds which shall be duly issued in exchange or substituted for or in replacement of the within Bond.

[Name of SHAREHOLDER]

By
Authorized Representative "

Dated

Section 1.02. Unless the context otherwise requires, the term "*Estatutos*" wherever used in this Agreement means the statutes dated September 14, 1967, as amended on September 27, 1968, under which the Borrower was established and operates.

¹ See p. 220 of this volume.

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 dollars (\$18,000,000).

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.

(b) 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 and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank, provided, however, that in respect of goods which, in the opinion of the Bank, shall be eligible for financing from other sources available to the Borrower, the Borrower shall not be entitled to withdraw from the Loan Account an amount exceeding one-half of the foreign exchange cost of such goods.

(c) The Borrower shall be entitled to make withdrawals from the Loan Account on account of expenditures made prior to the Effective Date but after the date of this Agreement.

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 six and one-half per cent ($6\frac{1}{2}$ %) per annum on the principal amount of the Loan 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 March 15 and September 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 2 to this Agreement ; provided, however, that, to the extent that the loans or other financing referred to in Section 5.12 of this Agreement are obtained by the Borrower and the proceeds thereof are used for the Project before February 29, 1972, the Bank shall adjust installments in the column headed " Payment of Principal " in said Schedule 2 (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 1.2 times the amount shown in such column in said Schedule 2 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 3 to this Agreement.

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 in accordance with 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 Bank and the Borrower and (ii) contracts 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 *Gerente* of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The *Gerente* 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 amounts 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. The Borrower shall not undertake major capital expenditures other than for the Project until it shall have secured adequate funds to meet such expenditures in accordance with sound financial practices and shall have furnished to the Bank copy of the financial plan for such expenditures and such additional information relating thereto as the Bank may reasonably request.

Section 5.08. The Borrower shall charge the Shareholders and collect therefrom, in accordance with the *Estatutos*, such amounts as shall be required to cover all its administrative and operating costs in respect of its electrical interconnection facilities (including adequate maintenance and provision for depreciation) and interest on, and amortization of, its debt incurred for the purpose of financing such facilities, to the extent that such amortization exceeds provision for depreciation.

Section 5.09. Except as the Bank and the Borrower, with the approval of the Guarantor, shall otherwise agree :

(a) The Borrower shall establish and maintain tariffs for the supply of electricity generated by the Borrower's plants which will provide an annual rate of return of at least nine per cent (9 %) on the average current net value of its generating plants in operation calculated in accordance with the method outlined in Schedule 4 to this Agreement.

(b) The Borrower shall, within the first two months of each calendar quarter, review the adequacy of its tariffs to produce the annual return required under paragraph (a) and shall furnish to the Bank the results of such review.

(c) If any such review shall show that the Borrower would not earn the annual return required under paragraph (a) in the course of the twelve-month period commencing with such calendar quarter, the Borrower shall adjust its tariffs accordingly, and the adjusted tariffs shall be brought into effect not later than the end of the following calendar quarter.

Section 5.10. 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, the Shareholders' 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 5.11. 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, the Shareholders' Agreement or the Bonds.

Section 5.12. 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.

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), (b) and (c) 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 (d) 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 *Estatutos* shall have been amended, suspended or abrogated without the prior agreement of the Bank ;
- (b) a default shall have occurred in the performance by any of the Shareholders of any covenant or agreement under the Shareholders' Agreement ;
- (c) the right of the Borrower to withdraw or otherwise use proceeds of any loan or other financing obtained by the Borrower for the purposes of the Project shall have been suspended or terminated ;
- (d) 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

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (d) of the Loan Regulations :

That the execution and delivery of the Shareholders' Agreement on behalf of the Shareholders shall have been duly authorized or ratified by all necessary corporate and governmental action.

Section 7.02. The following is specified as an additional matter within the meaning of Section 9.02 (c) of the Loan Regulations to be included in the opinion or opinions to be furnished to the Bank :

That the Shareholders' Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Shareholders and that such Agreement constitutes a valid and binding obligation of the Shareholders in accordance with its terms.

Section 7.03. If this Loan Agreement and the Guarantee Agreement shall not have come into force and effect by March 3, 1969, 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, the Guarantor and the Shareholders of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be February 29, 1972, or such later date as may be agreed by the Bank.

Section 8.02. 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 :

Interconexión Eléctrica S.A.
Calle 37 No. 843
Bogotá, D.E.
Colombia

Alternative address for cables

Interconexión
Bogotá

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

Interconexión Eléctrica S.A. :

By José María PIEDRAHITA
Authorized Representative

SCHEDULE 1

ALLOCATION OF PROCEEDS OF THE LOAN

<i>Category</i>	<i>Amount (Expressed in Dollar Equivalent)</i>
1. Transmission lines	6,100,000
2. Substations	5,400,000
3. Consulting Services for Parts I and II of Project	700,000
4. Consulting Services for Parts III and IV of Project	1,500,000
5. Interest and other charges on the Loan during Project construction	2,000,000
6. Unallocated	2,300,000
TOTAL	18,000,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories 1 to 5 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 6.

2. If the estimate of the cost of the items included in any of the Categories 1 to 5 shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan will be allocated by the Bank, at the request of the Borrower, to such Category from Category 6, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 2

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>
March 15, 1972	190,000	March 15, 1975	230,000
September 15, 1972	195,000	September 15, 1975	235,000
March 15, 1973	200,000	March 15, 1976	245,000
September 15, 1973	210,000	September 15, 1976	255,000
March 15, 1974	215,000	March 15, 1977	260,000
September 15, 1974	225,000	September 15, 1977	270,000

* 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.

<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>
March 15, 1978	280,000	March 15, 1986	465,000
September 15, 1978	285,000	September 15, 1986	480,000
March 15, 1979	295,000	March 15, 1987	495,000
September 15, 1979	305,000	September 15, 1987	510,000
March 15, 1980	315,000	March 15, 1988	530,000
September 15, 1980	325,000	September 15, 1988	545,000
March 15, 1981	335,000	March 15, 1989	565,000
September 15, 1981	350,000	September 15, 1989	580,000
March 15, 1982	360,000	March 15, 1990	600,000
September 15, 1982	370,000	September 15, 1990	620,000
March 15, 1983	385,000	March 15, 1991	640,000
September 15, 1983	395,000	September 15, 1991	660,000
March 15, 1984	410,000	March 15, 1992	680,000
September 15, 1984	420,000	September 15, 1992	705,000
March 15, 1985	435,000	March 15, 1993	725,000
September 15, 1985	450,000	September 15, 1993	755,000

* See p. 238 of this volume.

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	1/2 %
More than three years but not more than six years before maturity	1 1/4 %
More than six years but not more than eleven years before maturity	2 1/4 %
More than eleven years but not more than sixteen years before maturity	3 3/4 %
More than sixteen years but not more than twenty-one years before maturity	5 %
More than twenty-one years but not more than twenty-three years before maturity	6 %
More than twenty-three years before maturity	6 1/2 %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of the following :

Part I.

The engineering and construction of three double-circuit 230 kv steel tower transmission lines with both circuits strung ; total length of about 500 km between Bogota-Manizales, Medellin-Manizales and Cali-Manizales.

Part II.

The engineering and construction or completion of four substations, with appropriate switching equipment, located at :

- (a) Colegio hydroelectric plant near Bogota, with two 90 Mva autotransformers ;
- (b) Yumbo thermal plant near Cali, with two 90 Mva autotransformers ;
- (c) Esmeralda hydroelectric plant near Manizales, with two 90 Mva autotransformers ; and
- (d) Guatape (Nare) hydroelectric plant near Medellin.

Part III.

A study of the accounting and pricing methods and practices of the Borrower and the Shareholders (including Central Hidroeléctrica del Río Anchicaya Limitada and Central Hidroeléctrica de Caldas) for the purpose of assuring the most economic use of the interconnected power systems in Colombia and of providing a technically and financially sound basis for the further expansion of such systems, followed by the introduction of appropriate modifications to the *Estatutos* and of arrangements supplemental thereto, on the basis of the results of such study.

Part IV.

Engineering studies of future transmission and generation projects to be agreed between the Bank and the Borrower.

Parts I and II of the Project are scheduled to be completed in the second half of 1971. Part III of the Project is scheduled to commence in 1969 and to be completed by the end of 1970. Part IV of the Project is scheduled to be carried out in the years 1969 through 1971.

SCHEDULE 4

METHOD FOR CALCULATING RATE OF RETURN

(i) The annual return specified in Section 5.09 (a) of the Loan Agreement shall be calculated, in each calendar quarter in respect of the twelve-month period beginning with such quarter and the twelve-month period immediately preceding, by using as the denominator the average between the current values of the Borrower's generating plants in operation at the beginning and at the end of each such period and as numerator the operating income of the Borrower for the same period.

(ii) Any shortfall or overrun in the required annual return for the twelve-month period immediately preceding the quarter in which the calculation is to be made shall be carried forward and subtracted or added, as the case may be, to the numerator used for the forthcoming twelve-month period.

(iii) " Operating income " shall be the difference between all revenues from the sale of electricity generated by the Borrower's plants and all administrative and

operating costs relating thereto, including maintenance and adequate provision for depreciation.

(iv) The current value of generating plants shall be at any given date their gross value less accumulated depreciation to such date.

(v) Until another method, satisfactory to the Bank, for the maintenance of value of assets of public utilities shall have been made applicable to the Borrower, the gross value of :

- (1) generating plant the cost of which was incurred in currencies other than currency of the Guarantor shall be the dollar equivalent of such cost at the time of incurrence of expenditures therefor converted into currency of the Guarantor at the exchange rate of the last business day preceding the calendar quarter in which the calculation is to be made ;
- (2) generating plant the cost of which was incurred in currency of the Guarantor shall be revalued from the time of incurrence of expenditures therefor 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 quarter in which the calculation is to be made.

(vi) Depreciation shall be accumulated on a straight-line basis at an average rate of 2 ½ % per annum of gross value for hydro-electric plants and 4 % per annum of gross value for thermo-electric plants.

(vii) The rate of exchange between the dollar and the currency of the Guarantor at any given time shall be the rate at which the Borrower could have bought dollars at such time with currency of the Guarantor for the importation of equipment.
