

PROJECT ABSTRACT

Project number: BO-L1002
 Project name: Bolivian Transmission Lines
 Country: Bolivia
 Sponsors: Interconexión Eléctrica S.A. ESP (ISA)
 Total project cost: Approximately US\$79 million
 Proposed A loan: Up to US\$31.5 million
 Financing plan: IDB A loan: Up to US\$31.5 million (approx.)
 CAF A loan: Up to US\$23.7 million (approx.)
 Equity: US\$24.0 million (approx.)
 Total: US\$79.0 million (approx.)

Department: Private Sector Department
 Status: Due Diligence
 Date: March 9, 2004

Project Description

- On June 27, 2003, Interconexión Eléctrica ISA Bolivia S.A. (the “License Holder”) was awarded a 30-year license (or the “License”) to construct, operate and maintain three power transmission lines in Bolivia. The License was granted by Bolivia’s Electricity Superintendency as a result of an international bidding process initiated in April 2002.
- The License Holder will make investments that include the installation of transformers, transmission lines and substations in the locations listed below.

TRANSMISSION LINE*	LOCATION	ASSETS	LENGTH
Santiváñez-Sucre	Between Santiváñez (Cochabamba Department) and Sucre (Chuquisaca Department)	Substations in Santiváñez and Sucre and operating transformer (230/69kV and 60MVA) in Sucre	248km
Sucre-Punutuma	Between Sucre (Chuquisaca Department) and Punutuma (Potosí Department)	Substation and operating transformer (230/69kV and 60MVA) in Punutuma	188km
Carrasco-Urubo	Between Carrasco (Cochabamba Department) and Urubo (Santa Cruz Department)	A new Bay connection in Carrasco and a substation and operating transformer (230/69kV and 150MVA) in Urubo	168km

- The License Holder is owned by Interconexión Eléctrica S.A. ESP (ISA), a Colombian holding headquartered in Medellín and comprised of three electric companies: Transelca, Interconexión Eléctrica ISA Peru SA, and Red de Energía del Perú ; and two telecommunications companies: Internexa and Flycom Comunicaciones. The group's main business is transmission and distribution of energy in Colombia, where it operates 70% of Colombia's energy transmission infrastructure, including 8,763km of transmission lines and 46 substations.
- The License Holder is seeking financing of approximately US\$54 million for the construction of three transmission lines. Total Project costs are estimated at US\$79 million, and construction is expected to take up to two years. IDB would provide up to US\$31.5 million, or 40% of project costs.

Project Benefits

- At present, Transportadora de Electricidad is the sole transmission company in the “Sistema Interconectado Nacional” with approximately 2,000km of single circuit transmission lines with voltage levels between 69kV and 230kV. Over 870,000 consumers are supplied by this network, approximately 87% of which are residential users accounting for roughly 40% of the total demand for electricity.
- Transfer to the private sector of the three transmission lines, which were awarded as a single lot, is part of an effort by the Government of Bolivia to introduce new private sector capital to upgrade, rehabilitate and expand the electricity transportation system. The project will increase capacity by approximately 40% and substantially improve the reliability of Bolivia's transmission system, improving the system's stability. In particular, the new transmission lines will improve supply to the cities of Santa Cruz--Bolivia's largest market--and Sucre, and the southern departments of Chuquisaca and Potosí. They will also eventually increase the possibility of adding Tarija's isolated grid into the system.
- This new step in the reform of the Bolivian electric sector contributes to the reduction of the regulated monopoly transmission market and opens the sector to new players.

IDB Participation

- Consistent with its mandate, the bank's participation in financing the License Holder's capital expenditure program would support investments (i) that are capital intensive, (ii) that require long-term investment to be economically sustainable in the long term, and (iii) that will provide public benefits. Bank participation in the project provides financial additionality through funds and tenors that might be unavailable from commercial lenders for Bolivia.