

CONFORMED COPY

LOAN NUMBER 7831-CO

Loan Agreement

(Consolidation of National Public Management Information Systems Project)

between

REPUBLIC OF COLOMBIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated December 29, 2009

LOAN AGREEMENT

Agreement dated December 29, 2009, between REPUBLIC OF COLOMBIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). 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 twenty-five million Dollars (\$25,000,000) 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 percent (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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 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 withdrawn and outstanding 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 commitment to the objectives of the Project. To this end, the Borrower shall carry out: (a) through MHCP, Parts A, D.1, D.2, D.3 (c), (d) and (e) (jointly with DNP), D.4, D.5 and E (jointly with DNP) of the Project; (b) through DNP, Parts B, D.3 (a) and (b) and E (both jointly with MHCP) of the Project; and (c) through DIAN, Part C of the Project, all in accordance with the provisions of the Project Coordination Framework and 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 (through MHCP, DNP and DIAN) and the Bank shall otherwise agree, the Borrower (through MHCP, DNP and DIAN) shall carry out the Project 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, namely, that the Project Coordination Framework shall have amended, suspended, abrogated, repealed, waived or not enforced, so as to affect materially and adversely the ability of the Borrower, through MHCP, DNP or DIAN, as the case may be, to perform any of their respective obligations under the Project Coordination Framework.

ARTICLE V— EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of, namely, that the Operational Manual has been approved by MHCP, DNP and DIAN pursuant to the provisions of Section I. B.3 of Schedule 2 to this Agreement, in a manner acceptable to the Bank.
- 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 Agreement, but in no case later than the

eighteen (18) months after the Bank's approval of the Loan which expire on June 17, 2011.

ARTICLE VI— REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Finance and Public Credit of the Borrower.

6.02. The Borrower's Address is:
Ministry of Finance and Public Credit
Edificio de los Ministerios,
Plaza San Agustín
Carrera 7A, No. 6-45, Piso 13
Bogotá, D.C.
Colombia

Facsimile:
(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 address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Bogotá, Republic of Colombia, as of the day and year first above written.

REPUBLIC OF COLOMBIA

By /s/ Oscar Iván Zuluaga
Authorized Representative (MHCP)

By /s/ Juan Mauricio Ramírez Cortés
Authorized Representative (DNP)

By /s/ Néstor Díaz Saavedra
Authorized Representative (DIAN)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Eduardo Somensatto
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to solidify and expand the gains achieved by the Borrower under PFM II and further improve the transparency, coverage, operation and Interoperability of the Borrower's national public management information systems to allow the Borrower's decision-makers to link performance measures with planning, budgeting and other managerial actions.

The Project consists of the following parts:

Part A: Strengthening of Public Management Information Systems within MHCP

Strengthening of the technical and institutional capabilities of MHCP, through the provision of technical assistance, training and equipment required for the enhancement, implementation, completion and consolidation of the national public management information systems developed under PFM II, through *inter alia*:

1. The carrying out of a series of activities aimed at the assessment, optimization, launching and institutionalization of SIIF-*Nación*, which consist of, *inter alia*:
 - (a) Strengthening of MHCP's technical capabilities required to: (i) conduct an assessment of existing, and development of new ICT models and tools, taking into account functional needs and other technical requirements for the roll-out phase of SIIF- *Nación*; and (ii) coordinate the development of such models and tools.
 - (b) Developing knowledge capabilities required to facilitate the institutionalization and sustainability of SIIF-*Nación*, through: (i) the provision of technical assistance and the carrying out of a series of activities aimed at the dissemination, training and provision of support to system users (including provision of online and telephone help-desks and technical support); and (ii) the development and implementation of client satisfaction monitoring systems.
 - (c) Strengthening of ICT infrastructure required for the launching and effective operation of SIIF- *Nación*, through: (i) the upgrading of computer equipment; (ii) the acquisition and utilization of software licenses; (iii) the contracting of communication services; and (iv) the establishment of an emergency management system aimed at providing data security and systems protection, including the construction of a contingency site and the development of security and emergency protocols.

- (d) Enhancing the quality of existing financial and accounting practices, through the carrying out of studies aimed at: (i) diagnosing the need to amend existing financial management regulations; and (ii) identifying the technical requirements for the implementation of said practices.
 - (e) Enhancing the transparency and accountability of public financial administration, through the disclosure of financial information to civil society.
 - (f) Improving Interoperability between SIIF- *Nación*, SUIFP and MUISCA, by facilitating the consistency of information and data shared among such systems.
 - (g) Strengthening of the Borrower's public procurement framework, through the development and implementation of Framework Agreements, on a pilot basis.
2. The carrying out of a series of actions aimed at strengthening MHCP's capabilities for the development and implementation of SUG, which consist of, *inter alia*:
- (a) Facilitating the institutionalization, sustainability and implementation of SUG within MHCP's operational, organizational and functional systems, including, through the provision of technical assistance aimed at: (i) enhancing managerial capacity; (ii) strengthening risk management capacity; (iii) improving technical capacity, through the development of a knowledge management framework and the provision of training and capacity building activities for MHCP staff in order to increase their familiarity with SUG; and (iv) adjusting MHCP's organizational structure to incorporate the SUG framework.
 - (b) Incorporating and implementing a human resource competency model, through: (i) the formulation of a human development plan aimed at providing recommendations to address any identified competency gap, including the development and implementation of training and capacity building initiatives for MHCP staff; (ii) the development and implementation of a plan to identify and promote competency-based norms and practices within MHCP; and (iii) the design of a staff evaluation and development methodology.
 - (c) Strengthening of ICT infrastructure, through: (i) the provision of technical assistance for the upgrading and implementation of temporary ICT solutions; and (ii) the purchase of software licenses and the installation of such software.

Part B : Strengthening of Public Management Information Systems within DNP

Strengthening of the technical and institutional capabilities of DNP, through the provision of technical assistance, training and equipment, aimed at increasing the overall efficiency and efficacy of the Borrower's public investments and the consolidation of advancements achieved in the development of SUIFP under PFM II, through, *inter alia*:

1. Improving the quality of public management data, through: (a) the development of a baseline system to measure such quality; and (b) the development and implementation of a quality measurement methodology.
2. Enhancing the efficiency of the Borrower's public investment programming, through: (a) the development and implementation of methodologies aimed at improving the formulation and evaluation of different types of investment initiatives; and (b) the development and implementation of a methodology aimed at an efficient distribution of the Borrower's investment budget at the sub national level.
3. Strengthening of the processes applicable to the preparation, implementation and monitoring of public investments, including the carrying out of an assessment of the quality of information provided by BPIN.
4. Developing a capacity building and training strategy, through: (a) the development of online training programs; and (b) the development of printed materials describing the processes, regulations and procedures related to public investment.
5. Consolidating the operation of SUIFP, through: (a) the design, adaptation and development of the ICT tools required to support the public investment cycle; (b) the acquisition of data management services; and (c) the carrying out of a series of activities aimed at further developing and expanding the implementation of SUIFP at the national level.
6. Facilitating the Interoperability of SUIFP to ensure consistency of information shared with the Borrower's public information systems.

Part C: Expansion of the DIAN's Integrated Tax and Customs Administration Model

Carrying out of a series of activities aimed at supporting the consolidation, continuity and further development of MUISCA, through the acquisition of goods, ICT infrastructure and the provision of technical assistance and operating cost, which consist of, *inter alia*:

1. The strengthening of MUISCA's electronic and communication information systems, for *inter alia*:

- (a) Improving the transparency and timeliness of customs services aimed at facilitating private sector activities, through: (i) the modernization of customs declaration processes and controls; (ii) the upgrading of the registries of customs users in regard to international trade; (iii) the improvement of customs transit procedures; (iv) the modernization of technical laboratory processes and practices; and (v) the strengthening of customs controls and processes applicable in the Borrower's free-trade zones.
 - (b) Strengthening of DIAN's institutional capacity to carry out supervision and oversight of tax and customs obligations incurred by private sector operators, including, through: (i) the definition of tax obligations and related calculations; (ii) the identification of cases of apparent deviation from such obligations, and the corresponding determination of payment of fines and assignment of guarantees; and (iii) the definition of the legal status of, and applicable legal framework regulating merchandise subject to customs processes.
 - (c) Strengthening of DIAN's institutional and technical procedures for portfolio administration and the updating of the portfolio of pending tax liabilities owed to DIAN.
 - (d) Modernizing legal processes for: (i) case management; and (ii) the identification and registration of procedures conducted by DIAN regarding the infringement of tax regulations.
 - (e) Strengthening of DIAN's planning, and monitoring and evaluation capabilities.
 - (f) Strengthening of DIAN's institutional and technical procedures for the administration, storage and disposal of confiscated, seized and abandoned goods.
 - (g) Developing and implementing the Interoperability between SIIF-*Nación* and MUISCA to improve the efficiency of DIAN's processes.
2. The carrying out of a series of activities aimed at further modernizing and improving DIAN's capabilities for: (a) the development of DIAN's human resources; and (b) enhancing DIAN's internal supervision and quality management processes.
3. The strengthening of DIAN's capacity to further modernize its processes and its operational transition to the MUISCA management model, through, *inter alia*: (a) the expansion and maintenance of the new document management practices; and (b) the transfer of technical knowledge developed by the external consultants retained by DIAN to its internal staff.

Part D: Improving the Interoperability of the Borrower's Public Management Information Systems

Carrying out of a series of activities aimed at supporting the integration of the Borrower's key public information management systems and promoting the strategic use of the information generated by said systems with a view to enhancing policy making, through, *inter alia*:

1. Improving the Borrower' public-management capacity, through the development of a strategy aimed at facilitating the Interoperability among the public information systems and a sound information base to support the implementation of a results-based management system, through the development of protocols, methodologies and specific data integration pilots to support decision making processes associated with budget allocation, execution and evaluation of public expenditures, through:
 - (a) Design and implementation of methodologies and information systems, through the provision of technical assistance and the acquisition of information technology for the Interoperability between SIIF- *Nación* and SUIFP.
 - (b) Design and implementation of methodologies and information systems, through the provision of technical assistance and the acquisition of information technology for the Interoperability between SIIF-*Nación* and MUISCA.
2. Strengthening of the operational and analytical capacity of DGCPTN for the assessment and management of economic and financial risks and their impact on public credit, through, *inter alia*:
 - (a) Developing and implementing of an integrated information system (SEIGI) and the Interoperability between such system and other public management systems and tools within DGCPTN, through the provision of technical assistance and the upgrading of physical, logistical, and ICT infrastructure, including the construction of civil works for the remodeling of existing office space.
 - (b) Strengthening of DGCPTN's analytical capacity in selected thematic areas, including, *inter alia*: (i) the development of methodologies, systems and tools to conduct risk and vulnerability assessment and risk management; and (ii) the development of methodologies, systems and tools for public debt monitoring and evaluation, through the provision of technical assistance, the acquisition of software and the provision of training and capacity building programs for DGCPTN's personnel.
3. Strengthening of the technical and institutional capabilities of MHCP and DNP to conduct sound policy-making in selected sectors, with a view to fostering the

development of human capital, economic growth and enhanced environmental management, including, *inter alia*, the following activities:

- (a) Provision of support to DEE to carry out studies aimed at assessing the potential economic and human impacts of climate change and global warming and the provision of technical assistance for the development of economic models to quantify such impacts.
 - (b) Provision of support to DEE to carry out studies aimed at assessing the sustainability of the Borrower's social security system and the provision of technical assistance to identify the economic and equity impacts on such system.
 - (c) Provision of support to the Technical Vice-Minister for the development of a macro-programming methodology and the implementation of an integrated macro-programming system aimed at, *inter alia*, determining external vulnerability, linking fiscal performance with territorial dimensions; and monetary and financial programming.
 - (d) Strengthening of the institutional and technical capabilities of MHCP for the development of tax related policy and administration, through the carrying out of tax administration studies.
 - (e) Provision of technical assistance to support MHCP with the development, establishment and operation of the Center for Fiscal and Financial Studies.
4. Strengthening of the Borrower's systems for public expenditure oversight, at the sub national level, through, *inter alia*:
- (a) Development and implementation of an action plan aimed at enhancing DAF's capabilities to monitor and supervise the SGP.
 - (b) Strengthening of DAF's institutional capacity for the supervision of public expenditures, through the carrying out of a review of international good practices and study tours and workshops for the staff of DAF.
5. Strengthening of the Borrower's capacity for public expenditure evaluation, through *inter alia*, the provision of technical assistance to the Budget Directorate for the development and implementation of a methodology aimed at prioritizing and identifying specific programs for the purposes of conducting public expenditure evaluation.

Part E: Project Management

Strengthening of the institutional capabilities of MHCP and DNP (including through the provision of operating costs and the carrying out of Project staff training programs) for the

carrying out of Project coordination and management activities, including *inter alia*: administrative, financial management, procurement and other operational activities required for effective Project implementation; and the carrying out of monitoring and evaluation and inter-institutional coordination activities, all under the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Project Coordination Framework

1. To facilitate the effective coordination of the Project, the Borrower, through the Vice-Minister, shall enter into a project coordination framework (the Project Coordination Framework) with DNP and DIAN which shall include, *inter alia*, the following: (a) the obligation of MHCP to conduct overall Project coordination in close cooperation with DNP and DIAN; (b) the obligation of MHCP, DNP and DIAN to carry out their respective Parts of the Project, all in accordance with technical, public management, administration, financial management, procurement and information technology principles and standards and the Monitoring Indicators, as detailed in the Operational Manual; (c) the responsibilities of the Technical Committees referred to in Section I.B.2 of this Schedule; and (d) the obligation of DNP and DIAN to contribute with MHCP in the overall coordination of Project activities and the prompt resolution of any issues which may affect Project implementation.
2. (a) The Borrower, through MHCP, shall exercise its rights under the Project Coordination Framework in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project; and (b) except as the Bank and the Borrower shall otherwise agree, the Borrower (through MHCP, DNP and DIAN) shall not assign, amend, abrogate, waive or fail to enforce the Project Coordination Framework or any of its provisions, in connection with the Project.

B. Project Implementation Arrangements

1. Project Administration Unit
 - (a) Pursuant to the terms of the CONPES No. 3608, the Borrower (through the Vice-Minister), shall maintain within the Planning Advisory Office, at all times, until the completion of the Project, the functions of Project coordination assigned to said office (PAU), with functions and responsibilities acceptable to the Bank, including, *inter alia*: (i) monitoring the coordination of Project activities pursuant to the provisions of the Project Coordination Framework; (ii) preparing and submitting to the Bank the consolidated reports referred to in Section II.A of this Schedule, all in accordance with the timetable, guidelines and terms detailed in the Operational Manual; (iii) coordinating with the relevant technical units and staff of MHCP, DNP and DIAN, the carrying out of the financial management functions, withdrawal of Loan proceeds, and the procurement of goods, works, consultants' services and Non-Consultant Services required for the implementation of their respective Parts of the Project pursuant to the provisions of Sections II, III and IV of this Schedule; (iv) reviewing, jointly with MHCP, DNP, DIAN and the Bank, the progress achieved in the implementation of the Project, on the basis of the reports referred to in Section II. A. of this Schedule; (v) identifying any possible obstacle or difficulty affecting or threatening to

- affect Project implementation and proposing appropriate solutions to such obstacle or difficulty; and (vi) consolidating, in close coordination with the Technical Committees, the corresponding sections of the AOP and proposed annual budget for each coming year, specifying the activities to be financed by MHCP, DNP and DIAN in that year and the respective implementation schedule.
- (b) The Borrower, through MHCP, shall take all necessary measures, to timely allocate part of the proceeds of the Loan to maintain the PAU staffed, at all times throughout Project implementation, with qualified and experienced technical and clerical staff, in adequate numbers, with the core functions required for the effective coordination of Project activities, all with terms of reference acceptable to the Bank, as set forth in the Operational Manual.

2. Project Implementation Responsibilities

- (a) For the purposes of the carrying out of Parts A, D.1, D.2, D.3 (c), (d) and (e), D.4, D.5 and E (jointly with DNP) of the Project, the Borrower through MHCP, shall: (i) assign day-to-day Project management responsibilities to the Vice-Minister in close coordination with the Planning Advisory Office (PAU); (ii) ensure the timely provision of support by MHCP's line units in charge of financial management, procurement, human resources and information technology; and (iii) establish, staff and thereafter maintain, until the completion of the Project, a technical coordination committee (the MHCP Technical Committee) with technical staff in numbers and with qualifications and experience acceptable to the Bank, comprising *inter alia*, representatives of the Planning Advisory Office, relevant technical units and line units responsible for financial management, procurement, human resources and information technology, which shall be responsible, *inter alia*, for Project implementation oversight and reporting, the resolution of Project implementation obstacles and issues, the approval of the AOP, annual budget and the reallocation of funds, if needed, among the activities included under MHCP's respective Parts of the Project.
- (b) For the purposes of the carrying out of Parts B, D.3 (a) and (b) and E (jointly with MHCP) of the Project, the Borrower through DNP, shall: (i) assign day-to-day Project management responsibilities to the Secretary General; (ii) ensure the timely provision of support by DNP's line units in charge of financial management and procurement and the Multilateral Group; and (iii) establish, staff and thereafter maintain, until the completion of the Project, a technical coordination committee (the DNP Technical Committee) with technical staff in numbers and with qualifications and experience acceptable to the Bank, comprising *inter alia*, representatives of the relevant technical units responsible for investments and public finance and economic studies and line units responsible for financial management and procurement, which shall be responsible, *inter alia*, for Project implementation oversight and reporting, the resolution of Project implementation obstacles and issues, and the approval of the AOP, annual budget and the reallocation of funds, if

needed, among the activities included under DNP's respective Parts of the Project.

- (c) For the purposes of carrying out Part C of the Project, the Borrower through DIAN, shall: (i) assign day-to-day Project management responsibilities to the Director General; (ii) ensure the timely provision of support by DIAN's staff in charge of financial management and procurement; and (iii) establish, staff and thereafter maintain, until the completion of the Project, a technical coordination committee (the DIAN Technical Committee) with technical staff in numbers and with qualifications and experience acceptable to the Bank, comprising *inter alia*, representatives of the relevant technical staff responsible for resource and economic management, financial management, procurement, human resources and information technology, which shall be responsible, *inter alia*, for Project implementation oversight and reporting, the resolution of Project implementation obstacles and issues, and the approval of the corresponding AOP, annual budget and the reallocation of funds, if needed, among the activities included under Part C of the Project.
3. Operational Manual. Except as the Borrower (through MHCP, DNP and DIAN) and the Bank shall otherwise agree:
- (a) the Borrower, through MHCP, DNP and DIAN shall carry out their respective Parts of the Project, in accordance with a manual, acceptable to the Bank (the Operational Manual), containing detailed procedures and guidelines for the carrying out of the Project, including, *inter alia*: (i) the Project's organizational structure, including the detailed responsibilities of all the institutions responsible for Project implementation within MHCP, DNP and DIAN; (ii) the functions and staffing of PAU and the Technical Committees; (iii) detailed terms of reference, procedures and timetable for the establishment and maintenance of financial management, disbursement, flow of funds, accounting and auditing systems under MHCP, DNP and DIAN; (iv) guidelines, procedures, requirements and standard contractual terms for the procurement of goods, works, consultants' services and Non-Consultant Services financed under the Loan; (v) guidelines, procedures, requirements and standard contractual terms for the procurement of civil works financed under the Loan (Parts A.1.(c) and D.2.(a) of the Project) and which shall: (A) exclude the construction of new buildings or the expansion of existing buildings; and (B) be carried out in accordance with safety and construction standards applicable to office remodeling and refurbishing of existing buildings in a manner acceptable to the Bank; (vi) institutional responsibilities for the development and implementation of any measure required to mitigate any potential environmental negative impact of the civil works financed under the Project; (vii) procedures and mechanisms established to ensure inter-institutional coordination pursuant to the provisions of the Project Coordination Framework; and (viii) terms of reference and procedures for the monitoring and evaluation of Project implementation, including the Monitoring Indicators.
 - (b) Unless the Bank shall otherwise agree, the Borrower (through MHCP, DNP or DIAN) shall not amend, waive or fail to enforce the Operational Manual, or any

provision thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

4. Annual Operating Plan

For the purposes of carrying out of the Project, the Borrower shall:

- (a) by not later than November 30 in each year of Project implementation, starting on November 30, 2010, prepare and furnish to the Bank for its approval (through the Planning Advisory Office) a consolidated Project annual operating plan (AOP), each said plan to include, *inter alia*: (i) a description of the Project activities to be carried out by MHCP, DNP and DIAN during the twelve months immediately following the presentation of each said plan; (ii) the proposed budget for the financing of said activities; (iii) the procurement plan for the goods, works and services and Non-Consultant Services proposed to be financed under the Loan; and (iv) the disbursement schedule, all in accordance with the terms of the Operational Manual; and
- (b) promptly thereafter, implement each said AOP, approved by the Bank, in accordance with its terms.

C. **Anti-Corruption**

The Borrower (through MHCP, DNP and DIAN) shall carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. **Project Monitoring Reporting and Evaluation**

A. **Project Reports**

1. (a) The Borrower shall (through MHCP in close coordination with DNP and DIAN): (i) monitor and evaluate the progress of the Project; and (ii) by not later than April 30, of each year of Project implementation, prepare and submit to the Bank, a Project Report, in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of Monitoring Indicators.
- (b) Each of such reports shall include: (i) a detailed description of Project activities completed during the respective calendar year period; (ii) a detailed progress report including lessons learned during Project implementation; and (iii) the identification of any issue that may delay Project implementation setting out the measure recommended to solve such issue.

2. Project Reviews

The Borrower shall (through MHCP in close coordination with DNP and DIAN) annually, by not later than May 30 of each year of Project implementation, starting on May 30, 2010 until the completion of the Project:

- (a) review with the Bank, the reports referred to in subparagraph (a) of this sub-Section and carry out an annual Project implementation review to, *inter alia*: (i) evaluate progress achieved by the MHCP, DNP and DIAN in carrying out their respective Parts of the Project; (ii) assess progress in the implementation and integration of public management information systems; (iii) exchange views on progress achieved by the MHCP, DNP and DIAN in the implementation of the respective AOP during the previous year, and agree on the proposed activities for the upcoming year; (iv) identify any difficulties in achieving an effective inter-institutional coordination, pursuant to the provisions of the Project Coordination Framework, and propose specific actions to resolve such difficulties; (v) assess and adjust, if necessary, the Monitoring Indicators; (vi) identify any implementation delays, including procurement and disbursement issues and propose solutions to timely resolve such issues; and (vii) report the results of the monitoring and evaluation activities conducted by the Technical Committees;
- (b) carry out a comprehensive mid-term Project review by May 30, 2011; and
- (c) after each of the preceding reviews, take all measures required to ensure the efficient and timely completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said reviews and the Bank's views on the matter.

B. Financial Management, Financial Reports and Audits

- 1. The Borrower (through MHCP, DNP and DIAN) shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
- 3. The Borrower shall have the Project's Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Project's Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the Effective Date occurs. The audited Project's Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

- 1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Non-Consultant Services.** All Non-Consultant Services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines and with the provisions of this Section.
3. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
4. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
5. **Special Provisions.** The Borrower (through MHCP, DNP and DIAN) shall: (a) promptly following the Effective Date, supply the Bank with the information required for the purposes of SEPA, as contained in the initial Procurement Plan; and (b) immediately thereafter, periodically update the Procurement Plan (at least once a year, or as required by the Bank,) to reflect in such plan, the actual Project implementation needs and supply the SEPA with the information contained in the updated Procurement Plan.

B. Particular Methods of Procurement of Goods, Works and Non-Consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Domestic Preference.** The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Republic of Colombia.
3. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.**
 - (a) The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Non-Consultant Services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) National Competitive Bidding (subject to the additional procedures set forth in paragraph (b)).
(b) Shopping (estimated to cost less than \$100,000 equivalent per contract for goods and Non-Consultant Services, and less than \$350,000 equivalent per contract for civil works).
(c) Direct Contracting (with prior no objection of the Bank).

(b) National Competitive Bidding

- (i) Goods and Non-Consultant Services estimated to cost less than \$500,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines.
- (ii) Works estimated to cost less than \$5,000,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines.
- (iii) Before issuing any invitation to bid, the Borrower (through MHCP, DNP and DIAN) for the purposes of their respective Parts of the Project, shall prepare and furnish or cause to be prepared and furnished to the Bank for approval, appropriate model bidding documents. Once approved by the Bank, the Borrower (through the MHCP, DNP and DIAN, as the case may be) shall use, or cause to be used, said model bidding documents, as approved for bidding under the Project. Any change or departure from the model approved shall require Bank's prior approval.
- (iv) All bidders, irrespective of whether they are foreigners or Colombians, will be treated equally and, particularly, no preference will be granted to any bidder or group of bidders for bid evaluation purposes. Bidders shall be allowed to submit their bids by hand or through the post office or private mailing services. There shall not be any requirement for any bidder to show evidence of the bidder's registration in any public registry, chamber of commerce or similar entity, whether in Colombia or elsewhere, or to appoint a representative domiciled in Colombia, unless and until such bidder is awarded the corresponding contract.
- (v) Bids shall be opened in a public meeting to which bidders and their representatives shall be allowed to attend if they so wish. Date, time and place for the opening meeting shall be set forth in the bidding documents. Bid opening shall coincide with, or take place promptly after, the final date and time of the period for bid submission stipulated in the bidding documents.
- (vi) Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder who meets appropriate technical and financial standards of capability and whose bid has been determined to be the lowest evaluated bid. Such determination shall be made exclusively on the basis of the specifications, conditions and evaluation criteria stipulated in the bidding documents. If any factor additional to the amount or amounts of each bid is to be considered in bid evaluation, such factor or factors and the quantified manner on which they will be applied for purposes of determining the lowest evaluated bid shall be precisely stipulated in the bidding documents. For purposes of bid evaluation and comparison, the only bid amount or amounts to be used as a factor shall

be the bid amount or amounts as quoted in the corresponding bid, including correction of arithmetic errors.

- (vii) The provisions of paragraph 2.47 of the Guidelines shall fully apply and, more specifically, bids shall not be disclosed to persons other than the persons officially charged with the task of comparing and/or evaluating the bids while they are performing their official duties, without the corresponding bidder's written authorization. Moreover, bidders shall not be required to provide such authorization as a condition to be entitled to bid. This confidentiality requirement shall apply until the award of contract is notified to the successful bidder. Thereafter, confidentiality of the bids shall be limited to those bid portions for which confidentiality has been specifically requested by the bidder in question.

C. Particular Methods of Procurement of Consultants' Services

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
- 2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-based Selection.
(b) Selection Based on Consultants' Qualifications (for contracts estimated to cost less than \$200,000).
(c) Least Cost Selection.
(d) Fixed Budget Selection.
(e) Single-Source Selection (with prior no objection from the Bank).
(f) Selection of Individual Consultants pursuant to the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines (including Single-Source Selection of Individual Consultants with prior no objection from the Bank).

D. Review by the Bank of Procurement Decisions

- 1. The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review.
- 2. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower (through MHCP) 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 shall 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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, Training, Non-Consultant Services, consultants’ services and operating costs under Parts A., D.1, D.2, D.3 (c), (d) and (e), D.4., D.5 and E of the Project	15,000,000	100%
(2) Goods, Training, Non-Consultant Services consultants’ services and operating costs under Parts B., D.3 (a) and (b) and E of the Project	2,000,000	100%
(3) Goods, Training, Non-Consultant Services, consultants’ services and operating costs under Part C of the Project	8,000,000	100%
TOTAL AMOUNT	25,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. For the purposes of this Section, the term:
 - (a) “Operating Costs” means the expenditures incurred by the Borrower (through MHCP, DNP or DIAN) for: (i) the costs of office rental, communications and utilities; (ii) the acquisition and printing of scientific publications and materials; (iii) the costs of insurance, internet connectivity, and banking fees; (iv) the costs of travel for staff assigned to the Project; and (v) the acquisition of office

equipment, all of such expenditures which would not have been incurred absent the Project;

- (b) the term “Non-Consultant Services” means the costs of logistics, acquisition of data base management services and other Non-Consultant Services required by MHCP, DNP and DIAN for the carrying out of their respective Parts of the Project; and
- (c) the term “Training” means the expenditures, excluding consultants’ services, incurred by the Borrower, through MHCP, DNP and DIAN, required for the carrying out of training activities directly related to the Project, including *inter alia*: (i) the costs associated with the organization and delivery of in-country seminars, foreign study-tours, workshops and conferences; (ii) the provision of routine training for the utilization of standard software packages financed under the Project; and (iii) the carrying out of distance and virtual learning programs.

2. 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) in respect of payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$5,000,000 equivalent may be made for payments for goods and consultants’ services incurred prior to this date but on or November 13, 2009, for Eligible Expenditures under Categories (1), (2) and (3); or
- (c) in respect of payments made for expenditures under Category (1), in respect of civil works: (i) for the construction of new buildings; and (ii) for the expansion of existing buildings, except for those minor civil works detailed in Parts A. 1 (c) and D. 2 (a) of the Project.

3. The Closing Date is December 31, 2012.

SCHEDULE 3

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on August 15, 2023.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “AOP” means *Plan Operativo Annual*, the consolidated annual operating plan for the Project referred to in Section I.B.(4) of Schedule 2 to this Agreement.
3. “BPIN” means *Banco de Proyectos de Inversión Nacional*, the Borrower’s bank for national investment projects, and any successor or successors thereto.
4. “Budget Directorate” means the budget general directorate operating within MHCP, and any successor or successors thereto.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Center for Fiscal and Financial Studies” means *Centro de Estudios Fiscales, Financieros y del Sector Real*, the center to be established under the purview of the Technical Vice-Minister, and responsible for the carrying out of studies in a variety of priority topics, such as, macroeconomic framework, pensions, labor, tax and other policy-related topics.
7. “CONPES No. 3608” means the document (*Concepto Favorable a la Nación para Contratar un Empréstito Externo con la Banca Multilateral hasta por US\$25 millones de Dólares o su Equivalente en Otras Monedas Destinado a Financiar el Proyecto Consolidación de los Sistemas Nacionales de Información*) approved by the Borrower’s National Council for Economic and Social Policy (*Consejo Nacional de Política Económica y Social*) on September 14, 2009 authorizing the Borrower to contract the Loan from the Bank in support of the Project.
8. “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.
9. “DAF” means *Dirección de Apoyo Fiscal*, the Borrower’s directorate for fiscal support operating within MHCP, and any successor or successors thereto.
10. “DEE” means *Dirección de Estudios Económicos*, the Borrower’s directorate for economic studies operating within DNP, and any successor or successors thereto.
11. “DGCPTN” means *Dirección General de Crédito Público y Tesoro Nacional*, the Borrower’s public credit and treasury directorate operating within MHCP, and any successor or successors thereto.

12. “DGPM” means *Dirección General de Política Macroeconómica*, the Borrower’s macro-economic policy directorate operating within MHC, and any successor or successors thereto.
13. “DGRF” means *Dirección General de Regulación Financiera*, the Borrower’s financial regulatory directorate operating within MHCP, and any successor or successors thereto.
14. “DIAN” means (*Unidad Administrativa Especial*) *Dirección de Impuestos y Aduanas Nacionales*, the Borrower’s Directorate of National Tax and Customs, established and operating pursuant to the provisions of the Borrower’s Decree No. 2117 dated December 29, 1992 and published in the Borrower’s Official Gazette (*Diario Oficial*) No. 40703 dated December 31,1992, as amended by the provisions of the Borrower’s Decree No. 4048 dated October 22, 2008 and published in the Borrower’s Official Gazette (*Diario Oficial*) No. 47150 dated December 22, 2008, and any successor or successors thereto.
15. “DIAN Technical Committee” means *Comité de Coordinación Técnica- DIAN* the technical committee to be established within DIAN as set forth in Section I.B.2.(c) of Schedule 2 to this Agreement.
16. “Director General” means *Director General de la DIAN*, the Director General of DIAN.
17. “DNP” means *Departamento Nacional de Planeación*, the Borrower’s National Planning Department, and any successor or successors thereto.
18. “DNP Technical Committee” means *Comité de Coordinación Técnica-DNP*, the technical committee to be established within DNP as set forth in Section I.B.2. (b) of Schedule 2 to this Agreement.
19. “Framework Agreement” means *convenio o acuerdo marco de precios*, a standard agreement established for the harmonization of government practices for the procurement of goods and services.
20. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
21. “ICT” means information and communications technology.
22. “Interoperability” means the coordinated operation of the Borrower’s public management information systems.
23. “MHCP” means *Ministerio de Hacienda y Crédito Público*, the Borrower’s Ministry of Finance and Public Credit, and any successor or successors thereto.
24. “MHCP Technical Committee” means *Comité Técnico*, the technical committee to be established within MHCP as set forth in Section I.B.2.(a) of Schedule 2 to this Agreement.

25. “Monitoring Indicators” means *Indicadores*, the technical and administrative indicators that will be used to monitor the performance of MHCP, DNP and DIAN in regard to the implementation of their respective Parts of the Project as set forth in the Operational Manual.
26. “MUISCA” means *Modelo Unico de Ingresos, Servicios, y Control Automatizado*, DIAN’s integrated income, services and management model, developed under PFM II.
27. “Multilateral Group” means the specialized unit established and operating within DNP for the management of projects financed by international financial institutions, and any successor or successor thereto.
28. “NTGCP1000:2004” means *Norma Técnica de Calidad para el Sector Público*, the Borrower’s regulatory framework including technical regulations to measure the quality of services delivered by the Borrower’s public sector entities, pursuant to the provisions of Decree No. 4110 dated December 9, 2004 and published in the Borrower’s Official Gazette (*Diario Oficial*) No. 45761 dated December 13, 2004, as amended to the date of this Agreement.
29. “Operational Manual” means *Manual de Operaciones*, the manual dated November 24, 2009, approved by MHCP, DNP and DIAN as set forth in Section I.B.3 of Schedule 2 to this Agreement.
30. “PAU” means the Project administration unit operating within the Planning Advisory Office as set forth in Section I.B.(1) of Schedule 2 to this Agreement.
31. “Planning Advisory Office” means *Oficina Asesora de Planeación*, the planning office operating within MHCP, and any successor or successors thereto.
32. “PFM II” means Public Financial Management Project II as defined under the Loan Agreement (Loan Number 7049-CO) entered into between the Bank and the Borrower on April 18, 2001, as amended to the date of this Agreement.
33. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
34. “Procurement Plan” means *Plan de Adquisiciones*, the Borrower’s consolidated procurement plan for the Project dated November 24, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
35. “Project Coordination Framework” means *Marco de Coordinación del Proyecto*, the document dated November 19, 2009 detailing the coordination of Project implementation responsibilities of MHCP, and DNP and DIAN referred to in Section I.A. of Schedule 2 to this Agreement.
36. “Secretary General” means *Secretaría General del Departamento Nacional de Planeación*, the General Secretariat within DNP.

37. “SEIGI” means *Sistema Especializado de Información y Gestión Integral*, the Borrower’s integrated information and management system to be established within DGCPTN as set forth in Part D.2.(a) of this Agreement, in a manner acceptable to the Bank.
38. “SEPA” means *Sistema de Ejecución de Planes de Adquisiciones*, the system developed by the Bank to promote the transparent dissemination of the Procurement Plan.
39. “SGP” means *Sistema General de Participaciones*, the Borrower’s framework regulating the transfer of resources to the subnational governments of the Borrower pursuant to the provisions of the Borrower’s Decree No. 28 dated January 10, 2008 and published in the Borrower’s Official Gazette (*Diario Oficial*) No. 46867 dated January 10, 2008, as amended to the date of this Agreement.
40. “SIIF-Nación” means *Sistema Integrado de Información Financiera-Nación*, the Borrower’s integrated financial management information system.
41. “SUG” means *Sistema Único de Gestión*, a performance-based management and evaluation system established within MHCP pursuant to the provisions of NTGCP1000:2004.
42. “SUIFP” means *Sistema Unificado de Inversiones y Finanzas Públicas*, the Borrower’s system for public investment and finance.
43. “Technical Committees” means, collectively, the MHCP Technical Committee, the DNP Technical Committee and the DIAN Technical Committee.
44. “Technical Vice-Minister” means *Vice-Ministro Técnico del Ministerio de Hacienda y Crédito Público*, the Vice-minister within MHCP responsible for the coordination of technical matters.
45. “Vice-Minister” means *Vice-Ministro General del Ministerio de Hacienda y Crédito Público*, the Vice-minister within MHCP responsible for inter-institutional coordination under the Project.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to

pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (1) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (1) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”