

CONFORMED COPY

LOAN NUMBER 7781-CO

Loan Agreement

(Additional Loan for the Peace and Development Project)

between

REPUBLIC OF COLOMBIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated November 6, 2009

LOAN AGREEMENT

Agreement dated November 6, 2009, between REPUBLIC OF COLOMBIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of seven million eight hundred twelve thousand Dollars (\$7,812,000), 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 February 15 and August 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, 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 and the Program. To this end, the Borrower shall carry out the Project through DAPR-ACCIÓN SOCIAL, with the assistance of the Partner Organizations (in close coordination with the Territorial Units and SNAIPD), the Beneficiary Entities, and for purposes of Parts C.1 (d) and (e) the Project, DNP, all in accordance with the provisions of Article V of the General Conditions and the Operational Manual.
- 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 DAPR-ACCIÓN SOCIAL, 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) The Borrower’s Presidential Decree No. 2467 of July 19, 2005 and published in the Borrower’s Official Gazette No. 45976 of July 21, 2005 has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of DAPR-ACCIÓN SOCIAL to carry out the Project in accordance with this Agreement.
- (b) (i) Any Partner Organization shall have failed to perform any of its obligations under its corresponding Subsidiary Agreement and the

Borrower, through DAPR-ACCIÓN SOCIAL, shall have failed to exercise its remedies under said Subsidiary Agreement.

- (ii) Without limitation to the Bank's rights contained in Section 7.02 of the General Conditions, it is understood that, if the event specified in subparagraph (i) above shall have occurred, the Bank may choose, by notice to the Borrower, to suspend in whole or in part only the right of the Borrower to make withdrawals from the Loan Account for expenditures under Part A and B of the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The separate and updated Subsidiary Agreements referred to in Section I.D.1 (a) of Schedule 2 to this Agreement have been executed on behalf of the Borrower, through DAPR-ACCIÓN SOCIAL, and the Partner Organizations, as set forth in Section I.D.1 (a) of Schedule 2 to this Agreement.
 - (b) The Operational Manual has been updated and adopted by DAPR-ACCIÓN SOCIAL.
- 5.02. The Additional Legal Matter consist of the following, namely, that the updated Subsidiary Agreements have been duly authorized or ratified by the Borrower, through DAPR-ACCIÓN SOCIAL, and the Partner Organizations and are legally binding upon the Borrower, DAPR-ACCIÓN SOCIAL and the Partner Organizations in accordance with their respective terms (as reflected in legal opinions to the Bank from counsel representing the Borrower, DAPR-ACCIÓN SOCIAL, and the Partner Organizations under each Subsidiary Agreement).
- 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 eighteen (18) months after the Bank's approval of the Loan which expire on March 10, 2011.

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
Carretera 7A, No. 6-45, Piso 3
Bogotá, D.C.
Colombia

Cable address:
MINHACIENDA

Facsimile:
(571) 350-9344

Departamento Administrativo de la Presidencia de la República
Calle 7 No. 6-54
Bogotá, D.C.
Colombia

Cable address:
DAPR

Facsimile:
(571) 596 0800

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

REPUBLIC OF COLOMBIA

By /s/ Silvia Constain

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Gloria M. Grandolini

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist vulnerable, low-income and displaced populations in rural and urban communities in the Conflict Affected Region in order to reduce the risk of their exposure to conflict and mitigate the negative impact of possible derived effects.

The Project constitutes the first phase of the Program (together with the Original Project), and consists of the following parts included in the Original Project, as amended below solely for purposes of the Loan:

Part A: Developing Social, Economic and Environmental Assets and Community Support for Displaced and Vulnerable Families in the Priority Areas of the Conflict Affected Regions through Strategic Territorial Development Processes

Carrying out investments in Priority Areas of Conflict Affected Regions to provide additional benefits to about 3,604 families from Beneficiary Entities participating under the Original Project plus another 300 families from Beneficiary Entities in the Borrower's Department of Valle de Cauca, for purposes of, *inter alia*:

1. Promoting the production of basic staple food crops for self consumption.
2. Generating employment opportunities through farm and non-farm productive services and small business activities.
3. Enhancing the social network in Priority Areas to: (a) facilitate the access of vulnerable and low-income populations to basic social services; (b) promote job opportunities for youth; (c) improve housing and sanitary conditions for low-income families; and (d) promote a culture of peaceful coexistence among populations of Priority Areas in the context of regional development and the sense of belonging.
4. Developing social and economic activities to protect the environment.
5. Facilitating the access to public health and education services to displaced populations.
6. Developing social and economic opportunities for families as they begin to stabilize.
7. Providing basic sanitation to ensure that displaced/returning households have at least a minimum acceptable access to safe water, sanitation and basic housing conditions.

Part B: Strengthening Institutions and Governance at the Local Level

1. Strengthening of the institutional capacity of Partner Organizations, Territorial Units and public and private local institutions in areas directly related to their core activities for purposes of enhancing their management teams' capacity to promote community-led social, environmental and economic/financial activities, specifically through the provision of technical assistance, Training and equipment.

2. Strengthening of the institutional capacity of SNAIPD by Partner Organizations, through, *inter alia*: (a) provision of technical assistance and training to management teams in its territorial committees to design and implement Integrated Master Plans; and (b) provision of technical assistance and training to management and administration teams for the purposes of enhancing their programs of assistance to displaced populations.

Part C: Project Management, Monitoring and Evaluation

1. Provision of support for overall Project coordination, evaluation, supervision and implementation at the national level, including, *inter alia*:
 - (a) the strengthening of the capacity of the PCU to comply with its responsibilities referred to in Section I.A.2 of Schedule 2 to this Agreement;
 - (b) the provision of training to PCU staff to enhance their knowledge of Bank's procurement and financial management policies and procedures;
 - (c) the carrying out of audits under Section II.B.3 of Schedule 2 to this Agreement;
 - (d) the carrying out of Project studies, including, *inter alia*, performance reviews and impact evaluations; and
 - (e) the implementation of a program to monitor and evaluate the carrying out of the Project.
2. Provision of support for Project management, monitoring and evaluation at the local level by Partner Organizations, including goods, services, Non-Consultant Services, Operating Costs and Training in the areas of: (a) procurement and financial management procedures; (b) safeguard procedures; (c) monitoring and evaluation; and (d) other Project-specific supervision and management activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall promptly allocate the proceeds of the Loan to DAPR-ACCIÓN SOCIAL through the Borrower's budgetary mechanisms.
2. The Borrower, through DAPR-ACCIÓN SOCIAL, shall establish and thereafter operate and maintain at all times during Project implementation, a Project coordination unit (the "PCU") with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of the PCU in the coordination, monitoring and supervision of the Project.
3. The Borrower, through DAPR-ACCIÓN SOCIAL, shall ensure that the PCU is at all times during Project implementation headed by a general coordinator and staffed with specialists in the following areas: (a) financial; (b) monitoring and evaluation; (c) legal; (d) procurement; (e) environmental; (f) accounting; and (g) social, all hired through competitive processes, under terms of reference, in numbers and with qualifications and experience acceptable to the Bank.
4. The Borrower, through DAPR-ACCIÓN SOCIAL, and the Bank shall agree on any proposed changes in the number of positions of the PCU and/or in the professional skills required for occupying such positions.

B. Operational Manual

1. The Borrower, through DAPR-ACCIÓN SOCIAL, shall carry out the Project, or cause the Project to be carried out, in accordance with a manual (the Operational Manual), acceptable to the Bank, said manual to include, *inter alia*:
 - (a) an institutional implementation plan of DAPR-ACCIÓN SOCIAL, the Partner Organizations and the Beneficiary Entities for the management of the Project (including, *inter alia*, allocation of responsibilities among staff, yearly planning activities and budget and time allocation for those activities);
 - (b) detailed arrangements for the overall carrying out of the Project (including, *inter alia*, the procurement, financial management, environmental and social guidelines to be followed during Project implementation by the Borrower, the Partner Organizations and the Beneficiary Entities);
 - (c) the operational plan for Project implementation ("Global Operational Plan"), including: (i) the specific activities to be carried out by DAPR-ACCIÓN SOCIAL with the assistance of the Partner Organizations and the Beneficiary Entities during the life of the Project; and (ii) the procurement plan, disbursement schedule and chart of accounts for the Project;

- (d) the criteria and procedures for:
 - (i) the selection of Partner Organizations and Beneficiary Entities;
 - (ii) the preparation, review, approval and implementation of Integrated Master Plans;
 - (iii) the preparation, review, approval and implementation of Investment Subprojects and Institutional Strengthening Subprojects (including, *inter alia*, a suggested list of possible activities to be carried out under Investment Subprojects and a negative list of activities that cannot be carried out under Investment Subprojects);
 - (iv) the procurement and contracting procedures applicable to consultants' services, goods and works procured by the Partner Organizations and/or the Beneficiary Entities under Investment Subprojects and Institutional Strengthening Subprojects, including the applicability of the Anti-Corruption Guidelines, in the understanding that the Community Participation Procedures referred to in Section III.B.2 (d) of Schedule 2 to this Agreement shall only apply to Investment Subprojects;
 - (v) training and technical assistance, environmental assessments and corresponding mitigation measures; and
 - (vi) determining the Project's geographic scope within Conflict Affected Regions and/or Priority Areas;
 - (e) special provisions to address the needs of indigenous peoples, as provided for in the IPDF and in Section I.E.1 of Schedule 2 to this Agreement;
 - (f) the guidelines for the implementation of the EMF and the IPDF in connection with the carrying out of the Project;
 - (g) the guidelines for construction and/or works under Part A of the Project (which shall include, *inter alia*, the provisions for natural habitats' protection, pest management and restriction on the use of child labor);
 - (h) the Model Forms; and
 - (i) the Performance Indicators.
2. Except as the Borrower, through DAPR-ACCIÓN SOCIAL, and the Bank may otherwise agree in writing, the Borrower, through DAPR-ACCIÓN SOCIAL, shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.
 3. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

C. Anti-Corruption

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

D. Sub-projects

1. (a) The Borrower, through DAPR-ACCIÓN SOCIAL, shall enter into separate agreements or update existing separate agreements (the Subsidiary Agreements), on terms and conditions satisfactory to the Bank, with each Partner Organization, whereby:
 - (i) the Borrower, through DAPR-ACCIÓN SOCIAL, shall transfer, on a grant basis to each Partner Organization the proceeds of the Loan allocated to Parts A, B and C.2 of the Project;
 - (ii) the Partner Organization shall:
 - (A) carry out, or assist the Borrower (through DAPR-ACCIÓN SOCIAL) in carrying out Parts A, B and C.2 of the Project;
 - (B) assist the Borrower (through DAPR-ACCIÓN SOCIAL) to allow full compliance with the obligations set forth in Section I.B.1 of this Schedule;
 - (C) maintain records and accounts, in a manner acceptable to the Bank (including any other information and/or documentation as the Bank may request from time to time) regarding Parts A, B and C.2 of the Project to enable the Borrower to comply with its obligations under Section II of this Schedule;
 - (D) participate in annual reviews of the Project;
 - (E) procure the goods, works and services for the Project in accordance with the requirements of this Agreement; and
 - (F) abide by all applicable Project provisions laid out in this agreement, including the Anti-corruption Guidelines applicable to recipients of loan proceeds other than the Borrower;
 - (iii) the Borrower, through DAPR-ACCIÓN SOCIAL, shall cause each Partner Organization to enter into an agreement or amend an existing agreement (the Investment Subproject Agreement) with each Beneficiary Entity on terms and conditions satisfactory to the Bank, including, *inter alia*:

- (A) the obligation of each Beneficiary Entity to assist the Borrower (through DAPR-ACCIÓN SOCIAL) and/or each Partner Organization in the implementation of Part A of the Project;
 - (B) the obligation of each Partner Organization to provide or cause to be provided, in a timely manner as needed, its share of the funds, goods and/or services required for implementing Part A of the Project;
 - (C) the obligation of each Partner Organization to assist each Beneficiary Entity in carrying out Part A of the Project;
 - (D) the obligation of each Beneficiary Entity to follow the Global Operational Plan and to follow the provisions of the Operational Manual;
 - (E) the obligation of each Beneficiary Entity to assist each Partner Organization and/or the Borrower (acting through DAPR-ACCIÓN SOCIAL) to allow full compliance with the obligations set forth in Section I.B.1 of this Schedule;
 - (F) the obligation of each Beneficiary Entity to maintain records and accounts, in a manner acceptable to the Bank (including any other information and/or documentation as the Bank may request from time to time) regarding Part A of the Project to enable each Partner Organization and/or the Borrower (through DAPR-ACCIÓN SOCIAL) to comply with its obligations under Section II of this Schedule;
 - (G) the obligation of each Beneficiary Entity to procure the goods, works and services for the Project in accordance with the requirements of this Agreement;
 - (H) the obligation of each Beneficiary Entity to participate in annual reviews of the Project;
 - (I) the obligation of each Beneficiary Entity to abide by all applicable Project provisions laid out in this Agreement, including the Anticorruption Guidelines applicable to recipients of loan proceeds other than the Borrower; and
 - (J) the obligation of each Partner Organization to cause each relevant Beneficiary Entity to carry out its obligations under each Investment Subproject Agreement;
- (iv) the Borrower, through DAPR-ACCIÓN SOCIAL, shall cause each Partner Organization to enter into an agreement or amend an existing agreement (the Institutional Strengthening Subproject Agreement) with

each Beneficiary Entity to which it decides to transfer funds, on terms and conditions satisfactory to the Bank, including, *inter alia*:

- (A) the obligation of each Beneficiary Entity to assist the Borrower (through DAPR-ACCIÓN SOCIAL) and/or each Partner Organization in the implementation of Part B of the Project;
- (B) the obligation of each Partner Organization to provide or cause to be provided, in a timely manner as needed, its share of the funds, goods and/or services required for implementing Part B of the Project;
- (C) the obligation of each Partner Organization to assist each Beneficiary Entity in carrying out Part B of the Project;
- (D) the obligation of each Beneficiary Entity to follow the Global Operational Plan and to follow the provisions of the Operational Manual;
- (E) the obligation of each Beneficiary Entity to assist each Partner Organization and/or the Borrower (acting through DAPR-ACCIÓN SOCIAL) to allow full compliance with the obligations set forth in Section I.B.1 of this Schedule;
- (F) the obligation of each Beneficiary Entity to maintain records and accounts, in a manner acceptable to the Bank (including any other information and/or documentation as the Bank may request from time to time) regarding Part B of the Project to enable each Partner Organization and/or the Borrower (through DAPR-ACCIÓN SOCIAL) to comply with its obligations under Section II of this Schedule;
- (G) the obligation of each Beneficiary Entity to procure the goods and services for the Project in accordance with the requirements of this Agreement;
- (H) the obligation of each Beneficiary Entity to participate in annual reviews of the Project;
- (I) the obligation of each Beneficiary Entity to abide by all applicable Project provisions laid out in this Agreement, including the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; and
- (J) the obligation of each Partner Organization to cause each relevant Beneficiary Entity to carry out its obligations under each Institutional Strengthening Subproject Agreement;

- (v) the requirements for auditing the expenditures under Parts A, B and C.2 of the Project are specified;
 - (vi) the Borrower's (through DAPR-ACCIÓN SOCIAL) right to suspend disbursements for Loan proceeds allocated to Parts A, B and C.2 of the Project is included in the event of non-compliance by the Partner Organizations and/or Beneficiary Entities with the obligations set forth in the corresponding Subsidiary Agreement, Investment Subproject Agreement, Institutional Strengthening Subproject Agreement, this Agreement and/or those of the Operational Manual;
 - (vii) the schedule of disbursements of Loan proceeds by the Borrower (through DAPR-ACCIÓN SOCIAL) to the Partner Organizations for the implementation of Parts A, B and C.2 of the Project is specified;
 - (viii) the schedule of disbursements of Loan proceeds by Partner Organizations to the Beneficiary Entities for the implementation of Parts A and B of the Project is specified;
 - (ix) the technical, social, financial, procurement and environmental requirements for the implementation of Parts A, B and C.2 of the Project are specified;
 - (x) special provisions to address the needs of indigenous peoples, as provided for in the IPDF and in Section I.E.1 of this Schedule are specified; and
 - (xi) the obligation of both Partner Organizations and Beneficiary Entities, to follow the provisions of the EMF in the carrying out of Parts A, B and C.2 of the Project is included.
- (b) (i) The Borrower, through DAPR-ACCIÓN SOCIAL, shall exercise its rights and carry out its obligations under each Subsidiary Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and
 - (ii) except as the Bank shall otherwise agree, the Borrower, through DAPR-ACCIÓN SOCIAL, shall not assign, amend, abrogate, terminate, waive or fail to enforce any Subsidiary Agreement or any provision thereof.
- (c) (i) The Borrower, through DAPR-ACCIÓN SOCIAL, shall cause each Partner Organization to exercise its rights and carry out its obligations under each Subsidiary Agreement, each Investment Subproject Agreement, and each Institutional Strengthening Subproject Agreement in such a manner as to protect the interests of the Partner Organizations, the Borrower and the Bank and to accomplish the purposes of the Loan; and

- (ii) except as the Bank shall otherwise agree, the Borrower, through DAPR-ACCIÓN SOCIAL, shall cause each Partner Organization not to assign, amend, abrogate, terminate, waive or fail to enforce any Subsidiary Agreement, any Investment Subproject Agreement or any Institutional Strengthening Subproject Agreement or any provision thereof.
- (d) (i) The Borrower, through DAPR-ACCIÓN SOCIAL, shall cause each Partner Organization to ensure that each Beneficiary Entity shall exercise its rights and carry out its obligations under each Investment Subproject Agreement and each Institutional Strengthening Subproject Agreement in such a manner as to protect the interests of the Beneficiary Entity, the Partner Organization, the Borrower (through DAPR-ACCIÓN SOCIAL) and the Bank and to accomplish the purposes of the Loan; and
 - (ii) except as the Bank shall otherwise agree, the Borrower, through DAPR-ACCIÓN SOCIAL, shall cause each Partner Organization to ensure that each Beneficiary Entity shall not assign, amend, abrogate, terminate, waive or fail to enforce any Investment Subproject Agreement, any Institutional Strengthening Subproject Agreement or any provision thereof.
- (e) In case of any conflict between: (i) the terms of any Subsidiary Agreement or any Investment Subproject Agreement or Institutional Strengthening Subproject Agreement; and (ii) the terms of this Agreement, the terms of this Agreement shall prevail.

E. Safeguards.

1. (a) With regard to Project components which affect indigenous communities, the Borrower, through DAPR-ACCIÓN SOCIAL shall: (a) follow the procedures set forth in the IPDF and in the Operational Manual; and (b) ensure that such communities participate systematically in the implementation, monitoring and evaluation of said components of the Project; and
 - (b) such monitoring and evaluation shall include beneficiary assessments, and the Borrower shall cause the results of such monitoring and evaluation to be made publicly available in a timely manner once such results are generated.
2. The Borrower, through DAPR-ACCIÓN SOCIAL shall:
 - (a) prior to initiating the implementation of any Investment Subproject under Part A of the Project, provide evidence to the Bank, in form and substance satisfactory to the Bank, demonstrating that the Borrower has: (i) complied with the applicable provisions of the IPDF; and (ii) complied with the applicable environmental mitigation, monitoring, natural habitats' protection, pest management, institutional strengthening and other environmental measures set forth in the EMF and/or the Operational Manual;
 - (b) cause the Partner Organizations and/or the Beneficiary Entities to implement their respective parts of the Project in compliance with the environmental

mitigation, monitoring, natural habitats' protection, pest management, institutional strengthening and other environmental measures set forth in the EMF and/or the Operational Manual and shall prevent that the Partner Organizations and/or the Beneficiary Entities take any action which would prevent or interfere with such compliance; and

- (c) furnish to the Bank any revisions proposed to be introduced into the IPDF and/or EMF in order to achieve their objectives and, thereafter, introduce such revisions into such plans as shall have been agreed with the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through DAPR-ACCIÓN SOCIAL, 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 the Performance Indicators. Each Project Report shall cover the period of one calendar year, and shall be furnished to the Bank not later than two months after the end of the period covered by such report.
2. The Borrower, through DAPR-ACCIÓN SOCIAL, shall carry out an in-depth review (the Mid-Term Review) jointly with the Bank, the Partner Organizations and the Beneficiary Entities by March 2011 or such later date as the Bank may agree, on the progress achieved in the implementation of the Project.
3. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months prior to the Closing Date or such other date as may be agreed for this purpose between the Borrower and the Bank.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through DAPR-ACCIÓN SOCIAL, shall, and shall cause the Partner Organizations to maintain or cause to be maintained a financial management system in accordance with terms and conditions acceptable to the Bank and the provisions of Section 5.09 of the General Conditions.
2. The Borrower, through DAPR-ACCIÓN SOCIAL, shall, and shall cause the Partner Organizations to prepare and furnish to the Bank, through DAPR-ACCIÓN SOCIAL not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower, through DAPR-ACCIÓN SOCIAL, shall, and shall cause the Partner Organizations to 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 Financial Statements shall: (i) cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the Effective Date occurs; and (ii) include an opinion over the Project's Financial Statements, prepared under terms of reference satisfactory to the

Bank. 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, Works and Non-Consultant Services.** All goods, works and 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.
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, Works and Non-Consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and Non-Consultant Services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.** 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.

<u>Procurement Method</u>
(a) National Competitive Bidding (subject to the additional procedures set forth in paragraph 3 of this section)
(b) Shopping
(c) Direct Contracting (with the Bank’s prior approval)
(d) Community Participation (for Investment Subprojects as per procedures set forth in the Operational Manual)

3. **Special Procedures for National Competitive Bidding**

- (a) Before issuing any invitation to bid, the Borrower, through DAPR-ACCIÓN SOCIAL, 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 DAPR-ACCIÓN SOCIAL, 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.

<u>Procurement Method</u>
(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 and 5.3 of the Consultant Guidelines for the selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants (with the Bank's prior approval)

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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, Works and Consultants' Services for Investment Subprojects under Part A of the Project	4,427,000	100%
(2) Goods, Consultant Services and Training under Part B of the Project	1,302,000	100%
(3) Goods, Consultants' Services, Non-Consultant Services, Training and Operating Costs		
(a) under Part C.1 of the Project	814,000	100%
(b) under Part C.2 of the Project	1,269,000	100%
TOTAL AMOUNT	7,812,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
 - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$1,250,000 equivalent may be made for payments made prior to this date but on or after June 15, 2009 (but in no case more than one year prior to the date of this Agreement), for Eligible Expenditures under Category (3).

2. The Closing Date is September 15, 2012.

SCHEDULE 3

Amortization Schedule

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

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15 Beginning February 15, 2020 through and including August 15, 2024	10%

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

- (b) Notwithstanding the provisions of sub-paragraph (a) 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.
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

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. “Beneficiary Entity” and “Beneficiary Entities” means a social sector entity, registered in the Borrower’s territory, vested with legal personality, selected according to the criteria set forth in the Operational Manual and empowered to carry out Investment Subprojects or Institutional Strengthening Subprojects, as the case may be.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Conflict Affected Region” and “Conflict Affected Regions” mean the Borrower’s geographical area or areas composed by the following Departments: (i) Antioquia; (ii) Bolívar; (iii) Cauca; (iv) Cesar; (v) Nariño; (vi) Norte de Santander; (vii) Santander; (viii) Sucre; and (ix) Valle del Cauca, in which there is an active presence of one or more of the armed groups fighting against the government in the Borrower’s territory.
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.
6. “DAPR-ACCIÓN SOCIAL” means *Agencia Presidencial para la Acción Social y la Cooperación Internacional*, the Borrower’s agency for social action and international cooperation: (a) constituted as a public entity of national rank, with legal personality, administrative autonomy and patrimony; (b) ascribed to the administrative department of the Borrower’s presidential office (*DAPR-Departamento Administrativo de la Presidencia de la República*); and (c) for purposes of the Project (despite its separate legal personality) acting as an integral part of the Borrower pursuant to instructions from DAPR.
7. “DNP” means *Departamento Nacional de Planeación*, the Borrower’s National Planning Department, or any successor thereto.
8. “Environmental Management Framework” and the acronym “EMF” means Borrower’s framework for the environmental management of the Project, dated June 24, 2009, which sets out the objectives, policies, monitoring procedures, time schedules and other environmental protection provisions to: (i) mitigate potential environmental effects; (ii) mitigate potential adverse effects to natural habitats; and (iii) enable an effective pest management control in the carrying out of Part A of the Project, as such framework may be revised from time to time with the agreement of the Bank.
9. “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.

10. “Global Operational Plan” means the plan referred to in Section I.B.1 (c) of Schedule 2 to this Agreement.
11. “Institutional Strengthening Subprojects” means a set of activities to be carried out by a Beneficiary Entity under an Institutional Strengthening Subproject Agreement and included in Part B of the Project.
12. “Institutional Strengthening Subproject Agreement” means any of the agreements referred to in Section I.D.1 (a) (iv) of Schedule 2 to this Agreement, as the same may be amended from time to time.
13. “Integrated Master Plans” means SNAIPD’s plans to coordinate the provision of social and economic assistance to displaced, vulnerable, and low-income populations.
14. “Investment Subproject” means a set of investments to be carried out by a Beneficiary Entity under an Investment Subproject Agreement and included in Part A of the Project.
15. “Investment Subproject Agreement” means any of the agreements referred to in Section I.D.1 (a) (iii) of Schedule 2 to this Agreement, as the same may be amended from time to time.
16. “IPDF” means the Borrower’s indigenous peoples development framework for the Project, dated June 24, 2009, as such framework may be revised from time to time with the agreement of the Bank.
17. “Model Forms” means the set of model draft agreements satisfactory to the Bank, including standard drafts of Subsidiary Agreements, Investment Subproject Agreements and Institutional Strengthening Subproject Agreements set forth in the Operational Manual.
18. “Non-Consultant Services” means services of a skilled or non-skilled nature, which are not of a consultancy nature and include, *inter alia*, surveying, cleaning, security, maintenance and repair services.
19. “Operating Costs” means reasonable recurrent Project expenditures, based on a budget previously approved by the Bank, that would not have been incurred by the PCU and/or the Partner Organizations absent the Project, such as office utilities, travel costs, operation and maintenance of office equipment financed with the proceeds of the Loan, and non-durable goods, all needed for the supervision of the Project.
20. “Operational Manual” means the Borrower’s Manual for the Project, dated June 24, 2009, and referred to in Section I.B.1 of Schedule 2 to this Agreement, as such manual may be revised from time to time with the agreement of the Bank.
21. “Original Loan Agreement” means the loan agreement for a Peace and Development Project between the Borrower and the Bank, dated September 27, 2004.

22. “Original Project” means the Project described in Schedule 2 to the Original Loan Agreement.
23. “Partner Organization” and “Partner Organizations” mean a civil society organization, registered in the Borrower’s territory, vested with legal personality and selected according to the eligibility criteria set forth in the Operational Manual for the carrying out of Parts A, B and C.2 of the Project.
24. “PCU” means the unit referred to in Section I.A.2 of Schedule 2 to this Agreement.
25. “Performance Indicators” means the indicators for Project monitoring and evaluation set forth in the Operational Manual.
26. “Priority Area” and “Priority Areas” mean the Borrower’s geographical area or areas within the Conflict Affected Regions, composed of the zones specified in the Operational Manual, where the internal armed conflict is concentrated and where the Borrower’s population needs immediate and urgent socio-economic assistance and where Partner Organizations are working.
27. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
28. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated June 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.
29. “Program” means the Borrower’s peace and development program designed to assist vulnerable, low-income and displaced populations in rural and urban communities in Conflict Affected Regions referred to in the Bank’s Report No. 28656-CO dated May 18, 2004.
30. “SNAIPD” means *Sistema Nacional de Atención Integral a la Población Desplazada*, the Borrower’s National System of Integral Assistance for Displaced Population, or any successor thereto.
31. “Subsidiary Agreements” mean the agreements to be entered into between the Borrower, through DAPR-ACCIÓN SOCIAL, with the Partner Organizations, pursuant to Section I.D.1 (a) of Schedule 2 to this Agreement, as the same may be amended from time to time.
32. “Territorial Unit” and “Territorial Units” mean DAPR-ACCIÓN SOCIAL’s regional offices that coordinate: (i) the provision of humanitarian assistance to displaced populations; (ii) the reestablishment of displaced populations; (iii) the registration of displaced families; (iv) the operation of SNAIPD’s regional committees; and (v) social, economic, legal and security measures to prevent forced displacement of vulnerable and low-income populations.

33. “Training” means reasonable expenditures based on a budget previously approved by the Bank (other than those for consultants’ services) incurred by the Borrower, through DAPR-ACCIÓN SOCIAL, or by Partner Organizations to finance transportation costs and per-diem of trainers and trainees, workshops, rental of training facilities and acquisition of training equipment and material 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 (l) of Section 7.02 is modified to read as follows:

“Section 7.02. Suspension by the Bank

... (l) *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.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“Preparation Advance” means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”