

**CONFORMED COPY**

**LOAN NUMBER 7540-CO**

# **Loan Agreement**

**(Rural Education Project APL Phase II in Support of  
a Program to Improve Access and Quality)**

**between**

**REPUBLIC OF COLOMBIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated June 19, 2008**

**LOAN AGREEMENT**

Agreement dated June 19, 2008, 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 forty million Dollars (\$40,000,000), 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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 April 15 and October 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in 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 commitment to the objective of the Project. To this end, the Borrower shall: (a) carry out Part 1 and Part 3 of the Project through MEN; and (b) carry out Part 2 of the Project through MEN with the administrative assistance of the Trust Agent (pursuant to the Trust Agreement) 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 shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — TERMINATION**

- 4.01 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 October 16, 2009.

### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

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

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

Cable address:  
MINHACIENDA

Facsimile:  
(571) 350-9344

5.03. 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, Colombia, as of the day and year first above written.

**REPUBLIC OF COLOMBIA**

**By /s/ Oscar Iván Zuluaga**

**Authorized Representative**

**By /s/ Cecilia María Velez White**

**Authorized Representative**

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

**By /s/ Axel van Trotsenburg**

**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to increase rural population access to quality education from pre-school to upper secondary education, promote higher retention of children and youths in the school system and improve education programs relevant to rural communities and their school populations.

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

#### Part 1: Institutional Strengthening of Territorial Entities for Rural Equitable and Quality Education

Provision of technical assistance and training to strengthen the capacity of the secretariats of education of the Territorial Entities to provide equitable education services, develop and implement compensation strategies to close the gap between rural and urban areas, and improve education delivery mechanisms for the most vulnerable and remote populations and ethnic groups.

#### Part 2: Rural Education Sub-projects

Assisting school principals, teaching staff and teacher training institutions to develop a better understanding of the educational needs in rural contexts and corresponding education interventions in rural areas to increase equitable access, improve school performance and improve student learning outcomes, through the carrying out of Rural Education Sub-projects.

#### Part 3: Institutional Strengthening/ Project Monitoring, Evaluation and Management

Strengthening of the institutional, monitoring and management capabilities of MEN, including:

(a) carrying out of various Project-related studies to promote quality education and related Project audits;

(b) design and implementation of a monitoring and evaluation strategy for the Project; and

(c) strengthening of the IT in order for it to comply with its Project management and implementation responsibilities, including the design and implementation of a social communications strategy to inform and motivate the general community about the Project and its expected impact.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank may otherwise agree, the Borrower, through MEN (with the administrative assistance of the Trust Agent, with respect to Part 2 of the Project, pursuant to the Trust Agreement) shall carry out the Project in accordance with the Operational Manual. Except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of these documents without the Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.
2. The Borrower, through MEN, shall maintain an operational manual, satisfactory to the Bank, containing, *inter alia*, specific provisions on detailed arrangements for the carrying out of the Project, including:
  - (i) the procurement, financial management and disbursement requirements thereof;
  - (ii) the criteria and methods for the selection of the Territorial Entities;
  - (iii) the criteria and methods for the selection, approval, implementation and monitoring of the Rural Education Sub-projects;
  - (iv) the model forms for the Rural Education Sub-project Agreements;
  - (v) the IPPF; and
  - (vi) the Key Performance Indicators.
3. The Borrower, through MEN, shall:
  - (a) maintain, at all times during Project implementation, an implementation team within MEN's regular structure, with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of said team to coordinate and monitor the carrying out of the Project; and
  - (b) ensure that the IT is, at all times during Project implementation, led by a Project coordinator and is assisted by adequate professional and administrative staff (including procurement and financial specialists), in numbers and with experience and qualifications acceptable to the Bank, operating under terms of reference satisfactory to the Bank.

**B. Trust Agreement**

1. (a) To facilitate the carrying out of Part 2 of the Project, the Borrower, through MEN, shall make part of the proceeds of the Loan available to the Trust Agent under an agreement between the Borrower and the Trust Agent, under terms and conditions approved by the Bank (including a satisfactory financial management assessment), which shall include, *inter alia*, the Trust Agent's obligation to maintain, on behalf of the MEN, records and accounts adequate to reflect the operations, resources and expenditures of the Project, in order to enable the Borrower to comply with its obligations under this Agreement.
- (b) The Borrower, through MEN, shall exercise its rights under the Trust Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

**C. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**D. Rural Education Sub-projects**

For the purposes of carrying out Part 2 of the Project, the Borrower, through MEN, shall enter into a separate tripartite Rural Education Sub-project agreement with each Territorial Entity and the Trust Agent, under terms and conditions acceptable to the Bank (as outlined in the Operational Manual).

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

**A. Project Reports**

The Borrower, through MEN, shall monitor and evaluate the progress of the Project and, through MEN, prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the Key Performance Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report

**B. Financial Management, Financial Reports and Audits**

1. The Borrower, through MEN, 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, through MEN, 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, through MEN, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the Project becomes effective. The audited Financial Statements for each such period shall be furnished to the Bank not later than six 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. **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.
3. **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.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
National Competitive Bidding (subject to the additional procedures set forth in paragraph 3 of this section)
Shopping
Commercial Practices (for Rural Education Sub-projects as per procedures set forth in the Operational Manual)

3. (a) Before issuing any invitation to bid, the Borrower 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 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.



(b) 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 the Borrower's territory or elsewhere, or to appoint a representative domiciled in the Borrower's territory, unless and until such bidder is awarded the corresponding contract.

(c) 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.

(d) 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 in 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.

(e) 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.

<b><u>Procurement Method</u></b>
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection Based on Consultant's Qualifications
(e) Single Source Selection
(f) Procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for the selection of Individual Consultants

**D. Review by the Bank of Procurement Decisions**

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

**Section IV. Withdrawal of Loan Proceeds**

**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 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.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, consultants' services and operating costs under Part 1 and Part 3 of the Project	11,322,000	100%
(2) Rural Education Sub-projects	28,678,000	100% of the goods, works and services required to carry out Rural Education Sub-projects
<b>TOTAL AMOUNT</b>	<b>40,000,000</b>	

For the purposes of this Section IV, the term "operating costs" means the reasonable costs of communications, office supply and utilities, travel, transportation and *per diem* directly related to the performance of the Project activities, which would not have been incurred absent the Project.

**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; or
  - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$4,000,000 equivalent may be made for payments made within twelve (12) months of this Agreement, but in no case prior to December 20, 2007; or
  - (c) for payments under Category (2) set forth in the table in Part A.2 of this Section, unless the Trust Agreement has been executed on behalf of the parties thereto.
2. The Closing Date is December 31, 2013.

### 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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each April 15 and October 15  Beginning April 15, 2025 through October 15, 2026	25%

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) of this paragraph, 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: (i) 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 (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

## APPENDIX

### 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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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.
4. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
5. “IPPF” means the indigenous peoples development framework for the Project, dated March 3, 2007, that details an action plan to assist indigenous peoples and afro-colombians to overcome barriers to access to education, as said plan may be updated from time to time by agreement between the Bank and the Borrower.
6. “IT” means the Project implementation team referred to in paragraph 3(a) of Section I.A of Schedule 2 to this Agreement.
7. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.
8. “MEN” means *Ministerio de Educación Nacional*, the Borrower’s National Ministry of Education.
9. “Operational Manual” means the manual referred to in Section I.A.2. of Schedule 2 to this Agreement, dated March 10, 2008, as said manual may be amended from time to time with the Bank’s prior approval.
10. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
11. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 10, 2008 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.
12. “Rural Education Sub-project Agreements” means any of the agreements referred to in Section I.D of Schedule 2 to this Agreement.

13. “Rural Education Sub-project” means a set of activities prepared by a Territorial Entity (as hereinafter defined) for the benefit of rural education with the objective to reach better and equitable results in terms of access, completion, and quality of learning; said activities to include, *inter-alia*: (a) teacher training; (b) a competency-based curriculum (academic, citizenship and work competencies); (c) the use of information and communication technologies; (d) improvement of second language teaching; (e) strategies to promote peaceful conflict resolution; and (f) the institutionalization of teamwork skills, leadership and respect for consensus-building.
14. “Territorial Entity” means either a *Departamento Certificado* (a Borrower’s Department certified by MEN to administer education services); or a *Municipalidad Certificada* (a Borrower’s Municipality certified by a *Departamento Certificado* and/or MEN to administer education services); or a *Distrito Certificado* (a Borrower’s District certified by MEN to administer education services), where Rural Education Sub-projects will be carried out in accordance with the guidelines set forth in the Operational Manual.
15. “Trust Agent” means any financial service institution that, in accordance with the Borrower’s Presidential Decree No. 663 of 1993 (*Estatuto Orgánico del Sistema Financiero*), is authorized to perform fiduciary functions involving public funds, to be selected by the Borrower for entering into a Trust Agreement.
16. “Trust Agreement” means the agreement referred to in Section I.B1(a) of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Trust Agent for the implementation of Part 2 of the Project.