

**CONFORMED COPY**

**LOAN NUMBER 7998-CO**

# **Loan Agreement**

**(National *MACROPROYECTOS* Social Interest Program Project)**

**between**

**REPUBLIC OF COLOMBIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated March 22, 2011**

## **LOAN AGREEMENT**

Agreement dated March 22, 2011, 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 the Reference Rate 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 (e) 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, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; 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 carry out the Project through MAVDT with the support of FONVIVIENDA 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 MAVDT, 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 Events of Suspension consist of the following:
- (a) That FONVIVIENDA shall have failed to comply with any of its obligations under the Administrative Agreement.

- (b) That FONVIVIENDA's Legislation shall have been amended, suspended, abrogated, repealed, not enforced or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of FONVIVIENDA to perform any of its obligations under the Administrative Agreement.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Administrative Agreement has been duly executed on behalf of the parties thereto.
- 5.02. The Additional Legal Matters consist of the following:
  - (a) The Administrative Agreement has been duly authorized or ratified by the Borrower (through MAVDT) and FONVIVIENDA and is legally binding upon the Borrower (through MAVDT) and FONVIVIENDA in accordance with its terms.
  - (b) The legal framework for the list of Subprojects included in the Pipeline of Subprojects is valid and enforceable as it applies to them.
- 5.03. 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 July 11, 2012.

**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 7-A. No. 6-45, Piso 3  
Bogotá, República de Colombia

Facsimile: (57-1) 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, Colombia, as of the day and year first above written.

**REPUBLIC OF COLOMBIA**

**By /s/ Juan Carlos Echeverry**  
**Authorized Representative**  
**Ministry of Finance and Public Credit**

**By /s/ Beatriz Elena Uribe Botero**  
**Authorized Representative**  
**Ministry of Environment, Housing**  
**and Regional Development**

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

**By /s/ Gloria Grandolini**  
**Authorized Representative**

## SCHEDULE 1

### Project Description

The objective of the Project is to enable access to affordable housing solutions for low-income Beneficiaries.

The Project consists of the following parts:

#### **Part 1: Low-Income Land and Housing Development**

- A. (i) Carrying out of technical studies and provision of technical assistance for Subprojects-I and Subprojects-III structuring and development, including *inter alia*, the preparation of real estate structuring technical support documents, the establishment of a real estate development trust and the monitoring of the contracting process of private developers for Subproject implementation;
- (ii) the provision of support to carry out the fiduciary management of Subprojects; and
- (iii) the carrying out of independent technical supervision for the implementation of Subprojects.
- B. (i) Provision of Grants-I to finance Subprojects-I for low-income public-private land and housing developments which consist of investments in secondary water supply and sanitation, urban drainage, basic transportation infrastructure associated with the implementation of selected Subprojects-I, secondary electricity and gas networks and basic home building materials and costs associated with low income housing construction.
- (ii) Provision of Grants-II to finance: (1) Subprojects-II for low-income public-private land and housing developments which consist of the same type of investments included in Subprojects-I; and (2) the carrying out of technical studies and provision of technical assistance for Subproject-II structuring and development, including *inter alia*, the preparation of real estate structuring technical support documents, the establishment of a real estate development trust and the monitoring of the contracting process of private developers for Subproject implementation.
- (iii) Provision of Grants-III to finance Subprojects-III for low-income public land and housing developments, which consist of the same type of investments included in Subprojects-I.

- (iv) Provision of financing to cover indirect costs associated with Subproject management.

**Part 2: Technical Assistance Program**

Provision of technical assistance related to low income land and housing solutions, which includes, *inter alia*, a framework for public-private and private operations, a real estate development business model, land management framework, land market and infrastructure assessments, feasibility studies for capital market access and feasibility studies for models for public housing interventions.

**Part 3: Project Management**

Provision of support to MAVDT for the carrying out of activities related to Project management, implementation, monitoring, evaluation and supervision, including outreach communication activities to raise public awareness of the Project.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Transfer of Funds

The Borrower shall promptly allocate the proceeds of the Loan to FONVIVIENDA through the Borrower's budgetary mechanisms.

##### B. Administrative Agreement

1. Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall carry out the Project through MAVDT with the assistance of FONVIVIENDA, pursuant to an administrative agreement (the Administrative Agreement) to be entered into by and between MAVDT, and FONVIVIENDA, under terms and conditions acceptable to the Bank, which shall include, *inter alia*:
  - (a) the roles and responsibilities of MAVDT and FONVIVIENDA with regard to Project implementation;
  - (b) the obligation of MAVDT and FONVIVIENDA to carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines;
  - (c) the obligation of MAVDT:
    - (i) to ensure that the Project is carried out in accordance with the provisions of the Operational Manual (including the EMF and the SMF);
    - (ii) with respect to Part 1.B of the Project, to cause FONVIVIENDA to ensure that the Subproject Developers comply with the provisions of the Anti-Corruption Guidelines; and
    - (iii) to provide the facilities, staff, services and other resources, necessary or appropriate to carry out the Project;
  - (d) the right of MAVDT to take remedial actions against FONVIVIENDA in case FONVIVIENDA shall have failed to comply with any of its obligations under the Administrative Agreement, all as previously agreed with the Bank; and
  - (e) the obligation of FONVIVIENDA:



- (i) to assist MAVDT in the carrying out of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, social and cultural property practices, as specified in the Operational Manual;
  - (ii) to provide the services and other resources necessary or appropriate to carry out the Project;
  - (iii) to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines (by, for example, allowing Bank inspection and audit rights under paragraph 9 (d) of the Anti-Corruption Guidelines);
  - (iv) to assist MAVDT to comply with its obligations set forth in Section II of Schedule 2 to this Agreement;
  - (v) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Administrative Agreement or any provision thereof, unless previously agreed with the Bank;
  - (vi) if applicable, to comply, or cause to be complied, with the obligations referred to in Sections 5.04, 5.05, 5.06, 5.07, 5.10 and 5.11 of the General Conditions (relating to insurance, land acquisition, use of goods, works and services, maintenance of facilities, plans, documents and records, cooperation and consultation and visits, respectively) in respect of the Project; and
  - (vii) to take or permit to be taken all actions to enable the MAVDT to comply with its obligations set forth in Sections 3.01 and Schedule 2 to this Agreement in respect of the carrying out of the Project by MAVDT with the assistance of FONVIVIENDA.
2. The Borrower, through MAVDT, shall: (a) exercise its rights and carry out its obligations under the Administrative Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (b) except as the Bank shall otherwise agree, the Borrower, through MAVDT, shall not assign, amend, abrogate, terminate, waive or fail to enforce the Administrative Agreement or any provision thereof.
3. In case of any conflict between the terms of the Administrative Agreement and those of this Agreement, the terms of this Agreement shall prevail.

**C. Institutional Arrangements**

1. The Borrower, through MAVDT, with the assistance of FONVIVIENDA, shall:
  - (a) entrust responsibility for the management, coordination and supervision of the Project to various structures and entities within MAVDT as described in the Operational Manual, including among them, a project coordination unit (the *Equipo de Macroproyectos*) staffed at all times during Project implementation with personnel adequate in numbers and having functions, experience and resources satisfactory to the Bank with respect to the technical, environmental, community outreach, communications, administrative, legal and fiduciary activities needed for the implementation of the Project, all as set forth in detail in the OM;
  - (b) ensure an active and efficient collaboration, for purposes of Project implementation, among said MAVDT structures, departments and units, FONVIVIENDA, the prospective participating municipalities within the Borrower's territory and all other Borrower's agencies and entities listed in the OM; and
  - (c) establish, not later than six months after the Effective Date, an independent validation team comprising competitively selected real estate experts in, *inter alia*, finance and development, and urban development and planning, to provide advisory support in respect of real estate transactions contemplated under the Project.

**D. Implementation Documents**

1. The Borrower, through MAVDT, has adopted an operational manual (the Operational Manual or OM) for the Project, dated November 18, 2010, satisfactory to the Bank, setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including, *inter alia*, the following:
  - (a) (i) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and (ii) the detailed institutional arrangements in respect thereof;
  - (b) the distinction between: (i) Subprojects-I and Subprojects-III, where Subproject Developers will be contracted to carry out the investments under Parts 1.B (i) and 1.B (iii) of the Project (respectively) and structuring agents will be contracted separately to carry out the technical assistance under Part 1.A of the Project; and (ii) Subprojects-II, where the contract with the Subproject Developer will include both, the

investments and the technical assistance required for such investments, as described in Part 1.B (ii) of the Project;

- (c) the Project's administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto;
  - (d) the eligibility criteria for Subprojects, including: (i) the rules for their selection, approval, implementation, monitoring and evaluation; and (ii) the exclusion from the Project of any Subprojects which, in the Bank's opinion, would merit an Environmental Classification A under the Bank's Operational Policy 4.01;
  - (e) the timing and amounts of third-party guarantees and/or counterpart contributions required from Subproject Developers for each phase of Subprojects-I and Subprojects-II;
  - (f) the EMF and SMF;
  - (g) the guidelines and arrangements for the training and capacity building activities under the Project;
  - (h) the final form of the interim unaudited financial reports and Financial Statements for the Project and the terms of reference for the technical, environmental and financial audits of the Project;
  - (i) the plan for the monitoring and supervision of the Project, including all technical, environmental, and social aspects in relation thereto; and
  - (j) the performance indicators for the Project.
2. The Borrower, through MAVDT, shall and shall cause FONVIVIENDA to ensure that the Project is carried out in accordance with the OM.
  3. In the event that any provision of the OM shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.
  4. The OM may only be amended from time to time with the Bank's prior written consent.

**E. Subprojects**

The Borrower, through MAVDT, shall and/or shall cause FONVIVIENDA to:

1. agree to provide financing out of Loan proceeds for the carrying out of Subprojects in accordance with eligibility criteria, procedures and sequencing of activities, terms and conditions acceptable to the Bank and set forth in the Operational Manual, which shall include, *inter alia*, the following consecutive actions and procedures:
  - (a) (i) the evaluation of prospective Subprojects shall be carried out by MAVDT; and (ii) the determination of Subprojects' eligibility under the Project shall be made by MAVDT in consultation with municipal officials of a participating municipality within the Borrower's territory using criteria specified in the Operational Manual;
  - (b) the selection and appointment, in compliance with relevant provisions of Section III of Schedule 2 to this Agreement, for each Subproject-I and Subproject-III, of a real estate development structuring agent responsible for the technical and financial preparation of said type of Subprojects;
  - (c) (i) the selection and appointment (in accordance with the pertinent provisions of Section III of this Schedule), throughout the duration of each Subproject implementation, of a Fiduciary Agent to manage all fiduciary aspects associated with Subproject implementation, pursuant to an agreement (the Fiduciary Contract) to be entered into between FONVIVIENDA and the pertinent Fiduciary Agent, under which the Fiduciary Agent shall, *inter alia*:
    - (A) manage on behalf of FONVIVIENDA (pursuant to instructions from MAVDT), the contracting process (in accordance with the pertinent provisions of Section III of this Schedule) of the Subproject Developers for Subprojects-I and Subprojects-III, the independent technical supervisors and other technical functions associated with the development and implementation of Subprojects;
    - (B) manage Project resources on behalf of FONVIVIENDA (pursuant to instructions from MAVDT) for the implementation of Part 1.B of the Project;
    - (C) manage the fiduciary aspects of the real estate trust referred to in Part 1.A (i) and Part 1.B.(ii)(2) of the

Project on behalf of FONVIVIENDA, Subproject Developers, and, in the case of Subprojects-I and Subprojects-II, of private landholders, pursuant to instructions from the relevant Fiduciary Committee;

- (D) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the respective Subprojects; and (2) at the Bank's or the Borrower's (through MAVDT) request, the obligation of each Fiduciary Agent responsible for the relevant Subproject to have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; and
  - (E) carry out its obligations in accordance with the provisions of this Agreement, the OM and the Anti-Corruption Guidelines; and
  - (ii) the obligation of the Fiduciary Agent to: (A) exercise its rights and carry out its obligations under the Fiduciary Contract in such manner as to protect the interests of the Borrower, FONVIVIENDA, and the Bank and to accomplish the purposes of the Loan; and (B) except as the Bank shall otherwise agree, not assign, amend, abrogate, terminate, waive or fail to enforce the Fiduciary Contract or any provision thereof; and
  - (d) the selection and appointment, in compliance with relevant provisions of Section III of this Schedule, for each Subproject, of a Subproject Developer by the respective Fiduciary Agent on behalf of FONVIVIENDA (in the case of Subprojects-I and Subprojects-III) or by FONVIVIENDA (in the case of Subprojects-II), all in accordance with Section I.E.2 of this Schedule.
2. extend financing to Subproject Developers responsible for the implementation of any given Subproject pursuant to a Subproject Contract to be entered by and between the Fiduciary Agent on behalf of FONVIVIENDA (in the case of Subprojects-I and Subprojects-III), or by and between FONVIVIENDA (in the case of Subprojects-II), and the respective Subproject Developer (as specified in Section I.E.1 (d) of this Schedule), and having terms and conditions approved by the Bank, which shall include and provide, *inter alia*, the following:

- (a) the financing shall be provided out of the proceeds of the Loan through Grants made to Subproject Developers to support the implementation of the respective Subprojects, such financing to be in an amount not to exceed 50 percent of the estimated market value of the low income housing solutions in any given Subproject-I and Subproject-II, or up to 100 percent of the actual cost of any given Subproject-III, as described in detail in the OM.
  
- (b) rights adequate to protect the Borrower's interests and those of the Bank shall be inserted therein, including the right to: (i) suspend or terminate the right of the Subproject Developer to use the proceeds of the Grant, or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Subproject Developer's failure to perform any of its obligations under the respective Subproject Contract; and (ii) require each Subproject Developer to:
  - (A) carry out its Subprojects with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the OM and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower;
  - (B) when applicable, provide, promptly as needed, the resources required for the purpose;
  - (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Subprojects and the achievement of its objectives;
  - (D) enable the Borrower (through MAVDT), FONVIVIENDA, and the Bank to inspect the Subprojects, its operation and any relevant records and documents, including providing the information necessary to carry out the audits referred to in Section I.E.1 (c) (i) (D) (2) of this Schedule; and
  - (E) prepare and furnish to the Borrower (through MAVDT), FONVIVIENDA, and the Bank all such information as the Borrower (through MAVDT), FONVIVIENDA or the Bank shall reasonably request relating to the foregoing;

3. ensure that the Fiduciary Agent's (in the case of Subprojects-I and Subprojects-III) or FONVIVIENDA's (in the case of Subprojects-II) rights under each Subproject Contract shall be exercised in such manner as to protect the interests of the Borrower (through MAVDT), FONVIVIENDA, and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the rights of the respective Fiduciary Agent or FONVIVIENDA (as the case may be) in any Subproject Contract or any of its provisions shall not be assigned, amended, abrogated or waived;
4. ensure that the following specific procedures shall be carried out in sequence for each Grant or portion thereof made available to a Subproject Developer under any Subproject Contract:
  - (a) before disbursing the first advance under any Subproject Contract, not to exceed 30 percent of the value of the same, the Borrower, through MAVDT, shall ensure that final bidding documents have been produced acceptable to the Bank;
  - (b) before incurring in any eligible expenditure under a Subproject, the Borrower (through MAVDT) shall and/or shall cause FONVIVIENDA to ensure, as preliminary requirements thereof, that:
    - (i) each Subproject Contract shall have been duly entered into between the respective Fiduciary Agent, on behalf of FONVIVIENDA (in the case of Subprojects-I and Subprojects-III), or between the FONVIVIENDA (in the case of Subprojects-II), and a Subproject Developer and shall comprise various intermediate stages of implementation (not to exceed four stages in total) all of which shall identify pertinent eligible expenditures in connection with the implementation of each such stage, in accordance with terms and conditions set forth in the OM, including adequate environmental and social mitigation measures mandated by the EMF and SMF respectively; and
    - (ii) a Fiduciary Agent for each Subproject-I and Subproject-III shall have been competitively selected and appointed with terms of reference and qualifications satisfactory to the Bank (as referred to in Section I.E.1 (c) of this Schedule), and, in the case of Subprojects-II, the procurement consultant referred to in Section IV.B.1 (c) (ii) of this Schedule has been competitively selected and appointed with terms of reference and qualifications satisfactory to the Bank;

- (c) as further specified in the Operational Manual, after the Bank shall receive evidence that the preliminary requirements mentioned in paragraphs (a) and (b) above have been complied with, the Borrower, through MAVDT, may, subject to the terms and conditions of this Agreement and those of the Operational Manual, withdraw the proceeds of the Loan under Category (2) (as an advance) in an amount not exceeding the estimated value of the intermediate stage of the value of the underlying Subproject Contract, to allocate them for eligible expenditures related to the implementation of a Subproject Contract (such intermediate stage to be determined in accordance with the provisions of the OM), provided that in no case shall the amount of aggregate undocumented advances made to the Subproject Developer exceed 30 percent of the Bank-financed portion of the respective Subproject Contract; and thereafter;
  - (d) as further detailed in the Operational Manual, before any subsequent withdrawal (after the initial withdrawal referred to in paragraph (a) above) can be made out of Loan proceeds, the Borrower, through MAVDT, shall ensure, as secondary requirements thereto, that:
    - (i) Grants-I and Grants-II shall not finance more than 80 percent of expenditures incurred during the implementation of any intermediate stage of a Subproject Contract; and
    - (ii) any portion of the relevant Grant-I or Grant-II required prior to the implementation of any intermediate stage of the pertinent Subproject Contract and any portion of the financial contributions expected from Subproject Developers for the implementation of any stage of said Subproject Contract (as specified in more detail in the Operational Manual and in the terms and conditions of said Subproject Contract) shall be deposited with the Fiduciary Agent prior to any request for disbursement out of FONVIVIENDA's fiduciary account managed by the Fiduciary Agent; and
  - (e) as further detailed in the Operational Manual and as set forth in Section IV.B.1 (c) (ii) of this Schedule, before any withdrawal can be made out of Loan proceeds for Part 1.B (ii) (1) of the Project, the Borrower, through MAVDT, shall ensure that a Fiduciary Agent for each Subproject-II shall have been competitively selected and appointed with terms of reference and qualifications satisfactory to the Bank.
5. ensure that no more than fifteen percent (15%) of the amount of Loan proceeds allocated to Category (2) is used to finance Subprojects-III.



**F. Anti-Corruption**

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

**G. Safeguards**

1. The Borrower, through MAVDT, shall ensure that the Project is carried out in accordance with the provisions of the EMF and the SMF.
2. The Borrower, through MAVDT shall, prior to the start of the bidding process for any Subproject: (a) carry out, or cause to be carried out, an environmental screening/assessment of each of the relevant works, and if needed, as determined by the Bank, prepare and approve or cause to be prepared and approved, an environmental impact management plan or similar instrument, acceptable to the Bank, for each of said works (which management plan or similar instrument shall be based on the results of the relevant screening/assessment mentioned herein, and the Bank's comments on the results of said screening/assessment, if any); and (b) immediately after the award of the contract for the relevant Subproject, implement and/or cause to be implemented, the corresponding environmental management plan or similar instrument in accordance with its terms, and in a manner acceptable to the Bank.
3. If as a result of the carrying out of the screening/assessment process mentioned in the preceding paragraph or at any time during the implementation of any works, it is determined by the Bank that any involuntary resettlement will be induced by or in respect of any given works under the Project, the Borrower, through MAVDT shall: (a) prior to the commencement of any said works, prepare (and/or cause to be prepared) and furnish to the Bank, an impact management plan (acceptable to the Bank) which plan shall be based on the provisions of the SMF; and (b) immediately thereafter, implement and/or cause to be implemented (as the case may be) the corresponding impact management plan in accordance with its terms and in a manner acceptable to the Bank.
4. When, in the Bank's opinion, any activity under Part 2 of the Project may have implications on specific sites or when the recommendations resulting from said activities could affect environmentally or socially sensitive areas, the Borrower, through MAVDT shall ensure that the terms of reference for any consultancies related to studies, technical assistance or capacity building under Part 2 of the Project shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank's Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance and capacity building activities.

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

**A. Project Reports**

1. The Borrower, through MAVDT, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester and shall be furnished to the Bank not later than forty-five days after the end of the period covered by such report.

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

1. The Borrower, through MAVDT, 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. The Borrower, through MAVDT, shall prepare and furnish, or shall cause to be prepared and furnished, to the Bank, as part of the Project Report, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower, through MAVDT, shall have the Financial Statements for the Project 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. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of each audited 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.
4. **Special Provisions.** The Borrower shall: (a) supply the SEPA with the information contained in the initial Procurement Plan within 45 days after the Project has been approved by the Bank; and (b) update the Procurement Plan at least once a year, or as required by the Bank, to reflect the actual Project implementation needs and progress and supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter.

**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>
(a) National Competitive Bidding subject to the additional provisions set forth in Annex A to this Schedule
(b) Shopping
(c) International Competitive Bidding, subject to the provisions of paragraph 3.13 (a) of the Procurement Guidelines in respect of Subprojects-I and Subprojects-II
(d) Direct Contracting

**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. Except as otherwise indicated in the following table, the Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants' 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**

1. 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 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.

<b><u>Category</u></b>	<b><u>Amount of the Loan Allocated (expressed in USD)</u></b>	<b><u>Percentage of Expenditures to be financed (inclusive of Taxes)</u></b>
(1) Consultant Services for Part 1.A of the Project	3,300,000	100%
(2) Goods, works and consultants' services for Subproject Contracts under Part 1.B of the Project	34,700,000	100%
(3) Consultant services and Training for Part 2 of the Project	500,000	100%
(4) Consultant's services, goods, Training and Operating Costs for Part 3 of the Project	1,500,000	100%
<b>TOTAL AMOUNT</b>	<b>40,000,000</b>	

**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 date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$ 4,000,000 (four million Dollars) equivalent may be made for payments made prior to this date but on or after January 31, 2010 (but in no case more than one year prior to the date of this Agreement) for Eligible Expenditures; and

- (c) under Category (2) until:
  - (i) in the case of Subprojects-I and Subprojects-III: (A) a Fiduciary Agent for the respective Subproject has been contracted by FONVIVIENDA; (B) the Fiduciary Agent for the respective Subproject has been assessed and found acceptable to the Bank with respect to its financial management capacity; and (C) the Subproject Contract with respect to said Subproject has been signed by the Fiduciary Agent on behalf of FONVIVIENDA and the respective Subproject Developer; and
  - (ii) in the case of Subprojects-II: (A) with respect to Part 1.B (ii) (2) of the Project, MAVDT has caused FONVIVIENDA to contract (in accordance with the procedures set forth in Section III of this Schedule) a consultant, acceptable to the Bank to provide procurement support; (B) with respect to Part 1.B (ii) (1) of the Project: (1) the Fiduciary Agent for the respective Subproject has been assessed and found acceptable to the Bank with respect to its financial capacity; (2) the Fiduciary Agent for the respective Subproject has been contracted by FONVIVIENDA; and (C) the Subproject Contract with respect to said Subproject has been signed by FONVIVIENDA and the respective Subproject Developer.

2. The Closing Date is December 31, 2014.

**Annex A  
to  
SCHEDULE 2**

**Additional Provisions Relating to  
Particular Methods of Procurement**

**Section I. National Competitive Bidding**

Goods estimated to cost less than \$300,000 equivalent per contract and works estimated to cost less than \$5,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding, subject to the following additional provisions:

- (a) Before issuing any invitation to bid, the Borrower shall use, or cause to be used, standard bidding documents, as approved by the Bank for bidding under the Project and incorporated in the Operational Manual (the “Standard Bidding Documents”). Any change or departure from the Standard Bidding Document approved by the Bank shall require its prior approval.
- (b) All bidders, irrespective of whether they are foreigners or citizens of the Borrower’s territory, 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 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 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.



**SCHEDULE 3**

**Amortization Schedule**

The Borrower shall repay the principal amount of the Loan in full on February 15, 2025.

## 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 with the modifications set forth in Section II of this Appendix.
2. “Bank Safeguard Policies” means the Bank’s operational policies and procedures set forth in the Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under [www.WorldBank.org/opmanual](http://www.WorldBank.org/opmanual).
3. “Beneficiary” or “Beneficiaries” means low-income households in selected municipalities of the Borrower’s territory which are deemed eligible for land and housing subsidies under the Borrower’s *Vivienda de Interés Social o Prioritaria* criteria and procedures.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “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 and May 2010.
6. “EMF” means the Borrower’s Environmental Management Framework for Project execution dated October 20, 2009, prepared by the Borrower, through MAVDT, as approved by the Bank on October 23, 2009 and further revised on November 18, 2010, in which are recorded the objectives, policies, monitoring procedures, time schedules and other environmental provisions to mitigate adverse environmental effects arising exclusively from the implementation of the Project and each Subproject deriving therefrom and financed wholly or partially out of the proceeds of this Loan.
7. “Fiduciary Agent” means a fiduciary agent contracted for a Subproject under a Fiduciary Contract.
8. “Fiduciary Committee” means each committee comprising representatives of MAVDT, FONVIVIENDA, the respective Subproject Developer and all relevant parties to each real estate trust referred to in Part 1.A. (i) and Part 1.B.(ii) of the Project, which purposes are: (i) to give specific instructions to the Fiduciary Agent with respect to said real estate trust; and (ii) to instruct the respective Fiduciary Agent on the execution and disbursements under Part 1.B. of the

Project, provided that in the case of decisions with respect to disbursement of Loan proceeds, FONVIVIENDA will have the sole authority to instruct the Fiduciary Agent to execute disbursements or payments to the respective Subproject Developer.

9. “Fiduciary Contract” means any agreement referred to in Section I.E.1 (c) of Schedule 2 to this Agreement.
10. “FONVIVIENDA” means *Fondo Nacional de la Vivienda*, the National Fund for Housing, a fund of the Borrower holding specific public assets or liquidity intended for promoting access to affordable housing by the Borrower’s lower income segment of its population housing, and governed by FONVIVIENDA’s Legislation.
11. “FONVIVIENDA’s Legislation” means the Borrower’s decree No. 555 of March 10, 2003, and modified by the Borrower’s Law No. 1151 of 2007.
12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.
13. “Grants” means any or all of the Grants-I, Grants-II and Grants-III.
14. “Grant-I” means a governmental investment subsidy made to a Subproject Developer under a Subproject Contract out of the proceeds of the Loan by the Fiduciary Agent on behalf of FONVIVIENDA and consisting of a transfer of financial resources to assist in defraying capital costs arising from the implementation of the Subprojects-I for selected Beneficiaries.
15. “Grant-II” means a governmental investment subsidy made to a Subproject Developer under a Subproject Contract out of the proceeds of the Loan by FONVIVIENDA and consisting of a transfer of financial resources to assist in defraying capital costs arising from the implementation of the Subprojects-II for selected Beneficiaries.
16. “Grant-III” means a governmental investment subsidy made to a Subproject Developer under a Subproject Contract out of the proceeds of the Loan by the Fiduciary Agent on behalf of FONVIVIENDA and consisting of a transfer of financial resources to assist in defraying capital costs arising from the implementation of the Subprojects-III for selected Beneficiaries.
17. “MAVDT” means *Ministerio de Ambiente, Vivienda, y Desarrollo Territorial*, the Borrower’s Ministry of Environment, Housing and Regional Development, or any successor thereto acceptable to the Bank.

18. “Operating Costs” means in respect of Category (4), the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs and salaries of locally contracted employees.
19. “Operational Manual” or “OM” has the meaning given to it in Section I.D.1 of Schedule 2 to this Agreement, as the same may be amended, supplemented or otherwise modified from time to time with the prior written consent of the Bank.
20. “Pipeline of Subprojects” means the list of 27 low-income land and housing development subprojects identified in MAVDT’s letter to the Bank dated October 1, 2010 (Letter No. 3100-2-126016) as subprojects which have either been: (i) adopted; (ii) identified and determined; or (iii) announced and in structuring stage, as of March 5, 2010 and therefore not affected by the Borrower’s Constitutional Court Judgment C-149 of 2010.
21. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.
22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated November 11, 2010 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.
23. “SEPA” means the Bank’s publicly accessible Procurement Plans Execution System.
24. “SMF” means the Borrower’s Social Management Framework prepared by the Borrower, through MAVDT, on October 22, 2009 and approved by the Bank on October 23, 2009, as further revised on October 1, 2010 and November 18, 2010, in which are recorded the objectives, policies, monitoring procedures, time schedules and other social provisions to mitigate adverse social consequences arising exclusively from the implementation of the Project, including the implementation of each Subproject financed wholly or partially out of the proceeds of this Loan. The SMF contains, *inter alia*: (i) a Resettlement Policy Framework to address any unforeseen resettlement-related impacts under the Project ; and (ii) an Indigenous Peoples screening instrument to ensure that: (a) any new construction supported under the Project will not take place in lands used or inhabited by, or of collective significance to, indigenous communities or in lands directly adjacent thereto; and (b) the Project provides equal access to Project benefits to different groups, regardless of ethnic or other status.

25. “Standard Bidding Documents” has the meaning given to it in clause (a) of Section I of Annex A to Schedule 2 to this Agreement.
26. “Subprojects” means any or all of the Subprojects-I, Subprojects-II and Subprojects-III.
27. “Subproject-I” means specific set of public-private investments under Part 1.B (i) of the Project for Beneficiaries in selected Borrower’s Municipalities, within the Pipeline of Subprojects, not exceeding 5,000 low income housing units, and determined eligible pursuant to the Operational Manual.
28. “Subproject-II” means specific set of public-private investments and technical assistance under Part 1.B (ii) of the Project for Beneficiaries in selected Borrower’s Municipalities, within the Pipeline of Subprojects, not exceeding 5,000 low income housing units, and determined eligible pursuant to the Operational Manual.
29. “Subproject-III” means specific set of public investments under Part 1.B (iii) of the Project for Beneficiaries in selected Borrower’s Municipalities, within the Pipeline of Subprojects, not exceeding 5,000 low income housing units, and determined eligible pursuant to the Operational Manual.
30. “Subproject Contract” means each agreement entered into between a Fiduciary Agent, on behalf of FONVIVIENDA (in the case of Subprojects-I and Subprojects-III) or directly by FONVIVIENDA (in the case of Subprojects-II) and a Subproject Developer for the management and carrying out of a Subproject under the Project (in the case of Subprojects-I and Subprojects-II) or for the carrying out of a Subproject under the Project (in the case of Subprojects-III), under terms and conditions acceptable to the Bank.
31. “Subproject Developer” means any competitively selected developer responsible for the implementation of a Subproject under the Project, as referred to in Section I.E.1 (d) of Schedule 2 to this Agreement, in the understanding that in the case of Subprojects-III, any such competitively selected developer is a works contractor responsible for the implementation of specific works.
32. “Training” means in respect of Categories (3) and (4): (i) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.

## **Section II. Modifications to the Anti-Corruption Guidelines**

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”