

No. 11442

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

**Guarantee Agreement—*Second Telecommunications Project*
(with annexed General Conditions Applicable to Loan and
Guarantee Agreements and Loan Agreement between the Bank
and the Empresa Nacional de Telecomunicaciones). 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 — *Deuxième projet relatif aux télé-
communications* (avec, en annexe, les Conditions générales
applicables aux contrats d'emprunt et de garantie et le Contrat
d'emprunt entre la Banque et l'Empresa Nacional de Tele-
comunicaciones). 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 the Loan Agreement of even date herewith² between the Bank and Empresa Nacional de Telecomunicaciones (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifteen million dollars (\$15,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

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

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this 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 Section 1.01 of 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 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.

¹ Came into force on 16 August 1971, upon notification by the Bank to the Government of Colombia.

² See p. 482 of this volume.

³ *Ibid.*

Article II

GUARANTEE; BONDS; PROVISION OF FUNDS

Section 2.01. Without limitation or restriction upon any of its other obligations under the 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 other obligations of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Without limiting the generality of the foregoing, the Guarantor specifically undertakes to take all action or cause all action to be taken which the Borrower may require for the punctual performance of its obligations under Section 5.05 of the Loan Agreement.

Section 2.02. 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.

Section 2.03. 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 the carrying out of 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

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 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 shall make and shall cause each of its agencies and instrumentalities to make due payment of all its present and future debts to the Borrower. Without limiting the generality of the foregoing, the Guarantor specifically guarantees the due payment of the debts as of December 31, 1970, of its Administración Postal Nacional to the Borrower in accordance with arrangements satisfactory to the Bank, and undertakes that any amount payable pursuant to such arrangements and not paid on or before the scheduled payment date shall be paid by the Guarantor within six months of such date.

(b) The Guarantor shall use its best efforts to ensure that the telephone operating entities which are independent from the Guarantor shall make due and punctual payment of all their present and future debts to the Borrower.

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 the 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 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 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 as representative of the Guarantor 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 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 EMPRESA NACIONAL DE TELECOMUNICACIONES (hereinafter called the Borrower).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof and to the amendment of Section 6.02 (i) thereof which shall read as follows: "Any event specified in paragraph (e) or (f) of Section 7.01 shall have occurred." (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 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) "Expansion Program" means the Borrower's four-year expansion program 1971-1974 as concurred with by the Bank;

(b) "First Loan Agreement" means the loan agreement of June 15, 1967² between the Bank and the Borrower, as amended from time to time;

(c) "First Guarantee Agreement" means the guarantee agreement of June 15, 1967² between the Guarantor and the Bank, as amended from time to time;

(d) "*Estatutos*" means the *estatutos* of the Borrower adopted by Resolution No. JD-001 of the Junta Directiva of the Borrower on June 19, 1969, as approved by *Decreto* No. 1184 of the Guarantor, dated July 21, 1969, and as amended from time to time; and

(e) "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 the Loan Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed under the Loan Agreement; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any

¹ See p. 482 of this volume.

² United Nations, *Treaty Series*, vol. 615, p. 47.

country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Bank shall otherwise agree, the goods and services (other than services of consultants) to be financed out of the proceeds of the Loan shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be June 30, 1975 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 March 15 and September 15 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 3 to this Agreement.

Section 2.09. 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 2.10. The President 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 III

EXECUTION OF THE PROJECT

Section 3.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering and telecommunication practices.

Section 3.02. In order to assist the Borrower in preparing and introducing subject to the approval of the Contraloría General of the Guarantor effective budgeting, costing and plant accounting procedures, the Borrower shall employ accounting consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against 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.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.04. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and procurement and construction schedules for the Project, and any material modifications or amplifications thereof, in such detail as the Bank shall reasonably request.

(b) The Borrower : (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Article IV

MANAGEMENT AND OPERATIONS OF THE BORROWER

Section 4.01. (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, assisted by qualified staff.

(b) Except as the Bank shall otherwise agree, the Borrower shall, until 1975, limit any increases in its staff to five per cent (5%) of the total number of its staff as of the beginning of the calendar year in which such increase shall take place.

Section 4.02. (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 from time to time 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, including the Project, 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 4.03. The Borrower shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound practice.

Article V

FINANCIAL COVENANTS

Section 5.01. The Borrower shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition.

Section 5.02. The Borrower shall : (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements, including cash flow statement) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) 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 (iii) 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 Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt except as otherwise disclosed in writing by the Borrower to the Bank.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree : (i) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will 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; and (ii) if any lien shall be created on any assets of the Borrower, other than under sub-paragraph (i) above, as security for any debt, the Borrower shall grant to the Bank an equivalent lien satisfactory to the Bank; provided, however, that the foregoing provisions of this Section shall not apply to : (A) 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 (B) 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 5.04. Except as the Bank shall otherwise agree, the Borrower shall not incur any debt unless its net revenues for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever amount is the greater, shall be not less than 1.5 times the maximum debt service requirement for any succeeding fiscal year on all debt, including the debt to be incurred. For the purposes of this Section :

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

(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 gross revenues from all sources, adjusted to take account of the Borrower's rates in effect at the time of the incurrence of debt even though they were not in effect during the fiscal year or twelve-month period to which such revenues relate, less all operating and administrative expenses

and provision for taxes, if any, but before provision covering depreciation, 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 5.05. Except as the Bank and the Borrower, with the approval of the Guarantor, shall otherwise agree :

(a) The Borrower shall establish and maintain tariffs which will provide an annual rate of return of at least eleven per cent (11%) on the average current net value of its fixed assets in operation calculated in accordance with the method outlined in Schedule 5 to this Agreement.

(b) The Borrower shall, before June 1 of each year, 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 calendar year in which the review takes place, the Borrower shall adjust its tariffs to ensure that any accumulated or estimated shortfall in revenues shall be recovered before June 1 of the following year; the adjusted tariffs shall be brought into effect before October 1 of the year in which the review takes place.

Section 5.06. Until the Expansion Program shall have been completed, the Borrower shall obtain the concurrence of the Bank before committing itself to any capital expenditure (including any expenditure for the acquisition of telephone operating entities) not required for the Expansion Program if the aggregate of such capital expenditure and all other such expenditures made or to be made in any one fiscal year should exceed an amount equivalent to five hundred thousand dollars (\$500,000) or an amount equivalent to five per cent (5%) of the aggregate amount of all its capital expenditures (including expenditures for the Expansion Program) made during the preceding fiscal year, whichever amount is greater.

Section 5.07. By June 30, 1972, the Borrower shall have completed the actuarial valuation of its pension liabilities and shall thereafter make arrangements, satisfactory to the Bank, to cover such liabilities.

Article VI

CONSULTATION; INFORMATION AND INSPECTION

Section 6.01. 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 of their respective obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purpose of the Loan.

Section 6.02. The Bank and the Borrower shall promptly inform each other 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 either of them of its obligations under the Loan Agreement.

Section 6.03. The Borrower shall enable the Bank's representatives to inspect all plants, sites, works, properties and equipment of the Borrower and any relevant records and documents.

Article VII

TAXES

Section 7.01. 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, any instrument made pursuant to Section 5.03 of this Agreement, the Guarantee Agreement¹ 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 VIII

AMENDMENT OF THE FIRST LOAN AGREEMENT

Section 8.01. The First Loan Agreement is hereby amended by substituting the text of Section 5.05 of this Agreement for the text of Section 5.08 of the First Loan Agreement and by adding Schedule 5 to this Agreement as a new Schedule 3 to the First Loan Agreement; references to Schedule 5 and Section 5.05 in the Section and Schedule so substituted and added shall be changed to Schedule 3 and Section 5.08, respectively.

Section 8.02. It is hereby agreed that the letter on tariffs supplemental to Section 5.08 of the First Loan Agreement, executed by the Borrower and the Bank on June 15, 1967, shall be cancelled and that all obligations of the Bank and the Borrower thereunder have terminated as of the date of this Agreement.

Section 8.03. Section 5.07 of the First Loan Agreement is hereby amended by substituting in the first sentence of that Section the words " whichever amount is the greater, shall be not less than 1.5 times " for the words " whichever is the greater, shall be not less than 1.7 times ".

¹ See p. 474 of this volume.

Article IX

REMEDIES OF THE BANK

Section 9.01. If any event specified in Section 7.01 of the General Conditions or in Section 9.02 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 the Loan Agreement or in the Bonds notwithstanding.

Section 9.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

(a) A default shall have occurred in the performance of any obligation on the part of the Borrower or the Guarantor under the First Loan Agreement, the First Guarantee Agreement or the bonds issued pursuant to the First Loan Agreement, and such default shall have continued in case of a default in any payment required under any such Agreement or bond for a period of thirty days, or in case of any other default for a period of sixty days after notice of such other default shall have been given by the Bank to the Borrower and the Guarantor.

(b) The *Estatutos* or any provision thereof shall have been amended, suspended or abrogated so as to affect adversely, in the opinion of the Bank, the operations or financial condition of the Borrower or the performance by the Borrower of its obligations under the Loan Agreement.

Article X

MISCELLANEOUS

Section 10.01. The date August 16, 1971 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Section 10.02. 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 :

Empresa Nacional de Telecomunicaciones
Carrera 13A No. 22-54
Bogotá, Colombia
Cable address :
Telecom
Bogotá

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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

Empresa Nacional de Telecomunicaciones :

By DOUGLAS BOTERO BOSHELL
Authorized Representative

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the categories of imported items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each category :

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>
I. Equipment for local systems (including power plants) .	5,760,000
II. Long distance network (radio links, other transmission equipment, cable, power plants and accessories) . . .	5,410,000
III. Long distance network (trunk exchanges, toll ticketing equipment, power plants and accessories)	3,090,000
IV. Consultants' services	300,000
V. Unallocated	440,000
TOTAL	<u>15,000,000</u>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

- (a) expenditures in currency of the Guarantor, or for goods produced in, or services supplied from the territories of the Guarantor;
- (b) expenditures prior to the date of this Agreement; and
- (c) payments for taxes imposed under the laws of the Guarantor or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan;
- (b) if the estimate of the expenditures under any Category shall increase, a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is a part of the Borrower's Expansion Program and consists of the following :

1. The expansion of the Borrower's local telephone services including the supply and installation of at least 42,000 new lines with the necessary switching equipment, cable networks, subscriber's plants and ancillary equipment.

2. The upgrading and expansion of the Borrower's long distance network including :

- (a) the construction of new microwave systems linking Medellín with Barranquilla and Cartagena, and Bucaramanga with Cucuta and San Cristóbal; the expansion of the Bogotá-La Cruz SHF route by the addition of a microwave radio frequency channel and the establishment of at least 14 new VHF or UHF routes presently served by open wire lines; and the provision of at least 620 supplementary voice frequency channels on the existing principal microwave and VHF or UHF routes;
- (b) the replacement of the maritime radio plants at Buenaventura and Barranquilla with modern equipment; and the installation of carrier equipment on open wire lines to create at least 1,000 additional channels and of HF equipment on some routes to improve services and transmission quality;
- (c) the installation of new trunk switching exchanges at Bogotá, Cali and Medellín and of toll ticketing facilities at ten cities.

3. The expansion of the Borrower's telex facilities by the installation of at least 1,000 additional lines and at least 1,000 new teleprinters in the Bogotá telex exchange.

4. The preparation and introduction of effective budgeting, costing and plant accounting procedures, approved by the Contraloría General of the Guarantor.

The Project is expected to be completed by December 1974.

SCHEDULE 3

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>
September 15, 1975	255,000	September 15, 1983	450,000
March 15, 1976	265,000	March 15, 1984	470,000
September 15, 1976	275,000	September 15, 1984	485,000
March 15, 1977	285,000	March 15, 1985	505,000
September 15, 1977	295,000	September 15, 1985	520,000
March 15, 1978	305,000	March 15, 1986	540,000
September 15, 1978	315,000	September 15, 1986	560,000
March 15, 1979	330,000	March 15, 1987	580,000
September 15, 1979	340,000	September 15, 1987	600,000
March 15, 1980	355,000	March 15, 1988	625,000
September 15, 1980	365,000	September 15, 1988	645,000
March 15, 1981	380,000	March 15, 1989	670,000
September 15, 1981	390,000	September 15, 1989	695,000
March 15, 1982	405,000	March 15, 1990	720,000
September 15, 1982	420,000	September 15, 1990	745,000
March 15, 1983	435,000	March 15, 1991	775,000

* 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	1½%
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	3½%
More than eleven years but not more than sixteen years before maturity	5½%
More than sixteen years but not more than eighteen years before maturity	6½%
More than eighteen years before maturity	7½%

SCHEDULE 4

PROCUREMENT

1. *Large Contracts for Equipment.*

With respect to any contract for equipment estimated to cost \$50,000 equivalent or more :

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedure to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Bank shall reasonably request. Any further modification or addition to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received and the reasons for the intended award. The Bank shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with any of the procedures set forth or referred to in Section 2.03 of the Loan Agreement and shall state the reasons for any objection it may have.

(c) If a contract for equipment shall be awarded according to procedures inconsistent with those set forth or referred to in Section 2.03 of the Loan Agreement or over the Bank's reasonable objection on the ground of inconsistency with such procedures or if the terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditures thereunder shall be financed out of the proceeds of the Loan.

(d) Copy of the contract shall be furnished to the Bank promptly after its execution.

2. *Other Contracts for Equipment.*

With respect to any other contract for equipment, the Borrower shall, promptly after the contract is awarded and prior to the submission of the first request for disbursement, furnish to the Bank a copy of the contract as well as a copy of the record of public opening of the bids, the bid evaluation report. The Bank shall promptly inform the Borrower if it finds that the award of the contract is not consistent with any of said procedures.

SCHEDULE 5

METHOD FOR CALCULATING RATE OF RETURN

(i) The annual return specified in Section 5.05 (a) of the Loan Agreement shall be calculated, before June 1 of each year in respect of that year and the calendar year immediately preceding, by using as the denominator the average between the current net values of the Borrower's fixed assets in operation at the beginning and at the end of each such year, expressed in terms of pesos at the average rate of exchange during each such year, and as numerator the net operating income of the Borrower for the same year.

(ii) Any shortfall or overrun in the required annual return for the calendar year immediately preceding the year 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 last-mentioned year.

(iii) "Net operating income" shall be the difference between all revenues generated by the Borrower's fixed assets and all administrative and operating costs relating thereto, including taxes, if any, and adequate provision for maintenance and depreciation, but excluding interest and other charges on debt.

(iv) The current net value of fixed assets in operation shall be at any given date their gross value less accumulated depreciation to such date, expressed in terms of dollars as set forth below.

(v) For the purpose of calculating the annual rate of return, the Borrower shall establish and maintain memorandum dollar accounts adequate to reflect consistently in accordance with sound accounting principles the gross value of the Borrower's fixed assets in operation and its depreciation reserve.

(vi) As of December 31, 1969, the aggregate gross value of the Borrower's fixed assets in operation shall be deemed to be fifty-six million two hundred thousand dollars (\$56,200,000). 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 Borrower's fixed assets in operation shall be obtained by adding to said gross value of the Borrower's fixed assets as of December 31, 1969 each year an amount equivalent to the aggregate gross value of fixed assets placed into operation or retired during that year expressed in terms of dollars at the average rate of exchange during that year.

(vii) As of December 31, 1969, the accumulated depreciation reserve in respect of the Borrower's fixed assets shall be deemed to be sixteen million three hundred thousand dollars (\$16,300,000). To this amount there shall be added each year an amount equivalent to four and one-half per cent ($4\frac{1}{2}\%$) of the average between the gross values of the Borrower's fixed assets in operation at the beginning and at the end of that year expressed in terms of dollars at the average rate of exchange during that year, after appropriate adjustments to reflect retirement of fixed assets during that year.

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