

CONFORMED COPY

LOAN NUMBER 7457-CO

Loan Agreement

(Additional Loan for the Integrated Mass Transit Systems Project)

between

REPUBLIC OF COLOMBIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated December 19, 2007

LOAN AGREEMENT

Agreement dated December 19, 2007, (the Agreement) entered into between REPUBLIC OF COLOMBIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing a loan (the Loan) to assist in financing the expansion of the activities related to the Original Project set forth in the Original Loan Agreement to new Participating Cities (all as defined in the Appendix to this Agreement). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred seven million Dollars (\$207,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the Project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one per cent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment

continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its continued commitment to the objective of the Project. To this end, the Borrower shall carry out the Project, through MOT, as successor to DNP and with the assistance of the Participating Cities and the city of Bogotá, all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower, through MOT, shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely, that the agreements, satisfactory to the Bank, entered into between DNP, then acting on behalf of the Borrower, MHCP, MOT, the Participating Cities and the City of Bogotá, respectively (the Subsidiary Agreements), shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely

the ability of the MHCP, MOT, the Participating Cities and the city of Bogotá to perform any of their respective obligations under the Project.

- 4.02. Without prejudice to the Bank's rights and remedies set forth in Section 7.02 of the General Conditions, it is understood that, if any of the events specified in Section 4.01 shall have occurred, the Bank may choose, after consultations with the Borrower, to suspend in whole or in part only, the right of the Borrower to make withdrawals from the Loan Account for expenditures under Part B.1 and/or Part B.2 of the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreements between DNP, then acting on behalf of the Borrower, and, MHCP, MOT, the Participating Cities and the city of Bogotá, respectively, have been updated, satisfactory to the Bank, to reflect the implementation arrangements of this Loan.
- 5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Loan Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on December 12, 2008.

ARTICLE VI— REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Finance and Public Credit.
- 6.02. The Borrower's Address is:

Ministry of Finance and Public Credit
Carrera 7A No. 6-45 Piso 3
Bogota, D.C. COLOMBIA

Cable: Facsimile:

MINHACIENDA (571) 350-9344

6.03. The Bank's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF COLOMBIA

By /s/ Mauricio Suarez

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Axel van Trotsenburg

Authorized Representative

SCHEDULE 1

Project Description

The Project consists entirely of the Original Project which maintains as its objective to: (a) develop high quality and sustainable BRTS in Participating Cities to improve mobility along strategic mass transit corridors; (b) improve accessibility to public transportation for the poor; and (c) build greater institutional capacity in the Borrower's public transportation institutions in order to formulate integrated urban transport policies and to improve urban transport planning and traffic management.

The Project consists of all the parts previously set forth in the Original Loan Agreement.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Borrower, through MOT shall maintain all the institutional arrangements set forth in the Original Project, including the operation of a Project coordination unit in MOT, under the terms and conditions set forth in the Original Project.

B. Subsidiary Agreement

1. The Borrower shall, through MOT, continue to carry out and maintain thereunder, satisfactory to the Bank, all the terms and conditions of the Subsidiary Agreements with MHCP, MOT, the Participating Cities and the City of Bogotá.
2. The Borrower shall continue to exercise its rights under each Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project. Except as the Bank shall otherwise agree, the Borrower shall not thenceforward assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Implementation Documents

1. The Borrower, through MOT, has adopted an operational manual dated January 2005, as amended to date, satisfactory to the Bank which consists of different schedules, setting forth the rules, methods, guidelines, specific development plans, standard documents and procedures to be maintained for the further carrying out of the Project.
2. In the event that any provision of the Operational Manual shall conflict with any one under this Agreement, the terms of this Agreement shall prevail.
3. The Operational Manual may only be amended from time to time in consultation with, and after approval of, the Bank.

D. Other Implementation Arrangements

1. The Borrower, through MOT, shall continue, not later than December 31 of each year during Project implementation, to furnish to the Bank for approval, an annual action plan (the Annual Action Plan), under terms and conditions specified in the Original Project.

E. Safeguards

1. The Borrower, through MOT, shall ensure that the commitments and actions agreed under each respective Subsidiary Agreement for the mitigation and related monitoring of the environmental aspects, the cultural property protection, the institutional strengthening, the resettlement and rehabilitation of Affected Persons and all other environmental measures set forth in the corresponding EMP and RAPs continue to be carried out as agreed with the Bank as part of the implementation of Part B.1 and/or Part B.2 of the Project.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. The Borrower, through MOT, shall maintain the same arrangements for Project monitoring, reporting and evaluation as are set forth in the Original Loan Agreement.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MOT, shall maintain all the arrangements for financial management, financial reports and audits of Project execution that are set forth in the Original Loan Agreement.

Section III. Procurement**A. General**

1. **Goods, Works and Non-Consultant Services.** All goods, works and Non-Consultant Services required for the Project under this Agreement and to be financed out of the proceeds of the Loan shall be procured in accordance with Section I of the Procurement Guidelines, and with the provisions of the Original Loan Agreement.
2. **Consultants' Services.** All consultants' services required for the Project under this Agreement and to be financed out of the proceeds of the Loan shall be procured in accordance with Sections I and IV of the Consultant Guidelines, and with the provisions of the Original Loan Agreement.

Section IV. Withdrawal of the Proceeds of the Financing**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such

additional instructions as the Bank may specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions) to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in Dollars)</u>	<u>Percentage of Expenditures to be Financed</u>
(1) Transfers for Part B.1 of the Project	100,000,000	100% of amounts of the Project transferred by the Borrower through MHCP to participating Cities under the corresponding Subsidiary Agreement
(2) Transfers for Part B.2 of the Project	107,000,000	100% of amounts of the Project transferred by the Borrower through MHCP to the city of Bogotá under the corresponding Subsidiary Agreement
TOTAL AMOUNT	207,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
- (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee;
 - (b) for payments made prior to the Effective Date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the amount of \$41,400,000 (forty one million four hundred thousand Dollars) may be made in respect of Categories (1) and (2) set forth in the table in paragraph 2 of this Schedule on account of payments made within twelve months prior to the date of this Agreement, but not earlier than April 30, 2007;
2. The Closing Date is March 31, 2009.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15 Beginning on February 15, 2016 through August 15, 2020.	10 %

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date, shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) above, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (a) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX**Section I. Definitions**

1. “Affected Persons” means persons who, on account of an involuntary taking of land under the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; and “Affected Person” means any of the Affected Persons.
2. “BRTS” means bus rapid transit systems in Participating Cities (as hereinafter defined).
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “DNP” means *Departamento Nacional de Planeación*, the Borrower’s Planning Department, which obligations under the Original Loan Agreement were transferred to MOT upon the fulfillment of certain conditions set forth in the Implementation Letter.
6. “Environmental Management Plans” and the acronym “EMPs” mean the plans of action, satisfactory to the Bank, adopted by the Borrower, with the approval of the Bank, for the carrying out of Parts B.1 and/or B.2 of the Project, according to a framework prepared by the Borrower and approved by the Bank, which sets forth the objectives, policies, monitoring procedures, time schedules and other environmental and cultural property protection provisions to: (i) mitigate potential adverse environmental effects; (ii) mitigate potential adverse effects to natural habitats; and (iii) mitigate adverse effects to cultural properties encountered in the carrying out of Parts B.1, and/or B.2 of the Project, as such plan may be revised from time to time with the prior written consent of the Bank.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions”, dated July 1, 2005, as amended through October 17, 2007.
8. “Implementation Letter for the Additional Loan” means the letter of even date herewith from the Borrower to the Bank, setting forth Project monitoring

indicators for the scaling up of the Project to additional eligible Participating Cities.

9. “MHCP” means *Ministerio de Hacienda y Crédito Público*, the Borrower’s Ministry of Finance and Public Credit, or any successor thereto.
10. “MOT” means *Ministerio de Transporte*, the Borrower’s Ministry of Transport or any successor thereto.
11. “Operational Manual” means the manual referred to in Section I.C.1 of Schedule 2 to this Agreement.
12. “Original Loan Agreement” means the loan agreement between the Borrower and the Bank for an Integrated Mass Transit Systems Project, dated September 21, 2004, as amended to the date of this Agreement (Loan No. 7231-CO).
13. “Original Project” means the Project first described in the Original Loan Agreement and referred to in Schedule 1 to this Agreement.
14. “Participating City” and “Participating Cities” mean the Borrower’s cities selected according to eligibility criteria set forth in the Operational Manual for the carrying out of Part B.1 of the Project.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
16. “Remedial Resettlement Action Plan” and the acronym “RAP” mean the remedial resettlement action plans related to the carrying out of Part B.2 of the Project, satisfactory to the Bank, adopted by the Participating Cities under the Borrower’s supervision exercised through MOT, and which sets forth the principles and procedures governing land acquisition, resettlement and compensation of Affected Persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with said plans, as such plans may be revised from time to time with the prior consent of the Bank. The RAPs will also take into consideration the assessment of the reestablishment of socioeconomic conditions of population already displaced and to be displaced as a result of the carrying out of Part B.2 of the Project.
17. “Subsidiary Agreements” mean the agreements entered into between the Borrower, then acting through DNP, with MHCP, the Participating Cities, MOT and the City of Bogotá, pursuant to Section 1.B of Schedule 2 to this Agreement, as the same may be amended from time to time with prior consultation with the Bank.

18. “Transfers” means the amount transferred by the Borrower, through MHCP, to a Participating City and/or to the city of Bogotá, to cover the Borrower’s contributions to finance goods, works, and services for the: (i) construction of segregated busways; (ii) construction of terminals and transfer centers; (iii) construction of mixed-traffic lanes adjacent to busway corridors (when their geometrical specification is affected); (iv) the construction of sidewalks; (v) construction of pedestrian ways along busway corridors; (vi) construction or adaptation of complementary transport corridors to the segregated busways; and (vii) supervision of works, required for the implementation of Parts B.1 and/or Part B.2 of the Project.