

LOAN NUMBER 9352-CO

Loan Agreement

(Equitable and Green Recovery Development Policy Financing)

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 or Republic of Colombia”) 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 I.A 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 seven hundred fifty million Dollars (US\$750,000,000), 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%) of the Loan amount.
- 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 Variable 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 January 15 and July 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;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon paragraphs (a) and (b) 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, 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, 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 Piso 3° Bogotá D.C
Colombia; 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

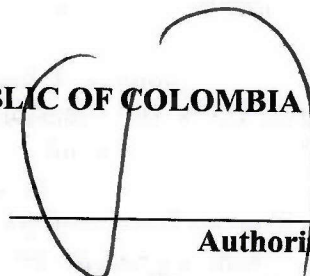
(b) the Bank's Electronic Address is:

Telex: 248423(MCI) or 64145(MCI) Facsimile: 1-202-477-6391 E-mail: mthomas1@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF COLOMBIA

By



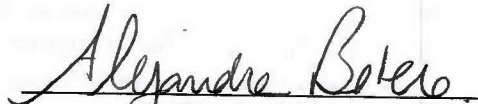
Authorized Representative

Name: Jose Manuel Restrepo

Title: Minister of Finance

Date: Mayo 6, 2022

By



Authorized Representative and
Technical Coordinator of the Program

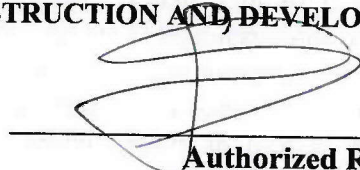
Name: ALEJANDRA BOTERO BARCO

Title: Directora General, DNP

Date: APRIL 25, 2022

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: PETER SIEGENTHALER

Title: COUNTRY MANAGER

Date: APRIL 25, 2022

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:
1. The Republic of Colombia, through the Administrative Department for Social Prosperity (DPS) has: (a) extended the duration of *Ingreso Solidario*; (b) expanded the coverage of *Ingreso Solidario* and *Compensación de IVA* programs; and (c) mandated the use of a modernized targeting methodology through the Social Registry to improve the targeting of the flagship cash transfer program *Familias en Acción*, to provide support to low income and vulnerable households, as evidenced by the Social Investment Law No. 2155 of 2021, published in the Official Gazette on September 14, 2021, DPS Resolutions Nos. 00740 (dated April 21, 2021), 01043 (dated May 21, 2021), and 659 (dated April 13, 2021).
 2. The Republic of Colombia has enacted measures that: (a) prohibit discrimination against women's access to employment; and (b) increase the length of paternity leave, introduce shared parental leave, and allow parental leave to be taken on a part-time basis, in order to encourage the sharing of responsibilities for unpaid care work and to support women's economic empowerment, as evidenced by Law No. 2114 of 2021, published in the Official Gazette on July 29, 2021.
 3. The Republic of Colombia, through its Ministry of Environment and Sustainable Development, has submitted to Congress for approval a draft of the Law (*Ley de Acción Climática*) to formalize the minimum goals and measures to achieve carbon neutrality, low carbon development and climate resilience in alignment with the updated NDC issued in 2020, as evidenced by the Letter from the Ministry of Environment to Congress dated September 29, 2021.
 4. The Republic of Colombia has updated its legal and fiscal framework with the approval of an Energy Transition Law which supports increased use of non-conventional renewable energy (NCRE) resources and energy storage, low-carbon hydrogen production and use, and incentivizes greater demand for energy efficiency, to consolidate and further advance the low-carbon transformation of its energy system, as evidenced by the Law No. 2099, 2021 published in the Official Gazette on July 10, 2021.
 5. The Republic of Colombia, through the Ministry of Mines and Energy (MME) and Colombia Regulatory Energy and Gas Commission (CREG), has enabled the large-scale development of NCRE resources in the electricity system by: (a) adopting a more efficient and competitive mechanism for awarding long-term electricity

- generation purchase agreements of NCRE projects; and (b) increasing regulatory certainty on the remuneration scheme for battery storage projects, as evidenced by the Ministry of Mines and Energy Resolutions No. 40141 (dated May 7, 2021) and No. 40179 (dated June 9, 2021); and by CREG's Resolution No. 070 (dated June 4, 2021).
6. The Republic of Colombia, through CREG, has established clear connection procedures for de-centralized generators and criteria for the valorization of their energy surplus injected into the electricity system, to support the development of de-centralized grid-connected electricity generation from NCRE resources, as evidenced by the adoption of CREG's Resolution No. 174 (dated October 7, 2021).
 7. The Republic of Colombia, through its Financial Superintendence of Colombia (SFC), has: (a) issued requirements for integrating Environmental, Social and Governance (ESG) and climate risks in the investment policy and governance arrangements of pension funds and insurance companies, as evidenced by Circular Externa 007 (dated April 26, 2021); and (b) set ESG and climate risk reporting requirements for voluntary pension funds, to create the conditions for improved climate-related risk management in the financial sector and for mobilizing green investment for sustainable growth and low-carbon development, as evidenced by Circular Externa 008 of May 10, 2021.
 8. The Republic of Colombia, through DNP, has approved the Policy for the Consolidation of the National System of Protected Areas (SINAP) to reduce the risk of loss of biodiversity, to secure preservation, restoration and sustainable use of landscapes, ecosystems, species, and genetic resources, as evidenced by CONPES document No. 4050 (dated September 27, 2021).
 9. The Republic of Colombia, through the Ministry of Environment and Sustainable Development (MADS), has approved new binding and harmonized regulations for the sustainable management of wild flora and non-timber forest products, to support the protection of biodiversity and the reduction of deforestation, as evidenced by Decree No. 690 of 2021 (dated June 24, 2021).

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:

Allocation	Amount of the Loan Allocated (expressed in Dollars)
Single Withdrawal Tranche	750,000,000
TOTAL AMOUNT	750,000,000

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 shall, within thirty (30) days after the withdrawal of the Loan from the Loan Account, 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 were 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 March 24th, 2023.

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SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

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”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each January 15 and July 15, beginning January 15, 2026 through July 15, 2041	3.03%
On January 15, 2042	3.04%

APPENDIX

Section I. Definitions

1. “*Compensación de IVA*” means the Republic of Colombia’s social program that provides economic support to beneficiary families with minor income to alleviate the impact of the IVA on goods and services.
2. “CONPES” means *Consejo Nacional de Política Económica y Social*, the Republic of Colombia’s National Economic and Social Policy Council.
3. “CREG” means *Comisión de Regulación de Energía y Gas*, the Republic of Colombia’s Regulatory Commission for Energy and Gas.
4. “DNP” means *Departamento Nacional de Planeación*, the Republic of Colombia’s National Planning Department, acting as the technical coordinator of the Program.
5. “DPS” means *Departamento Administrativo para la Prosperidad Social*, the Republic of Colombia’s Department of Social Prosperity.
6. “ESG” means environmental, social, and governance.
7. “*Familias en Acción*” or “Families in Action” means the conditional cash transfer program implemented by DPS that seeks to benefit vulnerable families contributing to health, nutrition, education, reduction of poverty and employment outcomes.
8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 and revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022.
9. “*Ingreso Solidario*” means the social program that seeks to benefit through economic support, family households in poverty and extreme poverty conditions and economic vulnerability, and that do not receive cash transfers from other programs.
10. “IVA” means the value added tax.
11. “MADS” means *Ministerio de Ambiente y Desarrollo Sostenible*, the Republic of Colombia’s Ministry of Environment and Sustainable Development.
12. “MME” means *Ministerio de Minas y Energía*, the Republic of Colombia’s Ministry of Mines and Energy.

13. “National Determined Contribution” or “NDC” means a national climate plan that all signatories to the Paris Agreement prepare to communicate the actions they plan to implement to reduce green-house emissions and build resilience to adapt to the impacts of climate change.
14. “NCRE” means non-conventional renewable energy.
15. “Official Gazette” means *Diario Oficial*, the Republic of Colombia’s official journal.
16. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated February 15th, 2022 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.
17. “SFC” means *Superintendencia Financiera de Colombia*, the Republic of Colombia’s Financial Superintendence.
18. “Signature Date” means the later of the two 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.
19. “SINAP” means *Sistema Nacional de Areas Protegidas*, the Republic of Colombia’s national system of protected areas.
20. “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 1 to this Agreement.
21. “Social Registry” means the Republic of Colombia’s new integrated registry which includes different government databases and beneficiary registries, allowing for a more accurate targeting of social protection programs.