

PROJECT ABSTRACT

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| Project number: | BO-L1002 | | |
| Project name: | ISA Bolivia Transmission Lines | | |
| Country: | Bolivia | | |
| Sponsors: | Interconexión Eléctrica S.A. E.S.P. (ISA) and Transelca S.A. E.S.P. (Transelca) | | |
| Total project cost: | Approximately US\$77.5 million | | |
| Proposed A loan: | Up to US\$31 million | | |
| Financing plan: | IDB A loan: | Up to US\$31 million | |
| | CAF A loan: | Up to US\$23 million | |
| | Equity: | US\$23.5 million (approx.) | |
| Department: | Private Sector Department | | |
| Status: | Board Approval | | |
| Date: | October 6, 2004 | | |

Project description

On June 27, 2003, Interconexión Eléctrica ISA Bolivia S.A. (ISA, the “Licensee” or the “Borrower”) was awarded a 30-year license (or the “License”) to construct, own, operate and maintain three power transmission lines in Bolivia (the “Project”). The License was granted by Bolivia’s Electricity Superintendency as a result of an international bidding process initiated in April 2002.

The Licensee 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-Uruba | Between Carrasco (Cochabamba Department) and Uruba (Santa Cruz Department) | A new Bay connection in Carrasco and a substation and operating transformer (230/69kV and 150MVA) in Uruba | 168km |

The Licensee is owned by Interconexión Eléctrica S.A. E.S.P. and Transelca S.A. E.S.P., both of which belong to Grupo Empresarial ISA (the “Group”). The Group is comprised of two electric companies in Colombia-Interconexión Eléctrica S.A. E.S.P. and Transelca S.A. E.S.P.; two electric companies in Peru-Interconexión Eléctrica ISA Peru S.A. and Red de Energía del Perú (REP); one electric transmission company in Bolivia, the Borrower; and two telecommunications companies in Colombia-Internexa and Flycom Comunicaciones. The Group’s main business is transmission and distribution of energy in Colombia, where it operates nearly 80% of Colombia’s energy transmission infrastructure, including 8,763km of transmission lines and 46 substations.

The Licensee is seeking financing of approximately US\$54 million for the construction of three transmission lines. Total Project costs are estimated at US\$77.5 million, and construction is expected to take up to 12 months. IDB would provide up to US\$31 million, or 40% of Project costs.

Project benefits

At present, Transportadora de Electricidad, the owner and operator of the Bolivian national transmission grid that was privatized in 1997, is the sole transmission company in the National Interconnected System (SIN) 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 the SIN capacity by approximately 40% and substantially improve the reliability of Bolivia's transmission system, improving the system's stability at decreased rates to customers. 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 allow the possibility of eventually adding Tarija's isolated grid in the system.

This new step in the reform of the Bolivian electric sector contributes to efficiency and competition—especially for future projects--in the transmission market and opens the sector to new players.

Additional benefits include the contracting of local companies for the preventive maintenance of the transmission lines.

IDB participation

Consistent with its mandate, the Bank's participation in financing the Licensee'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 are not available from commercial lenders for Bolivia.