

Public Disclosure Authorized

**CONFORMED COPY**

**LOAN NUMBER 7742-CO**

# **Loan Agreement**

**(Solid Waste Management Program Project)**

**between**

**REPUBLIC OF COLOMBIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated September 4, 2009**

Public Disclosure Authorized

**LOAN AGREEMENT**

Agreement dated September 4, 2009 between REPUBLIC OF COLOMBIA (the “Borrower”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the “Bank”). The Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

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

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty million Dollars (\$20,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

- 2.05. The Payment Dates are 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 and outstanding, 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 objective of the Project. To this end, the Borrower shall carry out the Project through MAVDT in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out through MAVDT, in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV —EFFECTIVENESS; TERMINATION**

- 4.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank’s approval of the Loan which expire on February 4, 2011.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

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

5.02. The Borrower's Address is:

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

Facsimile: (57-1) 350-9344

5.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423(MCI) or  
64145(MCI)

1-202-477-6391

AGREED at 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/ Laura Tuck

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to support the implementation of the regional solid waste management component of the Borrower's Program, which aims at improving the quality and coverage of integrated solid waste management services in the territory of the Borrower.

The Project consists of the following part:

#### **Part 1: Development of and Investments in Solid Waste Disposal Systems**

- 1.1. Carrying out of investments (each, an "SWM Investment") in solid waste management infrastructure of the Participating Municipality consisting of civil works, equipment and services in support of the rehabilitation, construction, and/or expansion of landfills and transfer stations in selected sites and the closing of non-sanitary open-air landfills.
- 1.2. Provision of technical advisory services for the development of SWM Investments, including with respect to their engineering designs, environmental impact assessments, social assessments and other related studies required under the Borrower's sector regulatory framework, as found satisfactory by the Bank.
- 1.3. Development of social inclusion, skills building and entrepreneurial programs for waste pickers to mitigate potential adverse impact on their livelihoods as may be caused by the closing of open-air dumps and, in connection therewith, the provision of financing for the carrying out of the resettlement and compensation processes in respect of any potential loss of property or income arising out of an SWM investment.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

For purposes of the entire Project implementation, the Borrower, through MAVDT, shall carry out the following actions, as set forth in this Schedule 2.

##### **A. Institutional Arrangements**

1. The Borrower shall:

- (a) vest main responsibility for Project implementation, management coordination and supervision in VAS which shall include a solid waste management unit specially staffed at all times during Project implementation with personnel adequate in numbers and having functions, experience and resources satisfactory to the Bank in respect of technical, environmental, community outreach, communications, administrative and fiduciary capacity needed for the Project, all as further described in the Operational Manual;
- (b) ensure an active and efficient collaboration, for purposes of Project implementation, between VAS, selected MAVDT structures and departments and other Borrower's agencies and entities, listed in the Operational Manual;
- (c) ensure that: (i) a Fiduciary Contract shall be entered into between the Fiduciary Agent and each Participating Department; and thereafter (ii) throughout Project implementation, all appropriate steps in MAVDT's capacity, acting thereunder for the Borrower, shall be taken for the maintenance of the said Fiduciary Contracts entered into for purposes of carrying out the Project, administering the proceeds of the Loan and other funds exclusively intended for the Project, all as set forth in the Operational Manual and on terms and conditions acceptable to the Bank. The Borrower shall exercise and carry out and/or cause to be exercised and carried out the rights and the obligations of each party under the Fiduciary Contract in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. The Borrower shall cause the Fiduciary Contract or any of its provisions not to be amended, assigned, abrogated, suspended, repealed, terminated, waived or failed to be enforced, except as the Bank shall otherwise agree;

- (d) ensure that the Inter-administrative Agreement (*Convenio de Uso de Recursos*) between MAVDT and a Participating Department and related to the use by the Participating Department of MAVDT resources allocated to the Participating Department for water and sanitation management purposes, is maintained throughout Project implementation and duly complied with in all its terms and conditions; and
- (e) ensure that: (i) any and all amounts payable under this Agreement to the Participating Departments and the Participating Municipalities respectively shall be deposited and/or caused to be deposited in the accounts specified by the Fiduciary Agent in accordance with the Fiduciary Contract and the Operational Manual; and thereafter (ii) for purposes of carrying out the Project, the Participating Departments shall for themselves and on behalf of the Participating Municipalities and until the completion of the Project, ensure that the Fiduciary Agent allocates and makes available a portion of the amounts so deposited as agreed with the Bank and set forth in the Operational Manual.

**B. Anti-Corruption**

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

**C. Specific Procedures for SWM Investments**

1. Before initiating any SWM Investment in a Participating Municipality of a Participating Department and as a condition to carrying out such SWM Investment and for making any withdrawal under Category (1), the Borrower shall ensure that the Participating Department shall require the Participating Municipality to (the Requirements):
  - (a) if the Participating Municipality has an existing Operator Contract, renegotiate and amend the Operator Contract with the Specialized Operator that is the party to such Operator Contract to incorporate the provisions that are necessary to carry out such SWM Investment, including, *inter alia*: (i) the applicable provisions of this Agreement; (ii) the procedures that the Specialized Operator must follow in carrying out the proposed SWM Investment; (iii) the new execution and performance improvement arrangements for the Specialized Operator; (iv) the amount of financing for the Investment to be provided to the Specialized Operator by the Borrower and the Participating Municipality; and (v) the Participating Department's Intervention Rights (including, *inter alia*, those rights described in paragraph 4 of Section I.C of Schedule 2 to this Agreement);



- (b) if the Participating Municipality does not have an existing Operator Contract, commence the bidding process for selecting a Specialized Operator in accordance with the procedures set forth in the Operational Manual; and
  - (c) enter into a financial support agreement (*Convenio Gestor Departamento Municipio*) with the Participating Department, substantially in the form incorporated in the Operational Manual and on terms and conditions acceptable to the Bank (“Financial Support Agreement”), including, *inter alia*: (i) the Participating Municipality’s obligation to ensure that the Specialized Operator carries out all SWM Investments in accordance with the applicable provisions of this Agreement, the Operational Manual, the ESMF, the Procurement Guidelines, the Consultant Guidelines, the Anti-Corruption Guidelines and the Procurement Plan; (ii) the Participating Department’s obligation to have its funds for the Project deposited in the account specified by the Fiduciary Agent; (iii) an assignment of authority by the Participating Municipality to the Participating Department to provide the Fiduciary Agent with instructions as to the disbursement of its municipal funds for the Project; (iv) compliance with the requirements of this paragraph and with the applicable provisions of this Agreement and the Operational Manual; and (v) any additional terms and conditions required by MAVDT and the Participating Department as a condition to allowing the Participating Municipality to participate in the Project.
- 2. If the Bank receives evidence that the Requirements have been satisfied with respect to the Participating Municipality, the Borrower may make withdrawals of the proceeds of the Loan under Category (1) of the table of Section IV.A.2 of Schedule 2 to this Agreement, subject to the terms and conditions specified therein and in this Agreement, for Eligible Expenditures related to any SWM Investment in the Participating Municipality.
- 3. The Borrower shall obtain rights under the applicable Implementation Agreements that are adequate to protect its interests and those of the Bank, including, *inter alia*, the right to:
  - (a) suspend or terminate the right of any Implementing Party to receive or use the proceeds of the Loan, or obtain a refund of all or any part of the amount of the Loan then withdrawn, upon the Implementing Party’s failure to perform any of its respective obligations under the Implementation Agreements to which it is a party; and
  - (b) require each Implementing Party to: (i) carry out its activities under the Project 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 Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods, works and services to be financed out of the Loan in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Project and the achievement of its objectives; (v): (A) 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 Project; and (B) at the Bank's, the Participating Department's or the Borrower's request, 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; (vi) enable the Borrower and/ or the Bank to inspect the SWM Investment, its operation and any relevant records and documents; and (vii) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

4. The Borrower shall: (a) exercise its rights under all of the Implementation Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (b) cause any Implementing Party not to fail, in the opinion of the Bank, to perform any of its obligations under the Implementation Agreements to which it is a party, including, *inter alia*, those obligations described in Section I.C of this Schedule. Except as the Bank shall otherwise agree, the Borrower shall not, and shall not cause or allow any Implementing Party to, assign, amend, abrogate or waive the Implementation Agreements or any of their provisions.

**D. Safeguards**

1. The Borrower shall carry out the Project in accordance with the provisions of:
  - (a) this Agreement, including, *inter alia*, the provisions in this Schedule 2 to this Agreement;
  - (b) the Operational Manual, the ESMF and the Procurement Plan;
  - (c) the Fiduciary Contract;
  - (d) the Inter-administrative Agreement; and

- (e) the Financial Support Agreement.
2. The Borrower shall cause each Implementing Party to carry out its respective activities under the Project in accordance with the provisions of:
- (a) this Agreement, including, *inter alia*, the provisions in this Schedule 2 to this Agreement;
  - (b) the Anti-Corruption Guidelines;
  - (c) the Operational Manual, the ESMF and the Procurement Plan; and
  - (d) the Implementation Agreements to which such Implementing Party is a party.
3. The Borrower shall carry out or cause the carrying out of the Project in accordance with the provisions of a manual dated July 2, 2009, in form and substance satisfactory to the Bank (the "Operational Manual"), that shall contain the policies and procedures for carrying out, monitoring and evaluating all parts of the Project, including, *inter alia*:
- (a) the detailed eligibility criteria and procedures for the Participating Municipalities, in accordance with Decree No. 3200 of 2008 of the Borrower;
  - (b) the detailed eligibility criteria and procedures for selecting a Specialized Operator in cases where a Participating Municipality does not have an existing Operator Contract, in accordance with Law 142 of 1994 of the Borrower;
  - (c) the detailed funds flow and financial arrangements for both implementation of the Project including, *inter alia*, the flow of proceeds of the Loan and other Project funds under the Inter-administrative Agreement to and from the Fiduciary Agent;
  - (d) the steps of the process of selecting, implementing, monitoring and evaluating each of the SWM Investments, including, *inter alia*: (i) the review of each proposed POI, bidding documents, and procurement contracts; (ii) the review of the documentation provided by the Fiduciary Agent in respect of Project expenditures under this Agreement and; (iii) the timing for the signing of the Implementation Agreements;
  - (e) the powers, functions, responsibilities, structure and key staff of MAVDT and VAS;

- (f) the model forms of all of the Implementation Agreements and the standard bidding documents and contracts to be used for procurement of goods, works and services under the Project;
  - (g) the final form of the interim unaudited financial reports and Financial Statements for the Project and the terms of reference for the audits of the Project; and
  - (h) the procurement, financial management and disbursement requirements, procedures and documentation for the Project.
4. Except as the Bank shall otherwise agree, the Borrower shall not, and shall not cause or allow any Implementing Party to amend, abrogate, waive or fail to enforce the Operational Manual, the Fiduciary Contract, the ESMF or any respective provisions thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual or any Implementation Agreement, the terms of this Agreement shall prevail.
5. The Borrower shall, through MAVDT require that:
- (a) all of the procurement of works under the Project, is carried out in accordance with the provisions of Section III of Schedule 2 of this Agreement, the Procurement Guidelines, and the Operational Manual;
  - (b) all contractors and consultants providing goods or carrying out works and services under the Project carry out their activities under the Project 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 ESMF and the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, and the applicable provisions of the Operational Manual;
  - (c) all bidding documents and contracts under the Project incorporate the environmental and social standards satisfactory to the Bank and provide the Borrower with the Intervention Rights, including, *inter alia*: (i) upon the contractor's or consultant's failure to perform any of its obligations under the applicable contract, the ability to: (A) suspend or terminate the right of any contractor or consultant to receive or use the proceeds of the Loan; or (B) obtain a refund of all or any part of the amount of the Loan withdrawn as of then; (ii) the right to inspect any SWM Investment, its operation and any relevant records and documents; and (iii) the right to request all such information as the Borrower or the Bank shall reasonably request relating to the Project; and

- (d) the Participating Departments shall monitor the compliance of contractors and consultants with the financial, managerial, environmental and social standards and practices satisfactory to the Bank.

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

### **A. Project Reports**

1. The Borrower 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 set forth in the Operational Manual. 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.
2. 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 June 30, 2014.

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

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish, or shall cause to be prepared and furnished, to the Bank not later than 45 days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall have the 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 such period.

## **Section III. Procurement**

### **A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, Annex A to this Schedule, 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 and in Annex A to this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
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. Annex A to this Schedule 2 specifies 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 Section I of Annex A to this Schedule 2.
(b) Shopping, subject to the additional provisions set forth in Section II of Annex A to this Schedule 2.

**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. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultant firms for services estimated to cost less than \$350,000 equivalent per contract may comprise entirely national consultants.
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><u>Procurement Method</u></b>
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants' Qualifications for those contracts that cost less than \$200,000 equivalent per contract
(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

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

1. Except as the Bank shall otherwise determine by notice to the Borrower, the following processes and documents shall be subject to Prior Review by the Bank:
  - (a) the procurement process, including, *inter alia*, all forms and models of requests for quotations and bidding documents, for the procurement of goods or works procured on the basis of International Competitive Bidding, National Competitive Bidding, or Shopping; and
  - (b) the selection process, including, *inter alia*, all forms and models of requests for proposals and proposal documents, for consultants' services that are provided by: (i) a firm and estimated to cost the equivalent of \$100,000 or more; or (ii) an individual and estimated to cost the equivalent of \$50,000 or more.
2. Except as the Bank shall otherwise agree, neither the Borrower nor any Implementing Party shall revise or otherwise modify or change the documents that have been approved by the Bank in accordance with paragraph 1 of this Section III.D.
3. Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank:
  - (a) (i) all contracts for goods procured on the basis of International Competitive Bidding irrespective of their amount; and (ii) all contracts for works, irrespective of their amounts and the methods under which each one of them is procured;

- (b) each contract for consultants' services provided by: (i) a firm and estimated to cost the equivalent of \$100,000 or more; and (ii) an individual and estimated to cost \$50,000 or more; and
  - (c) all contracts for consultants' services awarded on the basis of Single-source Selection.
4. In addition to the contracts described in paragraph 3 of this Section III.D, the Procurement Plan shall set forth those other contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank. In the case of a conflict between the provisions of the Procurement Plan and the provisions of this Agreement, the Borrower will ensure that the provisions of this Agreement will prevail.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

- 1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
- 2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b><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) Goods, works and consultants' services under Part 1.1 of the Project	18,000,000	100%
(2) Goods, works, consultants' services and Training under Parts 1.2 and 1.3 of the Project	2,000,000	100%
<b>TOTAL AMOUNT</b>	20,000,000	



**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account:
  - (a) until the Bank has received payment in full of the Front-end Fee;
  - (b) for payments made prior to the date of this Agreement; and
  - (c) for payments made under Category (1) in the table of paragraph A.2 above until and unless: (a) an Operator Contract, satisfactory to the Bank, for the carrying out of SWM investments and including: (i) a detailed procurement assessment in relation thereto; and (ii) adequate environmental and social mitigation measures therefor, shall have been entered into between the Participating Municipality and a Specialized Operator, all in accordance with the criteria, procedures, terms and conditions set forth in the Operational Manual and the ESMF.
  
2. The Closing Date is December 31, 2013.

**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.

- (e) The provisions of paragraph 2.46 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.

## **Section II. Shopping**

Contracts for goods or works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping subject to the following additional provisions:

- (a) The Borrower shall obtain and compare at least three quotations to establish reasonableness of price. Comparison of two quotations is justified only when there is evidence, satisfactory to the Bank, that there are only two reliable sources of supply (national or foreign as the case may be). For international shopping, the Borrower shall request quotations of suppliers from at least two different countries, including the country of the Borrower. Quotation for foreign goods located in the Borrower's country and offered by a firm located in the Borrower's country, are considered as quoted from abroad for purposes of satisfying the "two different countries" rule.
- (b) The Borrower shall verify that the firms invited to quote are reputable, well established, and are suppliers of the goods or services being purchased as part of their normal business.
- (c) The Borrower shall request quotations by letter, fax, telex, electronic messaging, etc., (with proof of receipt and record keeping). Since quotation requests must be sent to reputable and well-established suppliers only, the requests should not be open to any other supplier and should not be made public. Suppliers shall submit their quotations in

writing, (i.e., by fax, telex, letter, or electronic messaging with copies to be kept for the records). No bid security is required. There is no requirement for strict time and date for submission of quotations and for public opening, but normally requests for quotes indicate the expected date of submission of quotes, within one or two weeks of the initial request.

### 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)
February 15, 2020	10%
August 15, 2020	10%
February 15, 2021	10%
August 15, 2021	10%
February 15, 2022	10%
August 15, 2022	10%
February 15, 2023	10%
August 15, 2023	10%
February 15, 2024	10%
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.

## 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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “ESMF” means the Environmental and Social Management Framework dated June 17, 2009, prepared by the Borrower and approved by the Bank on even date therewith.
5. “Fiduciary Agent” means a financial institution acceptable to the Bank that shall act as the fiduciary agent (*Fiduciaria*) under the Fiduciary Contract or any successor agent acceptable to the Borrower and the Bank.
6. “Fiduciary Contract” means the fiduciary contract (*Contrato de Encargo Fiduciario de Administración y Pagos*) entered into between the Participating Department, and the Fiduciary Agent for the administration of the various funds of the Project, including *inter alia*, the proceeds of the Loan, in accordance with the laws of the Borrower and on terms and conditions acceptable to the Bank.
7. “Financial Support Agreement” (*Convenio Gestor Departamento Municipio*) has the meaning given to it in Section I.C.1(c) of Schedule 2 to this Agreement.
8. “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.
9. “Implementation Agreement” means any of the following: the Fiduciary Contract, Inter-administrative Agreement, Financial Support Agreements and Operator Contracts. “Implementation Agreements” means collectively, all of such agreements.
10. “Implementing Party” means any of the following: the Fiduciary Agent, a Participating Department, a Participating Municipality, or a Specialized Operator. “Implementing Parties” means collectively, all such persons.

11. “Inter-Administrative Agreement” means an agreement entered into between the Borrower and any of the Participating Departments concerning the allocation and use of funds provided to them for waste and sanitation management purposes.
12. “Intervention Rights” means those rights of intervention (*Derechos de Intervención*) granted to the Borrower, through MAVDT or a Participating Department under any contract related to the Project to which the Borrower and/or the participating Department are not otherwise a party or signatory, pursuant to Decree No. 3200 of 2008 of the Borrower.
13. “MAVDT” means *Ministerio de Ambiente, Vivienda, y Desarrollo Territorial*, the Borrower’s Ministry of Environment, Housing, and Regional Development.
14. “Operational Manual” has the meaning given to it in paragraph 3 of Section I.D of Schedule 2 to this Agreement, as the same may be amended, supplemented or otherwise modified from time to time with the consent of the Bank.
15. “Operator Contract” means an agreement between a Participating Municipality and a Specialized Operator for the final disposal of solid waste in the Participating Municipalities.
16. “Participating Department” means an administrative subdivision of the Borrower’s territory which has been selected under the Project to support the carrying out of SWM infrastructure by any Participating Municipality of that Participating Department.
17. “Participating Municipality” means a municipality in a Participating Department of the territory of the Borrower which has met the eligibility criteria described in the Operational Manual for participating in the Project and whose participation has been approved by the Bank.
18. “POI” means the capital investment plans for SWM infrastructure works (*Planes General y Anuales Estratégicos y de Inversiones del Plan Departamental de Aguas*) prepared on multi-annual basis by each Specialized Operator, pursuant to Decree No. 3200 of 2008 of the Borrower.
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
20. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated June 12, 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.



21. “Program” means a program of the Borrower for water and sanitation management in its territory, adopted on March 16, 2009 through Policy document No. 3574 of the *Consejo de Política Económica y Social* (CONPES), the Borrower’s council for economic and social policy.
22. “Requirements” has the meaning given to it in paragraph 1 of Section I.C of Schedule 2 to this Agreement.
23. “Specialized Operator” means an entity that meets the eligibility criteria specified in the Operational Manual, including, *inter alia*, being a public or private, commercially independent entity that has full responsibility for managing the water supply and sanitation service infrastructure, including final disposal of solid waste, of one or more municipalities, including, *inter alia*, for tariff setting, billing and collection, and the provision of services.
24. “Standard Bidding Documents” has the meaning given to it in clause (a) of Section I of Annex A to Schedule 2 to this Agreement.
25. “SWM Investment” has the meaning given to it in Part 1.1 of Schedule 1 to this Agreement.
26. “Training” means in respect of Categories 2 in the table in Section IV.A.2 of Schedule 2 to this Agreement: (a) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.
27. “VAS” means *Vice-Ministerio de Agua y Saneamiento*, MAVDT’s Vice Ministry for Water and Sanitation.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

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

“Section 7.02. *Suspension by the Bank*

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

Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

2. 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 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.”