Loan Agreement

(Colombia Institutional Strengthening for Territorial Development Development Policy Loan)

between

REPUBLIC OF COLOMBIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF COLOMBIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section 1 of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 the amount of four hundred million Dollars, ($400,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").

2.02. The Front-end Fee is one quarter of one percent (0.25%).

2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.04. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program; and
(b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following: namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following: namely that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Ministry of Finance and Public Credit
Carrera 8 No. 6 C 38 Bogotá D.C Piso 3°

and

(b) the Borrower's Electronic Address is:

Facsimile: E-mail: (571) 350 9344 Desmin@minhacienda.gov.co

6.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and
(b) the Bank's Electronic Address is:

<table>
<thead>
<tr>
<th>Telex:</th>
<th>Facsimile</th>
<th>E-mail</th>
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<tbody>
<tr>
<td>248423(MCI) or 64145(MCI)</td>
<td>1-202-477-6391</td>
<td><a href="mailto:uzechau@worldbank.org">uzechau@worldbank.org</a></td>
</tr>
</tbody>
</table>

AGREED as of the Signature Date.

REPUBLIC OF COLOMBIA

By [Signature]

Authorized Representative

Name: Alberto Carraquilla
Title: Minister of Finance and Public Credit
Date: May 22nd, 2020

By [Signature]

Technical Coordinator of the Program

Name: Luis Alberto Rodriguez
Title: General Director, National Planning Department
Date: May 22nd, 2020

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By [Signature]

Authorized Representative

Name: Ulrich Zachau
Title: Country Director
Date: May 16th, 2020
SCHEDULE 1
Program Actions; Availability of Loan Proceeds

Section I. **Actions Taken Under the Program**

1. The Republic of Colombia has: (a) promoted partnerships among territorial entities to plan and execute strategic regional development investment projects, as evidenced by articles, 249, 250 and 251 of the NDP Law, and the Regional Administrative Partnership Law; (b) created the Territorial Pacts as a resource allocation mechanism for strategic regional development projects, as evidenced by article 250 of the NDP Law; and (c) has established the Regional Administrative Partnership in the Amazon Region to develop projects aimed at protecting and preserving ecosystems in the region, as evidenced by the Administrative Agreement entered into between Caquetá, Guainia, Guaviare and Putumayo dated December 19, 2019.

2. (a) The Republic of Colombia has approved the Legislative Act No. 05 which modifies Article 361 of the Constitution for the allocation and use of the Royalties Fund (Sistema General de Regalías, SGR), including a special allocation of royalty resources for conservation and environmental protection activities, published in the Official Journal on December 26, 2019; and (b) the National Financial Agencies have expressed willingness to support the deployment of a project structuring strategy to facilitate access to royalty funds by sub-national governments, all as evidenced by the Letters of the National Financial Agencies.

3. The Republic of Colombia has taken action to improve fiscal transparency and accountability, as well as the availability of standardized information to strengthen planning, monitoring and evaluation functions at the subnational level by launching the harmonized budget and accounting classification catalogue for subnational entities which will be gradually implemented in departments and municipalities, as evidenced by MHCP Resolution No. 3832 published in the Official Journal on October 22, 2019.

4. The Republic of Colombia has: (a) authorized the allocation of resources to accelerate the implementation of merit-based personnel selection processes in category 5 and 6 municipalities, as evidenced by article 263 of the NDP Law; and (b) increased opportunities and created mechanisms for merit-based promotions within the public administration at the subnational level, as evidenced by Law 1960 of 2019.

5. (a) The Republic of Colombia has adopted new policies to improve land administration by decentralizing cadastral functions to selected local governments, as evidenced by CONPES Document No.3958 dated March 26, 2019, and DANE decree No. 1983 published in the Official Journal on October 31, 2019; and (b) ANT has streamlined land tenure formalization processes, as evidenced by ANT resolution No. 12096 published in the Official Journal on September 4, 2019.

6. (a) ADR has strengthened the system of agricultural extension as evidenced through ADR resolution No 0422 published in ADR’s website on July 12, 2019; and (b) the Republic of Colombia, through MADR, has strengthened the coordination of information platforms to improve land use planning in rural areas as evidenced by MADR resolution No. 299 dated September 13, 2019.
7. The Republic of Colombia has established air development rights (Derecho Real de Superficie) and tax increment financing (Financiación para la Renovación Urbana) as land-based finance instruments to support financing infrastructure for urban development, all as evidenced by articles, 97 and 278 of the NIDP Law.

8. The Republic of Colombia, through DNP, has developed methodological instruments for the incorporation of disaster risk analysis and adaptation to climate change aspects in public investment projects financed by the Royalties Fund, as evidenced by: (i) the guidelines for the formulation of risk management and adaptation to climate change projects; (ii) the guidelines for hazard, vulnerability and disaster risk assessment, including climate risk and cost benefit evaluation, for projects in prefeasibility stage and feasibility stage; and (iii) the guidelines for disaster risk analysis in public investment projects, all published in DNP’s website in August 2019.

Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan (expressed in USD)</th>
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<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>400,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>400,000,000</td>
</tr>
</tbody>
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C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower’s macroeconomic policy framework.

D. Deposit of Loan Amounts.

1. The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Colombian Peso equivalent of the Loan proceeds will be credited; and (c) the record that an equivalent amount has been accounted for in the Borrower’s budget management systems.

E. Closing Date. The Closing Date is December 31, 2021.
SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule – Bullet Repayment

The Borrower shall repay the principal amount of the Loan in full on November 15, 2039.
APPENDIX

Section I. Definitions

1. “ANT” means Agencia Nacional de Tierras, the Republic of Colombia’s National Land Agency.

2. “ADR” means Agencia de Desarrollo Rural, the Republic of Colombia’s Agency for Rural Development.

3. “CONPES” means Consejo Nacional de Política Económica y Social, the Republic of Colombia’s Council for National Economic and Social Policy.

4. “DANE” means Departamento Administrativo Nacional de Estadística, the Republic of Colombia’s National Department of Statistics.


8. “MADR” means Ministerio de Agricultura y Desarrollo Rural, the Republic of Colombia’s Ministry of Agriculture and Rural Development.


10. “National Financial Agencies” means collectively Fondo para el Financiamiento del Sector Agropecuario (FINAGRO), Financiera de Desarrollo Territorial (FINDETER); and Financiera de Desarrollo Nacional (FDN), all national financial agencies within the Republic of Colombia.


14. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated January 22, 2020 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
15. “Royalties Fund” means Sistema General de Regalías, SGR, the Republic of Colombia’s general royalty system.

16. “Signature Date” means the later of the dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.


18. “Regional Administrative Partnership in the Amazon Region” means regional administrative collaboration and coordination agreement among departmental governments of the Amazon Region, created pursuant to the Regional Administrative Partnership Law.

19. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.

20. “Territorial Pact” means each resource allocation and co-financing agreement to develop regional projects among national, departmental and municipal governments, established pursuant to the NDP Law, collectively referred to as “Territorial Pacts”.

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