

CONFORMED COPY

LOAN NUMBER 3201-CO

Loan Agreement

(Community Child Care and Nutrition Project)

between

REPUBLIC OF COLOMBIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated August 1, 1990

LOAN NUMBER 3201-CO

LOAN AGREEMENT

AGREEMENT, dated August 1, 1990, between REPUBLIC OF COLOMBIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement has requested the Bank to assist in the financing of the Project; and

(B) the Project will be carried out by the Instituto Colombiano de Bienestar Familiar (ICBF) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ICBF the proceeds of the Loan as provided in this Agreement;

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and ICBF;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Beneficiary" means a child care provider selected by the relevant community and approved by ICBF for participating in the Program (as hereinafter defined) in accordance with the terms and conditions of the Operational Manual (as hereinafter defined);

(b) "Bienestarina" means the nutritional supplement provided by ICBF to children in CAIPS (as hereinafter defined) and HBI (as hereinafter defined);

(c) "CAIPS" means Centros de Atencion Integral al Preescolar, ICBF's pre-school child care centers;

(d) "Fiduciary" means a financial institution, duly established under the laws of the Borrower, which is acceptable to the Bank and has entered into the Fiduciary Agreement (as hereinafter defined);

(e) "Fiduciary Agreement" means the agreement, satisfactory to the Bank, to be entered into between the Fiduciary and ICBF referred to in Section 2.01 (b) of the Project Agreement;

(f) "HBI" means Hogar de Bienestar Infantil, a community child care home financed by ICBF under the Program;

(g) "CONPES" means the Borrower's Consejo Nacional de Politica Economica y Social;

(h) "house upgrading subproject" means a project consisting in the upgrading of the Beneficiary's house used as an HBI in accordance with the criteria and procedures set forth in the Operational Manual (as hereinafter defined);

(i) "Operational Manual" means the Manual of policies and procedures for the execution of Part C.2 of the Project to be approved by ICBF;

(j) "Program" means the Borrower's Programa de Hogares de Bienestar Familiar (Community Child Care and Nutrition Program) designed to improve resource management for community child care and nutrition, including technical assistance, training and a 1990-1995 investment program, as described in the letter dated December 22, 1989 from ICBF to the Bank and approved by CONPES on April 24, 1990, as such Program may be amended in agreement with the Bank;

(k) "Project Agreement" means the agreement between the Bank and ICBF of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(l) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(m) "Subloan" means a loan made or proposed to be made by ICBF, through the Fiduciary, to a Beneficiary for purposes of financing a house upgrading sub project in accordance with the terms and conditions of the Operational Manual;

(n) "Subloan Agreements" means an agreement between the ICBF and a Beneficiary providing for a Subloan;

(o) "Subsidiary Agreement" means the agreement to be entered into between the

Borrower and ICBF pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement;

(p) "Subsidy Reduction Plan" means ICBF's action plan for reducing in real terms, by 1995, direct subsidies to the ongoing CAIPS program to no more than 70% of the 1989 level, approved by CONPES on April 24, 1990 and described in the attachment of ICBF's letter of December 22, 1989 to the Bank;

(q) "Legislations means the Borrower's ley 75 of 1968, ley 27 of 1974, ley 07 of 1979, decreto reglamentario 2388 of 1979, decreto 334 of 1980, ley 55 of 1985, decreto 2480 of 1985, ley 89 of 1988, and decreto 2019 of 1989 all as amended to this date; and

(r) "HBI Participants" means the children participating in the program

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of twenty-four million dollars (\$24,000,000), as the sum of withdrawals of the proceeds of the Loan with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower, shall for the purposes of the Project, open and maintain in dollars a special account in the Borrower's Banco de la Republica on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1996 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the

outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause ICBF to perform in accordance with the provisions of the Project Agreement all the obligations of ICBF therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ICBF to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Loan available to ICBF under a subsidiary agreement to be entered into between the Borrower and ICBF, under terms and conditions which shall have been approved by the Bank.

(c) The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall: (a) take or cause to be taken all necessary actions to: (i) ensure that every child will be vaccinated prior to entering the Program in accordance with appropriate health practices; and (ii) establish, not later than October 31, 1990,

criteria and arrangements, satisfactory to the Bank, for identifying and meeting additional health needs among HBI Participants; and (b) provide all necessary funds, facilities, services and other resources required for such purposes.

Section 3.04. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by ICBF pursuant to Section 2.10 of the Project Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditures, the Borrower shall, or shall cause ICBF to:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure or cause to ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and

(iii) enable or cause to enable the Bank's representatives to examine such records.

(b) The Borrower shall, or shall cause ICBF to:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) ICBF shall have failed to perform any of its obligation under the Project Agreement;

(b) As a result of events which have occur Ed after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it in probable that ICBF will be able to perform any of its obligations under the Project Agreement;

(c) the Legislation or ICBF's organizational structure or functions shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ICBF to perform any of its obligations under the Project Agreement; and

(d) that any party has failed to perform any of its obligations under the Fiduciary Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraphs (a) or (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraph (c) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) ICBF has approved the Operational Manual in form and substance satisfactory to the Bank;

(b) ICBF shall have employed, all with terms of employment, qualifications and experience satisfactory to the Bank, a program coordinator, a financing advisor and an assistant to the financing advisor;

(c) ICBF and the Fiduciary shall have entered into the Fiduciary Agreement; and

(d) the Borrower and ICBF shall have entered into the Subsidiary Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Subsidiary Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto and is legally binding upon the parties thereto in accordance with its terms; and

(b) on behalf of ICBF that (i) the Operational Manual has been validly approved by ICBF in accordance with the Legislation, (ii) the Project Agreement has been authorized or ratified by, and executed and delivered on behalf of ICBF and is legally binding upon ICBF in accordance with its terms, and (iii) the Fiduciary Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the parties thereto and is legally binding upon the parties thereto in accordance with its terms.

Section 6.03. The date November 1, 1990 is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Ministro de Hacienda y Credito Publico of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Hacienda y Credito  
Publico  
Palacio de los Ministerios  
Plaza San Agustin  
Bogota, D.E.  
Colombia

Cable address:

MINHACIENDA  
Bogota

Telex:

43289 MHACCO

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

197688 (TRT)  
248423 (RCA)  
64145 (WUI) or  
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF COLOMBIA

By /s/ Ximena de Casalino

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Armeane Choksi

Acting Regional Vice President  
Latin America and the Caribbean

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Subloans under Part C.2 of the Project	11,700,000	51% of amounts disbursed under each Subloan
(2) Goods under Parts B and C.1 of the Project	2,900,000	100% of foreign expenditures and 30% of local expenditures
(3) Consultants' services under Parts A, B and D of the Project	1,400,000	100%
(4) Training under Part C.1 of the Project	6,100,000	80%
(5) Unallocated	1,900,000	
<b>TOTAL</b>	<b>24,000,000</b>	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$2,400,000 may be made on account of payments made for expenditures before that date but after June 30, 1989; and

(b) payments made for expenditures for any goods, works or services to be financed from the proceeds of the Loan unless such goods, works or services are included in an Annual Implementation Plan approved by the Bank pursuant to Section 2.06 (a) of the Project Agreement.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist ICBF in the carrying out of the Program (of which the Project is a part thereof) and in particular: (a) to introduce and carry out policies aimed at improving the cost-effectiveness of ICBF's operations; (b) to support the institutional development of ICBF, including strengthening its technical support, planning and monitoring capabilities; and (c) to evaluate, improve and maintain at an appropriate level, the quality of HBI services while increasing the number of HBIs.

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

Part A:

A program, including the execution of studies to improve the use of ICBF's resources by: (1) establishing revised financing arrangements for the CAIPS; and (2) improving the efficiency of production, distribution and marketing of Bienestarina.

Part B:

A program to strengthen the management capacity of ICBF, including: (1) a study on changes in the organizational structure and staffing of ICBF; (2) the establishment of an integrated, computer-based management information system for planning, programming, budgeting and monitoring ICBF's programs and activities; (3) introducing and implementing a monitoring and an impact evaluation system for the Program on a national scale; and (4) technical assistance and training, and the acquisition and utilization of equipment and materials, required for such purposes.

Part C:

A program to support improvements in the nutritional, health and educational aspects of ICBF's Program, including: (1) the provision of continuous training for community mothers and other community participants in charge of HBIs on food handling, nutrition, health record-keeping, child development and HBI administration; and (2) the provisions of Subloans for the financing of house upgrading subprojects.

Part D:

Technical assistance to ICBF for management and coordination of the Program and the Project.

\* \* \*

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each February 15 and August 15 beginning February 15, 1996 through August 15, 2007	1,000,000

