

No. 10862

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

Guarantee Agreement—*Cali Water Supply and Sewerage Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Loan Agreement between the Bank and the Establecimiento Público Empresas Municipales de Cali). Signed at Bogotá on 4 June 1970

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 2 December 1970.

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

Contrat de garantie — *Projet d'adduction d'eau et de construction d'égouts à Cali* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat relatif au Projet entre la Banque et l'Establecimiento Público Empresas Municipales de Cali). Signé à Bogotá le 4 juin 1970

Texte authentique: anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 2 décembre 1970.

GUARANTEE AGREEMENT¹

AGREEMENT, dated June 4, 1970, 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 Establecimiento Público Empresas Municipales de Cali (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 five hundred thousand dollars (\$18,500,000), 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 and to provide the Borrower with additional funds required to carry out the Project, 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 and so to provide the Borrower with additional funds;

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 the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,² with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements being hereinafter called the General Conditions).

¹ Came into force on 2 September 1970, upon notification by the Bank to the Government of Colombia.

² See p. 280 of this volume.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

Article II

Section 2.01. Without limitation or restriction upon any of its other obligations under this Guarantee Agreement, 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 and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity and the punctual performance of all the obligations 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 to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with (i) an amount equivalent to one hundred eighty million pesos (Col. \$180,000,000) bearing interest at the rate of fourteen per cent (14%) per annum and repayable over a period of eleven years after a grace period of four years, except as the Bank shall otherwise agree, and (ii) whenever there is reasonable cause to believe that the funds available to the Borrower, including the before-mentioned amount, will be inadequate to meet the estimated expenditures required for the carrying out of the Project, such funds as are needed to meet such expenditures on the terms and conditions set forth in sub-section (i).

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, 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 on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The Guarantor shall, promptly as required, take all steps necessary on its part to enable the Borrower to set and maintain its tariffs at the levels specified in Section 5.12 of the Loan Agreement.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, 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 other person or persons as he shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Article V

Section 5.01. The Minister of Finance and Public Credit of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Guarantor:

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

Alternative address for cables:

Minhacienda
Bogotá

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.

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 Bogotá, Distrito Especial, Colombia, as of the day and year first above written.

Republic of Colombia:

By ABDON ESPINOSA VALDERRAMA
Authorized Representative

International Bank for Reconstruction and Development:

By ROBERT S. MCNAMARA
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
GENERAL CONDITIONS, DATED 31 JANUARY 1969
GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS
[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]

LOAN AGREEMENT

AGREEMENT, dated June 4, 1970, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and ESTABLECIMIENTO PÚBLICO EMPRESAS MUNICIPALES DE CALI (hereinafter called the Borrower).

WHEREAS the Borrower has requested the Bank to assist in the financing of a project for the construction of water supply, sewerage and drainage 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 Agreement¹) the Guarantor has agreed *inter alia* to guarantee the obligations of the Borrower under this Agreement and to provide the Borrower with additional funds adequate to carry out the Project; and

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:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank

¹ See p. 272 of this volume.

dated January 31, 1969,¹ with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following terms shall have the following meanings:

(a) “*Estatutos*” means the statutes set forth in *Acuerdo* No. 50 of 1961, as amended by *Acuerdo* No. 88 of 1966, of the Concejo Municipal de Cali, as further amended from time to time after approval of the Bank, under which the Borrower was established and operates.

(b) “pesos” and “Col. \$” mean pesos in currency of the Guarantor.

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 five hundred thousand dollars (\$18,500,000).

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 Loan Agreement and in accordance with the allocation of the proceeds of the Loan set forth in Schedule I 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 Bank and the Borrower.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Loan Agreement:

- (i) such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods or services included in Categories II and IV of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement; and
- (ii) the equivalent of forty-one per cent (41%) of such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods or services included in Categories I, III and V of said allocation of the proceeds of the Loan;

provided, however, that (1) if there shall be an increase in the estimate of such payments for goods or services included in any of the Categories I, III and V, the Bank

¹ See p. 280 of this volume.

may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category; and (2) if there shall be a decrease in the estimate of such payments for goods or services included in any Category, the Bank shall, by notice to the Borrower, adjust the percentage then specified in respect of Category I, III or V as required to permit the aggregate of all withdrawals of the amount of the Loan to reach, or to limit such aggregate to, an amount equivalent to fifty per cent (50%) of the then estimated total cost of the goods and services required for the Project, but only to the extent that such adjustments shall not result in withdrawals on account of payments for taxes imposed by the Guarantor or any of its political subdivisions.

(b) The Borrower shall also be entitled to withdraw from the Loan Account such amounts as shall be required to meet payments to be made for interest and other charges on the Loan accrued on or before January 31, 1974, or such other date as may be agreed between the Bank and the Borrower.

Section 2.04. It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account under Categories I, III and V of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement may be made on account of payments in the currency of the Guarantor, or for goods produced in, or services supplied from, the territories of the Guarantor.

Section 2.05. 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 2.06. The Borrower shall pay interest at the rate of seven per cent (7%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on February 1 and August 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 2 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 Loan 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 and services 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 August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Bank and the Borrower, and (ii) contracts for the procurement of such goods and services shall be subject to the concurrence of the Bank.

Section 3.03. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services 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 VIII of the General Conditions.

Section 4.02. The *Gerente General* of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

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 (for supervision of the carrying out of the Project and for detailed engineering) 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: (i) maintain or cause to be maintained records adequate to identify the goods and services 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.

(b) Before such date as shall be agreed by the Bank and the Borrower, the Borrower shall have introduced and completed adequate and efficient budgeting and accounting procedures and budget controls and a reorganization of its Accounting and Internal Auditor's Departments, satisfactory to the Bank.

(c) The Borrower shall: (i) maintain for each of its services separate accounts and financial statements (balance sheets, statements of income and expenses and related statements); (ii) have such accounts and statements for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank; (iii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iv) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

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 and services, 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.

Section 5.04. 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 assisted by adequate experienced and competent staff.

Section 5.05. (a) The Borrower shall take all steps necessary to acquire, maintain and renew all lands, interests in land and other properties and all rights, powers, privileges and franchises which are necessary or useful in the carrying out of the Project or 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 5.06. (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 the 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 5.07. 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 5.08. Except as the Bank shall otherwise agree, the Borrower shall be entitled to incur debt only after the Closing Date, and before the Closing Date only if such debt relates to its power of telecommunication services, provided, however, that:

- (i) in case of debt to be incurred before the Closing Date, the net revenues generated by its power and telecommunication services for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever amount is greater, shall be not less than 1.5 times the maximum debt service requirement for any succeeding fiscal year on all debt relating to its power and telecommunication services, including the debt to be incurred; and
- (ii) in case of debt to be incurred on or after the Closing Date, all its net revenues for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever amount is 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:

(a) The term “debt” shall mean any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.

(b) 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.

(c) The term “net revenues” shall mean for the purpose of sub-Section (i) gross revenues from the Borrower’s power and telecommunication services and for the purpose of sub-Section (ii) 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, including maintenance, all contributions to the Municipality of Cali and the cost of the services provided to said Municipality free of charge, but before provision covering depreciation, interest and other charges on debt.

(d) The term “debt service requirement” shall mean the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt.

(e) 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 5.09. 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. Until the Project is completed, the Borrower shall allocate all funds generated by its water and sewer services exclusively to such services, including the Project, and shall not transfer such funds, or any portion thereof, to any of its other services.

Section 5.12. Except as the Bank and the Borrower, with the approval of the Guarantor, shall otherwise agree:

(a) The Borrower shall establish and maintain:

- (i) tariffs for its power and telecommunication services which will provide an annual rate of return of seven per cent (7%) of the average net current value of the fixed power assets and of the fixed telecommunication assets operated by the Borrower or such higher percentage as shall be needed to meet the financial requirements of the Borrower in respect of such services; and
- (ii) tariffs for its water supply and sewerage services which will provide the following minimum annual rates of return on the average net current value of the fixed water supply and sewerage assets operated by the Borrower:

two and one-half per cent (2½%) in the year 1970;
three and one-half per cent (3½%) in the year 1971;
four per cent (4%) in the year 1972;
four and one-half per cent (4½%) in the year 1973;
five per cent (5%) in the year 1974;
five and one-half per cent (5½%) in the year 1975;
six per cent (6%) in the year 1976;
seven and one-half per cent (7½%) in the year 1977; and
eight per cent (8%) in the year 1978 and subsequent years.

Such rates of return shall be calculated in accordance with the method outlined in Schedule 5 to this Agreement.

(b) The Borrower shall, in each calendar semester, review the adequacy of its tariffs to produce the annual returns 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 any of the annual returns required under paragraph (a) in the course of the calendar year in which such review is made, the Borrower shall adjust its tariffs accordingly, and the adjusted tariffs shall be brought into effect not later than on the first day of the semester following the semester in which such review is made.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower and the Guarantor declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified:

The *Estatutos*, or any provision thereof, shall have been amended, suspended or abrogated without the prior agreement of the Bank.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1974, or such other date as shall be agreed between the Bank and the Borrower.

Section 7.02. The date of September 4, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

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:

Establecimiento Público Empresas Municipales de Cali
Edificio Banco Industrial Colombiano
Cali
Colombia

Alternative address for cables:

Emcali
Cali

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 to be delivered in Bogotá, Distrito Especial, Colombia, as of the day and year first above written.

International Bank for Reconstruction and Development:

By GERALD ALTER
Director, South America Department

Establecimiento Público Empresas Municipales de Cali:

By ANTONIO GARCÉS SINISTERRA
Authorized Representative

SCHEDULE 1
ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Civil works	5,500,000
II. Imported equipment, materials, supplies and tools	3,100,000
III. Equipment, materials, supplies and tools procured in the territories of the Guarantor	2,700,000
IV. Consultants' services for Project engineering and supervision— foreign currency expenditures	600,000
V. Consultants' services for Project engineering and supervision— local currency expenditures	300,000
VI. Interest and other charges on the Loan	2,100,000
VII. Unallocated	4,200,000
TOTAL	<u>18,500,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to VI 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 VII.

2. If the estimate of the cost of the items included in any of the Categories I to VI shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan (or, in the case of Categories I, III and V, an amount equal to 41% of such increase) will be allocated by the Bank, at the request of the Borrower, to such Category from Category VII, 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>
August 1, 1974	200,000	August 1, 1980	300,000
February 1, 1975	205,000	February 1, 1981	310,000
August 1, 1975	215,000	August 1, 1981	325,000
February 1, 1976	220,000	February 1, 1982	335,000
August 1, 1976	230,000	August 1, 1982	345,000
February 1, 1977	235,000	February 1, 1983	360,000
August 1, 1977	245,000	August 1, 1983	370,000
February 1, 1978	255,000	February 1, 1984	385,000
August 1, 1978	265,000	August 1, 1984	395,000
February 1, 1979	270,000	February 1, 1985	410,000
August 1, 1979	280,000	August 1, 1985	425,000
February 1, 1980	290,000	February 1, 1986	440,000

SCHEDULE 2 (cont'd)

<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>
August 1, 1986	455,000	February 1, 1991	620,000
February 1, 1987	470,000	August 1, 1991	645,000
August 1, 1987	490,000	February 1, 1992	665,000
February 1, 1988	505,000	August 1, 1992	690,000
August 1, 1988	525,000	February 1, 1993	715,000
February 1, 1989	540,000	August 1, 1993	740,000
August 1, 1989	560,000	February 1, 1994	765,000
February 1, 1990	580,000	August 1, 1994	790,000
August 1, 1990	600,000	February 1, 1995	835,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	¾ %
More than three years but not more than six years before maturity	2 %
More than six years but not more than eleven years before maturity	2¾ %
More than eleven years but not more than sixteen years before maturity	4¼ %
More than sixteen years but not more than twenty-one years before maturity	5½ %
More than twenty-one years but not more than twenty-three years before maturity	6½ %
More than twenty-three years before maturity	7 %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project will serve Cali's metropolitan area and consists of the following:

Part A. The engineering and construction of water supply facilities on the Cauca River near Cali, including the first stage of a water treatment plant with a nominal capacity of approximately three cubic meters per second, with the usual off-sites and auxiliaries.

Part B. The engineering and construction of water distribution facilities adequate to carry the output of the plant, and house connections in the barrios of Unión de Vivienda Popular, El Rodeo, Siloe and Terrón Colorado, and other barrios in Cali's metropolitan area.

Part C. The engineering and construction of sewerage facilities, and house connections.

Part D. The engineering and construction of various drainage canals and storm drains.

The Project is expected to be completed by December 1973.

SCHEDULE 4

PROCUREMENT

The goods and civil works to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions set forth or referred to in Section 3.02 of this Agreement and the following supplementary procedures:

I. The civil works included in the Project shall be grouped into contracts of such size as shall be acceptable to the Bank.

II. With respect to contracts for civil works estimated to cost \$300,000 equivalent or more, and contracts for equipment, materials, supplies or tools estimated to cost \$50,000 equivalent or more, the following procedures shall apply:

- (a) Before bids are invited, the Borrower shall submit to the Bank for its concurrence the invitations to bid, specifications and all other tender documents, together with a description of advertising procedures. If prequalification is to be used, the Borrower shall submit to the Bank for its concurrence the procedures for such prequalification before the qualification information is invited and, subsequently, the results of the prequalification with a justification thereof.
- (b) After bids have been received and analysed, the bid analysis and recommendation for contract award, together with the reasons for such recommendation shall be submitted to the Bank for its concurrence prior to the contract award or the issuance of a letter of intent.
- (c) If the proposed final contract differs substantially from the terms and conditions contained in the documents previously concurred with by the Bank, the text of the proposed contract will be submitted to the Bank for its review and concurrence.

III. With respect to any contract for procurement of such goods or services estimated to cost less than the equivalent amounts specified under II, the Borrower shall submit to the Bank, at the time the award is made, a summary of bids or quotations received, the analysis thereof and the recommendation thereon, together with a copy of the *Acta* of the public opening of the bids.

IV. As soon as a contract is signed, and prior to the date of submission of the first application for withdrawal of proceeds of the Loan in respect of any payment thereunder, the Borrower shall furnish to the Bank a certified copy of such contract.

SCHEDULE 5

METHOD FOR CALCULATING RATES OF RETURN

1. The annual returns specified in Section 5.12 (a) of this Loan Agreement shall be calculated, for each of the water supply and sewerage, the power and the telecommunication services, in each calendar semester in respect of the calendar year in which such review is made and the preceding calendar year, by using as the denominator the average between the net current values of the respective fixed assets in service at the beginning and at the end of each such calendar year and as numerator the operating income generated by the respective service over the same year. The assets used as denominator shall not include: (i) assets transferred to the Borrower by customers other than the Municipality of Cali; and (ii) other assets but only to the extent that the construction or installation costs thereof have been recovered through the collection of an *impuesto*, a *derecho* or other investment contributions.

2. Any shortfall in the required annual returns for the calendar year preceding the calendar year in which the calculations are to be made shall be carried forward and subtracted from the numerator used for the last mentioned calendar year.

3. "Operating income" shall be the difference between all revenues generated by the service in question (which does not include the before-mentioned *impuestos*, *derechos* and other investment contributions) and all administrative and operating costs relating thereto, including maintenance, adequate provision for straight-line depreciation on the current value of assets, all contributions to the Municipality of Cali and the cost of the services provided to said Municipality free of charge, but excluding interest and other charges on debt.

4. The net current value of assets shall at any given date be their gross value less accumulated depreciation to such date. In September 1970 the current value of the water supply and sewerage assets shall be the value of such assets as of December 31, 1968, i.e. three hundred twenty million eight hundred thousand *pesos* (Col. \$320,-800,000), plus the original cost of such assets placed into service after December 1968, all such assets as revalued in accordance with the following paragraph 5.

5. 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 the assets shall be revalued, the water supply and sewerage assets in service as of December 31, 1968, from that date and the other assets 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-Ciudad de Cali* 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 semester in which the calculation is to be made.

6. Depreciation shall be charged on a straight-line basis over the estimated useful life of the assets.