

CONFORMED COPY

LOAN NUMBER 3954-CO

Loan Agreement

(Power Market Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

INTERCONEXION ELECTRICA S.A. "E.S.P."

Dated March 26, 1996

LOAN NUMBER 3954-CO

LOAN AGREEMENT

AGREEMENT, dated March 26, 1996 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and INTERCONEXION ELECTRICA S.A."E.S.P." (the Borrower).

WHEREAS (A) REPUBLIC OF COLOMBIA (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement;

(C) by another loan agreement of even date herewith between the Bank and the Borrower (the Floating Rate Single Currency Loan Agreement) the Bank has agreed to provide another loan in an amount equal to one hundred forty five million dollars (\$145,000,000) (the Floating Rate Single Currency Loan), such loan also to assist in the financing of the Project described in Schedule 2 to this Agreement on terms and conditions set forth in the Floating Rate Single Currency Loan Agreement;

(D) by another guarantee agreement of even date herewith between the Guarantor and the Bank (the Floating Rate Single Currency Guarantee Agreement) the Guarantor has also agreed to guarantee the obligations of the Borrower in respect of

the Floating Rate Single Currency Loan and to undertake such other obligations as set forth in the Floating Rate Single Currency Guarantee Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement, in the aforesaid Guarantee Agreement, and in the Floating Rate Single Currency Loan and Guarantee Agreements;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "ISAGEN" means the power generation corporation created under the name of Empresa Colombiana de Generacion Electrica S.A. E.S.P., ECOGEN S.A. E.S.P., by the Borrower's split and capital reduction, as reflected by public deed No. 230 executed before the Sole Notary Office of Sabaneta, Colombia on April 4, 1995 and registered in the Chamber of Commerce of Medellin, Colombia on April 17, 1995, in book 9th, page 519, under the number 3628, as amended, by public deed No. 266 dated April 24, 1995 executed before the said Notary Office and registered in book 9th, page 568, under number 3973 in the said Chamber, among other things to change its name into its current one: ISAGEN S.A. "E.S.P.";

(b) "Peso" means the currency unit of the Guarantor;

(c) "Special Account" means the account referred to in paragraph (b) of Section 2.02 of this Agreement;

(d) "Split Arrangements" means the arrangements reflected under public deed No. 230 referred to in paragraph (a) of this Section by means of which, inter alia:

- (i) the Borrower's capital was reduced from 100,000,000,000 Pesos to 25,000,000,000 Pesos and the assets and liabilities of the Borrower were reduced by the exact amount of assets and liabilities transferred to ISAGEN, as shown in (iii) below;
- (ii) ISAGEN was created with a capital of 75,000,000,000 Pesos;
- (iii) certain assets and liabilities related to power generation were transferred from the Borrower to ISAGEN;
- (iv) all the Borrower's obligations, incurred on or before the last day of the month on which the public deed No.230 referred to above was registered

in the Chamber of Commerce of Medellin, Colombia (i.e. April 30, 1995), became joint and several obligations of the Borrower and ISAGEN; and (v) the Borrower and ISAGEN gave notice to future potential creditors that the obligations of each of them incurred after the day referred to in (iv) above will not be under the aforesaid joint and several liability; and

(e) "Statutes" means the Borrower's statutes reflected in public deed No. 3,057 executed before the 8th Notary of Bogota, Colombia, on September 14, 1967, as registered in the Chamber of Commerce of Medellin, Colombia, in book 9th, page 239 under the number 1,999, by means of which the Borrower was created as a state industrial and commercial enterprise, with the form of a corporation with public capital related to the Guarantor's Ministry of Mines and Energy, as such statutes have been changed from time to time up to the change made by means of public deed No. 230 referred to in paragraph (a) of this Section.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred four million three hundred thousand dollars (\$104,300,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement 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 out of the proceeds of the Loan and in respect of interest and other charges on the Loan, to the extent said goods and services are not, except as otherwise agreed with the Bank, financed out of the proceeds of the Floating Rate Single Currency Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) On each of the semiannual interest payment dates specified in Section 2.06 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay, on such date, interest and other charges on the Loan accrued and payable on or before the date set forth, and up to the amount allocated, in Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Bank and the Borrower.

Section 2.03. The Closing Date shall be December 31, 2002 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate public utility, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and the Borrower shall otherwise agree, the Borrower shall: (i) carry out Parts A and B of the Project in accordance with the action plan set forth in the letter supplemental to this Agreement of even date herewith; (ii) ensure at all times during the carrying out of the Project the coordination of all activities thereunder through the existing project executing unit within the Borrower's Transmission Directorate; and (iii) maintain said unit for the purposes above (except for changes thereto which, in the opinion of the Bank, shall not adversely affect the carrying out of the Project), until a date not earlier than one year after the last withdrawal from the Loan Account has taken place, with an adequate structure, organization and staff, and provide it with such other resources as shall be necessary or convenient to enable the said unit to discharge its functions and responsibilities.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions, and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Bank and the Borrower, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. (a) The Borrower shall furnish to the Bank: (i) a Project-specific environmental report in respect of each transmission line and ancillary facilities thereto to be constructed under Part B of the Project, each such report to include a detailed environmental management plan designed to mitigate undesirable effects on human populations and natural resources during construction and operation of the line and facilities in question; and (ii) a resettlement plan, based on the detailed engineering for the construction in question, designed to relocate certain households affected by the construction and/or operation of each of the aforesaid lines and facilities (which have been estimated to be currently about 40 households, in the aggregate), and/or to compensate other households also affected, all located along the corresponding corridors to be used for construction of transmission lines under the Project.

(b) Each of the reports and plans referred to in paragraph (a) above shall be presented to the Bank in a timely fashion, account being taken of the then current action plan referred to in paragraph (b) (i) of Section 3.01 of this Loan Agreement, so as to afford the Bank a reasonable opportunity to give its comments thereon, and to enable the Borrower to introduce in the plan or plans in question all reasonable changes thereto that the Bank shall have requested, if any, and to comply with the provisions of paragraph (c) of this Section.

(c) Without limitation or restriction upon the provisions of paragraph (e) of this Section and in respect of each of the works included in Part B of the Project, the Borrower shall not: (i) invite bids for the works in question unless the corresponding environmental management and resettlement plans have been agreed between the Bank and the Borrower; and (ii) authorize any contractor to initiate the line construction and assembly phase of the contract in question unless: (A) each of the persons affected by the works under such contract shall have been provided, pursuant to the corresponding resettlement plan, with enforceable rights to a new home or adequate compensation, or both, as such person may be entitled to under such plan; and (B) evidence thereof shall have been furnished to the Bank in a manner satisfactory to the Bank.

(d) The Borrower shall execute in a timely manner all of the actions included in each environmental management plan and resettlement plan agreed pursuant to the provisions of subparagraph (i) of the preceding paragraph of this Section and shall not change any of such plans unless otherwise agreed with the Bank.

(e) Without limitation or restriction upon the provisions of the preceding paragraphs of this Section or of Section 9.09 of the General Conditions, and in respect of the aforesaid lines and facilities, the Borrower shall not authorize the initiation of the line construction and assembly phase of the works in question, unless all the corresponding land and right in respect of land required for the carrying out of such works shall have been acquired.

Section 3.05. (a) The Borrower shall, commencing in 1996 and until the year in which the last withdrawal from the Loan Account takes place, undertake to complete jointly with the Bank on a date to be agreed with the Bank on each year but which

shall be not later than four months counted from the end of the preceding Borrower's fiscal year, an annual review of all aspects related to the execution of the Project during the preceding year, the Borrower's financial situation and local funding capability in subsequent years.

(b) After completion of each of the aforesaid reviews, the Borrower shall take such remedial action concerning Project execution as the Bank shall have reasonably requested.

Section 3.06. The Borrower shall: (a) before the end of each year, commencing in 1995, submit to the Bank for approval two plans of specific activities under each of Parts C.1 and C.2 of the Project (including terms of reference and, if required, procurement procedures therefor), in respect of which the expenditures under such Parts of the Project to be financed with the proceeds of the Loan shall be incurred during the following year; and

(b) not change any plan approved pursuant to paragraph (a) above unless otherwise agreed with the Bank.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound public utility, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and power grid operator practices.

Section 4.03. 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 appropriate practice.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition, including separate accounts to reflect the operations, resources and expenditures in respect of the Project.

(b) The Borrower shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate 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 said records, accounts and financial statements as well as the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 5.02. (a) Except as the Bank shall otherwise agree, the Borrower shall maintain, for each of its fiscal years after its fiscal year ending on December 31, 1995, a ratio of total cash operating expenses to total operating revenues not higher than 23%.

(b) Except as the Bank shall otherwise agree, the Borrower shall produce, for each of its fiscal years after its fiscal year ending on December 31, 1995, funds from internal sources equivalent to not less than 30% of the annual average of the Borrower's capital expenditures incurred, or expected to be incurred, for that year and the next following fiscal year.

(c) Before June 30 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) and in paragraph (b) above in respect of such year and the next following fiscal year, and shall furnish to the Bank the results of such review upon its completion.

(d) If any such review shows that the Borrower would not meet the requirements set forth in paragraphs (a) or (b) above for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments to the structure or levels of its rates and expense rationalization) in order to meet such requirements.

(e) For the purposes of paragraph (a) of this Section:

(i) The term "total cash operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes (other than income tax) and payments in lieu of taxes, but excluding income tax payments, interest and other charges on debt, provision for depreciation and other non-cash operating charges.

(ii) The term "total operating revenues" means revenues from all sources related to operations.

(f) For the purposes of paragraph (b) of this Section:

(i) The term "funds from internal sources" means the difference between:

(A) the sum of revenues of all sources related to operations, consumer deposits or advances and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and

(B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes, debt service requirements, all cash dividends and other cash distribution of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures, but excluding provision for depreciation and other non-cash operating charges.

(ii) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes (including income taxes) and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iii) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities, both at the end of the corresponding fiscal year.

(iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(v) The term "current liabilities" means all liabilities which will become due and payable, or could under the circumstances then existing be called for payment, within twelve months, including accounts payable, customer deposits and advances, debt service requirements, taxes (including income taxes) and payments in lieu of taxes, and dividends and other cash distributions of surplus.

(vi) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vii) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

(g) Whenever for purposes of this Section it shall be necessary to value, in terms of Pesos, 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, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 5.03. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, unless the net revenues of the Borrower for the fiscal year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be at least 1.5 times the estimated maximum debt service requirements of the Borrower for any succeeding fiscal year on all debt of the Borrower, including the debt to be incurred.

(b) For the purposes of this Section:

(i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred:

providing for (A) under a loan contract or agreement or other instrument such debt or for the modification of its terms of payment, on the date of such contract, agreement or instrument; and

providing for (B) under a guarantee agreement, on the date the agreement such guarantee has been entered into.

(iii) The term "net revenues" means the difference between:

(A) the sum of the revenues from all sources related to operations adjusted to take account of the Borrower's rates in effect at the time of the they were not in effect during the incurrence of debt even though to which such revenues relate and net non- twelve-month period income; and operating

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes (including income taxes) and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes (including income tax) and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

Section 5.04. Without limitation upon the provisions of the preceding Sections of this Article V or the provisions of Section 9.01 and 9.07 of the General Conditions, the Borrower shall furnish to the Bank, not later than June 30 on each year, updated financial reports for the previous twelve-month period and projections for the next five years of its revenues, capital expenditures, borrowings and debt service, and accounts receivables, and financing and monitoring indicators which, in the Bank's opinion, are relevant for determining the Borrower's financial condition and its operational performance.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) Provisions of the Statutes (other than provisions related to the Split Arrangements) shall have been changed in a manner that would have, in the Bank's opinion, an adverse and material effect on the Borrower's condition or on the carrying out of the Project.

(b) The Split Arrangements shall have been amended or modified, or terminated or otherwise abrogated.

(c) ISAGEN shall have become unable to pay its debts as they mature or a proceeding shall have been taken by the Borrower or by others whereby any of the assets of ISAGEN shall or may be distributed among its creditors.

(d) The Borrower shall have become unable to collect from ISAGEN any amount owed to the Borrower by ISAGEN by virtue of the Split Arrangements if, in the Bank's opinion, the event may have a material and adverse effect on the Borrower's condition.

(e) The Guarantor or any authority having jurisdiction shall have taken any action for the dissolution or disestablishment or winding-up of ISAGEN or for the suspension of its operations; provided, however, that, the events in the foregoing

paragraphs (b), (c) or (e) shall apply only to the extent that the event in question would have, in the opinion of the Bank, an adverse and material effect on the condition of the Borrower by virtue of, or in relation with, the joint and several liability agreed upon between the Borrower and ISAGEN under the Split Arrangements.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

- (a) any of the events stipulated in paragraphs (b) or (c) or (e) of Section 6.01 of this Agreement shall occur, subject to the proviso to such Section; and
- (b) that the event stipulated in paragraphs (a) or (d) of such Section shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that all conditions precedent to the effectiveness of the Floating Rate Single Currency Loan Agreement, other than those related to the effectiveness of this Loan Agreement, have been fulfilled.

Section 7.02. The following is specified as an additional matter within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank namely that: (a) the obligations incurred by ISAGEN on or after May 1, 1995 are not covered by the joint and several liability agreement entered into between ISAGEN and the Borrower under public deed No. 230 referred to in paragraph (a) of Section 1.02 of this Agreement and thus no claim can be made on any of the Borrower's assets or rights on the basis of such obligations; and (b) there are no liabilities of the Borrower resulting from the Split Arrangements other than: (i) the Borrower's liabilities that existed on or before April 30, 1995 and have not been transferred to ISAGEN under said Arrangements; and (ii) the Borrower's liabilities then existing that have been transferred to ISAGEN by virtue of said Arrangements on or before such date and which have not terminated or in respect of which the corresponding creditor or creditors have not released the Borrower of its joint or several responsibility contracted by virtue of said Arrangements.

Section 7.03. The date of June 26, 1996 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The General Manager of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 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.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or

For the Borrower:

ISA E.S.P.
Calle 12 Sur No. 18-168
Medellin
Colombia

Telex:

65259

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names 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 /s/ Paul Isenman

Acting Regional Vice President
Latin America and the Caribbean Region

INTERCONEXION ELECTRICA S.A. "E.S.P"

By /s/ Diego Pizano

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Works	1,000,000	90%
(2) Goods other than equipment under Category (3)		100% of foreign expenditures, and 90% of local expenditures (ex-factory cost)
(a) for Part A of the Project	9,900,000	
(b) for other Parts of the Project	43,600,000	
(3) Equipment and installation thereof	18,000,000	95%

(4) Consultants' services		100% of foreign expenditures
(a) for Part A of the Project	400,000	
(b) for other Parts of the Project	4,400,000	
(5) Training abroad and trainers' fees	900,000	100% of foreign expenditures
(6) Interest and other charges on the Loan accrued on or before August 14, 2002	15,400,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	10,700,000	
	<hr/>	
TOTAL	104,300,000	=====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor;

(b) the term "local expenditures" means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor; and

(c) the term "training" means the specific expenditures for training to be determined for each year of Project execution by the corresponding plan approved by the Bank pursuant to Section 3.06 of this Agreement.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$10,000,000, may be made on account of payments made for expenditures before that date but after March 31, 1995; (b) under Part A.1 of the Project to be financed under Categories (2) (a) and 4 (a) of the table set forth in paragraph 1 of this Schedule, unless the final design for the establishment or upgrading, as the case may be, of each of the centers under such Part of the Project have been approved by the Bank; and (c) under Parts C.1 or C.2 of the Project to be financed under Category (5) of the aforesaid table unless the expenditures in question have been included in the corresponding annual plan approved by the Bank pursuant to the provisions of Section 3.06 of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for training services under contracts costing less than \$300,000 equivalent and for consulting firms' services and individual consultants' services under contracts not subject to prior review pursuant to the provisions of Part B of Section II of Schedule 4 to this Agreement, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

5. Each application submitted by the Borrower for withdrawals from the Loan Account shall be deemed submitted under a representation that the expenditures to be financed with Loan proceeds withdrawn under such application have not been, or are not in the process of being financed with the proceeds of the Floating Rate Single Currency Loan; provided, however, that the Borrower shall be able to request expressly that one or more given expenditures be financed partially under any reasonable combination of Loan or Floating Rate Single Currency Loan proceeds.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the reform of the Guarantor's power sector by facilitating the operation of a competitive bulk supply market for electricity and, more specifically, to lift transmission constraints that hinder an open access to the grid of publicly as well as privately owned power generators and to support the Borrower in its role as transmission network operator, system generation dispatcher and commercial transactions coordinator.

The Project consists of the following parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time to achieve such objectives:

Part A: Energy control and financial settlement centers

1. Upgrading of the data acquisition and control functions of the Borrower's existing energy control center.
2. Establishment, within the Borrower's organizational structure and under terms of reference satisfactory to the Bank, of a financial settlement center.
3. Acquisition and utilization of measurement, data acquisition, telecommunications and data processing equipment and software, for purposes of: (a) Part A.1 of the Project; and (b) Part A.2 of the Project.

Part B: Strengthening and expansion of the Guarantor's interconnected transmission system

1. San Carlos-San Marcos transmission system: (a) construction of a single circuit, 384 kilometers (km), 500 kilo Volts (kV) line interconnecting the East Antioquia hydroelectric complex to Valle del Cauca Department; (b) construction of a single circuit, 30 km 230 kV line interconnecting the La Virginia and La Hermosa substations, the former to be constructed under (d) below; (c) expansion of the San Marcos 500/230 kV substation; (d) construction of the La Virginia 500/230 kV substation; and (e) construction of the San Carlos 500/230 kV substation.
2. Atlantic Coast transmission system: (a) expansion of the 500/115 kV Chinu substation; (b) installation of a reactive compensation device for the said Chinu substation; (c) expansion of the Cerro Matoso 500/230 kV substation; (d) construction of the Uraba 230/115 kV substation; (e) construction of the double circuit, 80 km, 230 kV La Loma-El Copey line; and (f) expansion of the 500/230 kV Sabanalarga substation.
3. Other transmission systems: (a) installation of a reactive compensation device for the Cano Limon substation; (b) construction of the single circuit, 160 km, 230 kV line between Paipa and Bucaramanga; (c) construction of the Paipa 230 kV substation; (d) construction of the Bucaramanga 230 kV substation; and (e) construction of a link between the San Felipe 230 kV substation and the 230 kV Esmeralda-La Mesa transmission line.

Part C: Technical Assistance

1. Execution of a program of studies to assist the Borrower in its role of transmission network operator, power dispatch coordinator and bulk electricity transaction clearing house, in the following areas: (i) power market, planning, engineering, system operations and dispatch; (ii) management of financial matters and environmental issues; and (iii) other areas agreed from time to time between the Bank and the Borrower.
2. Execution of a training program for the Borrower's personnel, covering, inter alia, the following areas: (a) operation of interconnected power system, and recording and settlement of financial transactions among users of the power pool; (b) power system planning; (c) utilization of the Borrower's telecommunications equipment; (d) environmental impact assessment and monitoring of construction, maintenance and operation of power transmission lines; (e) power marketing studies; and (f) power

transmission contract drafting and negotiation.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
February 15, 2000	2,510,000,000
August 15, 2000	2,600,000,000
February 15, 2001	2,695,000,000
August 15, 2001	2,790,000,000
February 15, 2002	2,885,000,000
August 15, 2002	2,990,000,000
February 15, 2003	3,095,000,000
August 15, 2003	3,205,000,000
February 15, 2004	3,315,000,000
August 15, 2004	3,435,000,000
February 15, 2005	3,555,000,000
August 15, 2005	3,680,000,000
February 15, 2006	3,810,000,000
August 15, 2006	3,945,000,000
February 15, 2007	4,085,000,000
August 15, 2007	4,230,000,000
February 15, 2008	4,380,000,000
August 15, 2008	4,535,000,000
February 15, 2009	4,695,000,000
August 15, 2009	4,860,000,000
February 15, 2010	5,035,000,000
August 15, 2010	5,210,000,000
February 15, 2011	5,395,000,000
August 15, 2011	5,585,000,000
February 15, 2012	5,785,000,000
August 15, 2012	5,995,000,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35

More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than sixteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Guarantor.

Part C: Other Procurement Procedures

Limited International Bidding

Goods for purposes of Part A of the Project, and other goods which the Bank agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods or works awarded under Parts B and C of this Schedule and to each contract for training services (other than consultant services) under the corresponding plan approved pursuant to the provisions of Section 3.06 of this Agreement estimated to cost the equivalent of \$300,000 or more the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$8,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$4,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$20,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 5.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the

Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

