

No. 11443

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

Guarantee Agreement—*Fourth Development Finance Companies Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Loan Agreement between the Bank and the Banco de la República). Signed at Washington on 28 May 1971

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 16 December 1971.

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

Contrat de garantie—*Quatrième projet concernant des sociétés financières de développement économique* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat d'emprunt entre la Banque et le Banco de la República). Signé à Washington le 28 mai 1971

Texte authentique: anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 16 décembre 1971.

GUARANTEE AGREEMENT¹

AGREEMENT, dated May 28, 1971, 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 herewith² between the Bank and Banco de la República (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to forty million dollars (\$40,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided;

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

WHEREAS by Subsidiary Loan Agreements of even date herewith between the Borrower, as party of the first part, and the Corporación Financiera de Caldas, the Corporación Financiera Colombiana, the Corporación Financiera Nacional, the Corporación Financiera del Norte and the Corporación Financiera del Valle, as parties of the second part, respectively, said parties of the second part have undertaken certain obligations to the Borrower and the Bank relating to the carrying out of the project described in the Loan Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

Article I. GENERAL CONDITIONS; DEFINITIONS

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, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

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

Article II. GUARANTEE; BONDS

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Guarantee 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

¹ Came into force on 27 October 1971, upon notification by the Bank to the Government of Colombia.

² See p. 7 of this volume.

³ *Ibid.*

other charges on, the Loan, the principal of and interest on the Bonds and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. The Guarantor shall endorse, in accordance with the provisions of the Loan Agreement, its guarantee on any 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 8.10(a) of the General Conditions.

Article III. OTHER COVENANTS

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 or the Bonds by way of a lien on governmental assets. To that end, the Guarantor: (i) represents that at the date of this Guarantee Agreement no lien exists on governmental assets as security for any external debt, except as otherwise disclosed in writing by the Guarantor to the Bank, and (ii) undertakes that, except as the Bank shall otherwise agree, if any such lien shall be created, it 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 “governmental assets” includes assets of the Guarantor or of any of its political subdivisions or of any Agency or of the Borrower 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. The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of its political subdivisions to take any action which would prevent or interfere with the performance by the Borrower and the Financieras of any of the respective covenants, agreements and obligations of the Borrower and the Financieras in the Loan Agreement and the Subsidiary Loan Agreements contained, and will take or cause to be taken all reasonable action necessary or appropriate to enable the Borrower and the Financieras to perform such covenants, agreements and obligations.

Article IV. CONSULTATION AND INFORMATION

Section 4.01. The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Guarantor and the Bank shall from time to time, at the request of either party: (i)

exchange views through their representatives with regard to the performance of their respective obligations under this Guarantee Agreement and other matters relating to the purposes of the Loan; and (ii) 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, including its balance of payments, and the external debt of the Guarantor, of any of its political subdivisions and of any agency of the Guarantor or of any such political subdivision.

Section 4.02. (a) 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.

(b) 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.

Article V. TAXES AND RESTRICTIONS

Section 5.01. 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 imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the foregoing 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 5.02. The Guarantee Agreement, the Loan Agreement, any instrument made pursuant to Section 3.01 of this Guarantee Agreement, the Subsidiary Loan Agreements 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 and the Guarantor shall, in respect of any instrument made pursuant to such Section 3.01, pay all such taxes, if any, imposed under the laws of any other country or countries.

Section 5.03. The payment of the Principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls or moratoria of any nature imposed under the laws of the Guarantor or laws in effect in its territories.

Article VI. REPRESENTATIVE OF THE GUARANTOR; ADDRESSES

Section 6.01. The Minister of Finance and Public Credit of the Guarantor is designated for the purposes of Section 10.03 of the General Conditions.

Section 6.02. 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

Cable address:

Minhacienda
Bogotá

For the Bank:

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

Cable address:

Intbafrad
Washington, D.C.

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 ALFONSO PATIÑO ROSSELLI
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 May 28, 1971, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BANCO DE LA REPÚBLICA (hereinafter called the Borrower).

WHEREAS by Resolution No. 11 of February 28, 1963 (hereinafter called Resolution No. 11), the Borrower created a fund, denominated Fondo para Inversiones Privadas (hereinafter called FIP), to finance investments in the private sector;

WHEREAS by a loan agreement dated May 31, 1966,¹ between the Bank and the Borrower (hereinafter called the First Loan Agreement) the Bank made a loan to the Borrower for the purpose of providing financial assistance through FIP to the Corporación Financiera de Caldas, the Corporación Financiera Colombiana, the Corporación Financiera Nacional, the Corporación Financiera del Norte and

¹ United Nations, *Treaty Series*, vol. 608, p. 279.

the Corporación Financiera del Valle, private companies organized under the laws of the Republic of Colombia (hereinafter when collectively referred to called Financieras), for investment in productive projects in Colombia;

WHEREAS by a loan agreement dated May 22, 1968,¹ between the Bank and the Borrower (hereinafter called the Second Loan Agreement) the Bank made a second loan to the Borrower also for the purpose of providing financial assistance through FIP to the Financieras for investment in productive projects in Colombia;

WHEREAS by a loan agreement dated June 27, 1969,² between the Bank and the Borrower (hereinafter called the Third Loan Agreement) the Bank made a third loan to the Borrower also for the purpose of providing financial assistance through FIP to the Financieras for investment in productive projects in Colombia;

WHEREAS by a guarantee agreement dated May 31, 1966,³ between the Republic of Colombia (hereinafter called the Guarantor) and the Bank, the First Loan Agreement was guaranteed as to payments of principal, interest and other charges;

WHEREAS by a guarantee agreement dated May 22, 1968,⁴ between the Guarantor and the Bank, the Second Loan Agreement was guaranteed as to payments of principal, interest and other charges;

WHEREAS by a guarantee agreement dated June 27, 1969,⁵ between the Guarantor and the Bank, the Third Loan Agreement was guaranteed as to payments of principal, interest and other charges; and

WHEREAS the Bank has agreed to make a fourth loan to the Borrower, upon the terms and conditions hereinafter set forth and on condition that such loan be guaranteed as to payment of principal, interest and other charges by the Guarantor upon the terms and conditions of a Guarantee Agreement of even date herewith⁶ between the Guarantor and the Bank;

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 dated January 31, 1969,⁷ with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to this Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, 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 additional terms have the following meanings:

(a) "Subsidiary Loan Agreements" means the loan agreements between the Borrower and the Financieras to be executed pursuant to Section 4.02 of this Loan Agreement;

(b) "sub-loan" means a loan made or proposed to be made by a Financiera out of the proceeds of the Loan to an Investment Enterprise for an Investment Project and

¹ United Nations, *Treaty Series*, vol. 675, p. 230.

² *Ibid.*, vol. 730, p. 233.

³ *Ibid.*, vol. 608, p. 279.

⁴ *Ibid.*, vol. 675, p. 230.

⁵ *Ibid.*, vol. 730, p. 233.

⁶ See p. 4 of this volume.

⁷ See p. 7 of this volume.

“free-limit sub-loan” means a sub-loan, as so defined, which qualifies as a free-limit sub-loan pursuant to the provisions of Section 2.02(b) of this Loan Agreement;

(c) “investment” means an investment, other than a sub-loan, made or proposed to be made by a Financiera out of the proceeds of the Loan in an Investment Enterprise for an Investment Project;

(d) “Investment Enterprise” means a privately controlled enterprise to which a Financiera shall have granted a sub-loan, or in which it shall have made an investment, in accordance with and as provided in Section 3.01 of this Loan Agreement;

(e) “Investment Project” means a specific development project for productive purposes within the territories of the Guarantor to be carried out by an Investment Enterprise and to be financed out of the proceeds of the Loan by means of a sub-loan or an investment;

(f) “Financiera” means any one of the Financieras referred to in the preamble to this Loan Agreement;

(g) “Pesos” and “Col.\$” mean the currency of the Guarantor;

(h) “foreign currency” means any currency other than the currency of the Guarantor;

(i) “Estatutos” means, as the case may be:

- (1) the *Estatutos* of Corporación Financiera de Caldas, dated September 8, 1961, as amended as of April 5, 1971;
- (2) the *Estatutos* of Corporación Financiera Colombiana, dated May 25, 1959, as amended as of March 12, 1964;
- (3) the *Estatutos* of Corporación Financiera Nacional, dated March 31, 1959, as amended as of February 23, 1970;
- (4) the *Estatutos* of Corporación Financiera del Norte, dated December 2, 1963, as amended as of May 4, 1970; and
- (5) the *Estatutos* of Corporación Financiera del Valle, dated November 27, 1961, as amended as of June 3, 1970;

(j) “Statement of Operating Policies and Procedures” means the statement of lending and investment policy, approved by the Directors of:

- (1) Corporación Financiera de Caldas on March 16, 1966, as amended as of April 13, 1971;
- (2) Corporación Financiera Colombiana on October 26, 1961, as amended as of March 17, 1966;
- (3) Corporación Financiera Nacional on February 21, 1966, as amended as of May 27, 1968;
- (4) Corporación Financiera del Norte on February 18, 1966, as amended as of August 13, 1968; and
- (5) Corporación Financiera del Valle on March 11, 1964;

as amended from time to time with the prior approval of the Bank;

(k) “Prior Loan Agreements” means the First Loan Agreement, the Second Loan Agreement and the Third Loan Agreement as defined in the preamble of this Loan Agreement and “Prior Loans” means any loan provided for thereunder;

(l) “Prior Guarantee Agreements” means the First Guarantee Agreement, the

Second Guarantee Agreement and the Third Guarantee Agreement, as defined in the preamble of this Loan Agreement; and

(m) "Subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by any of the Financieras or by any one or more subsidiaries of any of the Financieras or by any of the Financieras and one or more of its subsidiaries.

Words importing the singular number include the plural number and *vice versa*.

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 forty million dollars (\$40,000,000).

Section 2.02. (a) Subject to the allocation of the proceeds of the Loan set forth in Section 3.02 of this Loan Agreement and to the other provisions of this Loan Agreement, the Borrower may withdraw from the Loan Account amounts disbursed (or, if the Bank shall so agree, amounts required to meet disbursements to be made) by any Financiera under a sub-loan or investment to finance the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal is requested; provided, however, that no amount shall be withdrawn from the Loan Account in respect of a sub-loan or investment unless (i) the sub-loan or investment shall have been approved in writing by the Bank; or (ii) the sub-loan shall be a free-limit sub-loan for which the Bank shall have authorized withdrawals from the Loan Account.

(b) A free-limit sub-loan shall be:

- (i) a sub-loan made or proposed to be made singly by Corporación Financiera Colombiana or by Corporación Financiera Nacional or by Corporación Financiera del Norte or by Corporación Financiera del Valle;
- (ii) in an amount to be financed under this Loan Agreement which, together with any other amount or amounts financed by any one or more of the Financieras for the same project out of the proceeds of the Loan and not repaid, shall not exceed in the aggregate the equivalent of \$250,000; and
- (iii) which amount, when added to all other free-limit sub-loans financed out of the proceeds of the Loan and made or proposed to be made by the same Financiera which has made or proposes to make the sub-loan in question shall not exceed, in the aggregate, the equivalent of \$4,000,000.

The foregoing amounts shall be subject to change from time to time as determined by the Bank.

(c) No withdrawals shall be made from the Loan Account pursuant to paragraph (a) of this Section in excess of the equivalent of \$4,000,000, for any Investment Project, unless the Bank and the Borrower are satisfied with its high economic priority and that no alternative or supplemental source of financing is available.

(d) Except as the Bank and the Borrower shall otherwise agree, and subject to the provisions of Section 5.01 of the General Conditions, no withdrawals shall be made under a sub-loan subject to the Bank's approval, or under an investment, on account of disbursements made more than ninety days prior to the date on which the Bank shall have received in respect of the Investment Project to be financed thereunder the application and information required by Section 2.03 (a) of this Loan Agreement or, under a free-limit sub-loan, more than ninety days prior to the date on which the Bank shall have received the request and information required by Section 2.03 (b) of this Loan Agreement.

(e) No withdrawals shall be made by the Borrower from the Loan Account unless the amount to be so withdrawn, or the Peso equivalent thereof, shall have been

disbursed (or, if the Bank shall have so agreed pursuant to paragraph (a) of this Section, shall be required to meet disbursements to be made) by the Borrower to any Financiera, pursuant to and in accordance with the respective Subsidiary Loan Agreement between the Borrower and such Financiera.

Section 2.03. (a) When submitting a sub-loan (other than a free-limit sub-loan) or an investment to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with a description of the Investment Enterprise and of the Investment Project to be financed thereunder, including (i) a description of the expenditures proposed to be financed out of the proceeds of the Loan, (ii) the proposed terms and conditions of the sub-loan to, or investment in, the Investment Enterprise, including the schedule of amortization of the sub-loan or of repayment to the Bank of the amount of the Loan to be used for the investment, and (iii) such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit sub-loan shall contain a summary description of the Investment Enterprise and of the Investment Project, including (i) a description of the expenditures proposed to be financed out of the proceeds of the Loan and (ii) the terms and conditions of such free-limit sub-loan, including the schedule of amortization therefor.

(c) The Borrower shall submit to the Bank, forthwith upon receipt of a request of a Financiera and as provided in the Subsidiary Loan Agreements, requests for the Bank's approval of Investment Projects or authorizations to make withdrawals, as the case may be pursuant to this Section, and applications for withdrawals from the Loan Account pursuant to the provisions of Section 2.02 of this Loan Agreement; provided, however, that if the Borrower shall determine, after taking into account the economic policies of the Guarantor, that any Investment Project, in respect of which a request for the Bank's approval or authorization to make withdrawals is received from a Financiera, shall not make a significant contribution to the economic development of Colombia, the Borrower may, by notice to the Bank and such Financiera setting forth the reasons for such determination, refuse to submit such request for approval or authorization and the corresponding application for withdrawal.

(d) Except as the Bank and the Borrower shall otherwise agree, applications and requests permitted under paragraphs (a) and (b) of this Section shall be submitted to the Bank on or before June 30, 1973.

Section 2.04. The Closing Date shall be December 31, 1974 or such other date as shall be agreed between the Bank and the Borrower.

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 and one-quarter per cent ($7\frac{1}{4}\%$) 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 May 1 and November 1 in each year.

Section 2.08. (a) The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement, as such Schedule shall be amended from time to time by the Bank to the extent required to: (i) conform in relevant part substantially to the aggregate of the amortization schedules applicable to sub-loans and to investments, which have been approved or authorized for withdrawals from the Loan Account under Section 2.03 of this Loan Agreement and (ii) take into account any cancellation pursuant to Article VI of the General Conditions and any repayments made by the Borrower under Section

2.09 of this Loan Agreement; provided that repayments due hereunder shall be made on May 1 and November 1 in each year. Such amendments of said Schedule 1 shall include amendments to the table of premiums on prepayments and redemption, if necessary.

(b) The schedule of amortization of each sub-loan or of repayment to the Bank of the amount of the Loan to be used for each investment shall provide for an appropriate period of grace, and, unless the Bank and the Borrower shall otherwise agree (i) shall not extend beyond fifteen years from the date of approval by the Bank of such sub-loan or investment, or in the case of a free-limit sub-loan, of authorization by the Bank to make withdrawals from the Loan Account in respect thereof, and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal and interest or approximately equal, semi-annual, or more frequent, payments of principal.

Section 2.09. Unless the Bank and the Borrower shall otherwise agree:

(a) If (i) a sub-loan or any part thereof shall be repaid to any of the Financieras in advance of maturity, or (ii) a sub-loan or an investment or any part thereof shall be sold, transferred, assigned or otherwise disposed of for value by any of the Financieras, or (iii) any of the Financieras shall repay to the Borrower, in advance of maturity, in whole or in part, any amount lent by the Borrower to any such Financiera under the Subsidiary Loan Agreement between the two, then the Borrower shall promptly notify the Bank and shall repay to the Bank, on the next following interest payment date, an amount of the Loan equivalent to the amount so prepaid, together with the premiums specified in Schedule 1 to this Loan Agreement or in any amendment thereof under Section 2.08 (a) of this Loan Agreement.

(b) Any amount so repaid by the Borrower shall be applied by the Bank as follows: (i) in the case of a sub-loan, to the maturity or maturities of the Loan in amounts corresponding to the unpaid amounts of the maturity or maturities of the sub-loan so repaid or disposed of, and (ii) in the case of an investment, *pro rata* to the maturity or maturities of the Loan reflecting amounts to be repaid on account of such investment.

(c) The first sentence of Section 3.05 (b) of the General Conditions shall not apply to any repayment made under paragraph (a) of this Section.

Section 2.10. (a) 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.

(b) The General Manager of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article III. DESCRIPTION OF PROJECT; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is granted is the financing by the Financieras of Investment Projects through sub-loans to, and investments in, Investment Enterprises, in accordance with the *Estatutos* and Statements of Policy of Operating Policies and Procedures of the respective Financieras.

Section 3.02. The Borrower shall relend the proceeds of the Loan to the Financieras through FIP in accordance with the Subsidiary Loan Agreements as follows:

(a) Up to June 30, 1972:

(i) an amount equivalent to \$20,000,000 shall be allocated to the Financieras in the following respective amounts:

Corporación Financiera de Caldas	\$4,000,000
Corporación Financiera Colombiana	\$4,000,000

Corporación Financiera Nacional	\$4,000,000
Corporación Financiera del Norte	\$4,000,000
Corporación Financiera del Valle	\$4,000,000

provided, however, that no amount allocated in accordance with this sub-paragraph shall be relented for purposes of any Investment Project referred to in sub-paragraph (ii) (1) below; and

- (ii) the balance, equivalent to \$20,000,000, shall be allocated (1) to the Financieras in the amounts of any sub-loan or investment for any Investment Project financed by three or more Financieras and approved or authorized for withdrawal by the Bank pursuant to Section 2.03 of this Loan Agreement, and (2) to any Financiera in the amount of any sub-loan or investment approved or authorized for withdrawal by the Bank pursuant to Section 2.03 of this Loan Agreement, after the amount of the Loan allocated to such Financiera under sub-paragraph (i) above shall have been fully committed for Investment Projects approved or authorized for withdrawal by the Bank, such allocation to be made in the order in which requests for approval or authorization are received by the Bank for such sub-loans or investments; and

(b) After June 30, 1972, the aggregate of:

- (i) any amount of the Loan under paragraph (a) above in respect of which no request for approval or authorization for withdrawal pursuant to Section 2.03 of this Loan Agreement shall have been received by the Bank; plus
- (ii) any such amount in respect of which any such request shall have been so received up to June 30, 1972, but shall not have been so approved or authorized,

shall be allocated to the Financieras to be relented for the purposes and in the manner provided for in the preceding sub-paragraph (a) (ii) of this Section.

(c) The Borrower shall cause each Financiera to apply the proceeds of the Loan made available to it by the Borrower hereunder exclusively to the financing of Investment Projects in accordance with the provisions of this Loan Agreement and the respective Subsidiary Loan Agreement.

Article IV. MANAGEMENT AND OPERATIONS OF THE BORROWER

Section 4.01. (a) The Borrower shall carry out the Project and conduct the operations of FIP in accordance with sound financial and investment standards and practices, under the supervision of qualified and experienced management.

(b) The Borrower shall maintain records adequate to record the progress of the Project and to reflect separately from its other operations and in accordance with consistently maintained sound accounting practices the operations and financial condition of FIP. The Borrower shall enable the Bank's representatives to examine such records.

(c) The Borrower shall have the financial statements of FIP certified annually by an organization acceptable to the Bank and shall, promptly after their preparation and not later than four months after the close of the fiscal year to which they apply, transmit to the Bank certified copies of such statements and a signed copy of such organization's certificate.

Section 4.02. For the purposes of Section 3.02 of this Loan Agreement, the Borrower shall enter into a Subsidiary Loan Agreement, satisfactory to the Bank, with each Financiera, and except as the Bank shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of a Subsidiary Loan Agreement.

Section 4.03. Each Subsidiary Loan Agreement shall include provisions:

- (a) enabling the Borrower to carry out its obligations under this Loan Agreement; and
- (b) including, without limitation, the obligation on the part of the Financiera which is a party to such Subsidiary Loan Agreement to: (i) carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, under the supervision of qualified and experienced management and in accordance with its *Estatutos* and its Statement of Operating Policies and Procedures; (ii) cause the Investment Enterprises financed by it to carry out the respective Investment Projects with due diligence and efficiency and in accordance with sound technical, managerial and financial standards, including the maintenance of adequate records and documents; (iii) use, and cause the Investment Enterprise financed by it to use, the proceeds of the Loan exclusively to finance the goods and services required to carry out the Investment Project in respect of which such proceeds were withdrawn and ensure that such goods and services shall be used exclusively in the carrying out of such Investment Project; (iv) ensure the right of the Bank and of the Financiera to inspect the goods financed out of the proceeds of the Loan, the sites, works, plants and construction included in each Investment Project financed by it, the operation thereof and the operation of the Financiera and any relevant records and documents; (v) require that the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice and that, without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, and that any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods; (vi) incur debts not in excess of such limits as shall be agreed from time to time between the Bank and the Financiera; (vii) have its accounts audited by auditors acceptable to the Bank and furnish to the Bank, promptly upon their preparation, the Financiera's audited financial statements and the auditor's report thereon; (viii) ensure the right of the Bank and the Borrower to obtain all such information as the Bank shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Financiera and of the Investment Enterprises it shall finance; and (ix) ensure the right of the Financiera to suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations to the Financiera.

Section 4.04. (a) Subject to the provisions of paragraph (c) of this Section, the Borrower shall exercise its rights in relation to each Financiera, each Investment Project and each Investment Enterprise in such manner as to protect at all times the interests of the Bank and the Borrower.

(b) The Borrower shall promptly take all such action and exercise all such recourse available to it under a Subsidiary Loan Agreement with a Financiera as the Bank shall request in order to ensure the prompt and full performance by such Financiera of its obligations thereunder.

(c) The Borrower shall not, without the prior agreement of the Bank, suspend or terminate the right of a Financiera to have access to the proceeds of the Loan under the Subsidiary Loan Agreement with such Financiera or declare the principal amount of the loan thereunder due and payable prior to the agreed maturity unless the right of the Borrower to withdraw the proceeds of the Loan allocated to such Financiera shall have been suspended or terminated by the Bank or the Bank shall have declared the principal amount of the Loan relent to such Financiera to be due and payable immediately or a default shall have occurred in the due and punctual payment of any monies payable by such Financiera to the Borrower and such default shall continue for thirty days after notice thereof shall have been given by the Borrower to such Financiera.

Article V. CONSULTATION AND INFORMATION

Section 5.01. (a) The Bank and the Borrower shall cooperate fully to ensure 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 of their respective obligations under this Loan Agreement, to the administration, operations and financial condition of FIP and the Financieras and their subsidiaries, and to any other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the administration, operations and financial condition of FIP, the Financieras and their subsidiaries, the expenditure of the proceeds of the Loan, the Project, the Subsidiary Loan Agreements, the Investment Enterprises, the Investment Projects and the sub-loans and investments.

Section 5.02. 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 of its obligations under this Loan Agreement.

Article VI. TAXES

Section 6.01. The Borrower shall pay or cause to be paid all taxes, if any, imposed 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, under the laws of the Guarantor or laws in effect in its territories, 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.

Article VII. REMEDIES OF THE BANK

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 of this Loan 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.

The foregoing is subject to the proviso that if any event giving rise to such declaration is an event specified under Section 7.03 of this Loan Agreement, the Bank may so declare due and payable only that portion of the Principal of the Loan which shall be equivalent to the principal of the Loan which shall have then been repaid by the Borrower to the defaulting Financiera and not repaid to the Borrower. Payment of such amount shall be applied *pro rata* to the several installments of the principal amount of the Loan.

Section 7.02. For the purposes of Section 6.02 of the General Conditions the following additional events are specified:

- (a) a default shall occur in the performance of any obligation on the part of a Financiera under a Subsidiary Loan Agreement;
- (b) a Financiera shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by a Financiera or by others whereby any of the property of such Financiera shall or may be distributed among its creditors;

- (c) any loan or credit to a Financiera, having an original maturity of one year or more shall, in accordance with its terms, have become due and payable in advance of maturity as provided in the relative contractual instruments, or any security for any such loan or sub-loan shall have become enforceable;
- (d) the Guarantor or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of a Financiera or for the suspension of its operations;
- (e) a resolution shall have been passed for the dissolution or liquidation of a Financiera;
- (f) the *Estatutos* or the Statement of Operating Policies and Procedures of a Financiera shall have been amended without the prior approval of the Bank; and
- (g) a subsidiary or any other entity shall have been created or acquired or taken over by any of the Financieras, if such creation, acquisition or taking over would adversely affect the conduct of such Financiera's business or such Financiera's financial situation or the efficiency of such Financiera's management and personnel or the carrying out of the Project.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) any of the events specified in paragraph (a) or paragraph (f) or paragraph (g) of Section 7.02 of this Loan Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, the Guarantor and such Financiera; and
- (b) any of the events specified in paragraph (b) or paragraph (c) or paragraph (d) or paragraph (e) of Section 7.02 of this Loan Agreement shall occur.

Article VIII. EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions:

- (a) The execution and delivery of the Subsidiary Loan Agreements on behalf of the Borrower and the Financieras have been duly authorized or ratified by all corporate and governmental action; and
- (b) The condition of the Financieras as represented or warranted to the Bank at the date of this Loan Agreement has undergone no material adverse change between such date and the date agreed upon between the Bank and each Financiera for purposes of this paragraph;

provided, however, that even if one or more of the Financieras shall not have complied with the conditions stipulated in this Section, this Loan Agreement may become effective, at the option of the Bank, only in respect of such of the Financieras as shall have so complied therewith.

Section 8.02. The following is specified as an additional matter within the meaning of Section 11.02 (c) of the General Conditions to be included in the opinion or opinions to be furnished to the Bank:

That each Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Financiera which is a party thereto and constitutes a valid and binding obligation of the Borrower and of such Financiera in accordance with its terms.

Section 8.03. The date of August 26, 1971, is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article IX. MISCELLANEOUS

Section 9.01. 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

Cable address:

Intbafrad
 Washington, D.C.

For the Borrower:

Banco de la República
 Bogotá, Colombia

Cable address:

Redesbanco
 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 to be 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

Banco de la República:

By ALFONSO PATIÑO ROSSELLI
 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>
May 1, 1972	100,000	May 1, 1975	2,000,000
November 1, 1972	400,000	November 1, 1975	2,000,000
May 1, 1973	700,000	May 1, 1976	2,050,000
November 1, 1973	1,100,000	November 1, 1976	2,100,000
May 1, 1974	1,350,000	May 1, 1977	1,900,000
November 1, 1974	1,550,000	November 1, 1977	1,900,000

<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>
May 1, 1978	1,900,000	November 1, 1983	1,000,000
November 1, 1978	1,900,000	May 1, 1984	950,000
May 1, 1979	1,800,000	November 1, 1984	900,000
November 1, 1979	1,750,000	May 1, 1985	850,000
May 1, 1980	1,450,000	November 1, 1985	850,000
November 1, 1980	1,450,000	May 1, 1986	750,000
May 1, 1981	1,300,000	November 1, 1986	550,000
November 1, 1981	1,200,000	May 1, 1987	400,000
May 1, 1982	1,100,000	November 1, 1987	300,000
November 1, 1982	1,050,000	May 1, 1988	250,000
May 1, 1983	1,000,000	November 1, 1988	150,000

* The Amortization Schedule is subject to amendment pursuant to the provisions of Section 2.08 of the Loan Agreement.

** 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 to Section 2.08 (a) of the Loan Agreement 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	1 ¹ / ₄ %
More than three years but not more than six years before maturity	2 ¹ / ₂ %
More than six years but not more than eleven years before maturity	4 %
More than eleven years but not more than fifteen years before maturity	6 %
More than fifteen years before maturity	7 ¹ / ₄ %

SCHEDULE 2

MODIFICATIONS OF THE GENERAL CONDITIONS

For the purposes of this Loan Agreement, the provisions of the General Conditions are modified as follows:

(1) The following subparagraph (d) is added to Section 3.05:

“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in paragraph (b) of Section 3.05 and in Section 8.15.”

(2) The words “Investment Projects” are substituted for the words “the Project” at the end of Section 5.03.

(3) Section 6.02 (i) is deleted and replaced by the following new Section:

“Any event specified in paragraphs (e) or (f) of Section 7.01 shall have occurred.”

(4) Section 6.03 is deleted and replaced by the following new Section:

“SECTION 6.03. *Cancellation by the Bank.* If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days or (b) by the date specified in paragraph (d) of section 2.03 of this Loan Agreement no applications or requests permitted under paragraph (a) or paragraph (b) of such Section shall have been received by the Bank in respect of any portion of the Loan, or having been so received, shall have been denied, or (c) after the Closing Date an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice such amount or portion of the Loan shall be cancelled.”

(5) Paragraph (d) of Section 7.01 is deleted and replaced by the following new paragraph:

“(d) A default shall occur in the performance of any other obligation on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under any Prior Loan Agreement or under any Prior Guarantee Agreement, or under any bond issued pursuant to any such agreement, and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.”
