Loan Agreement

(Second Sustainable Development and Green Growth 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 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 five hundred million Dollars, 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. (a) Without prejudice to other provisions of this Agreement, the Borrower may request a CAT Transaction to mitigate the effects of an Applicable Disaster Event any time during the period beginning on the first withdrawal by the Borrower and ending on the first Principal Payment Date of the Loan. The CAT Transaction shall cover any Trigger Event which occurs within the CAT Protection Risk Period. The maximum amount payable upon the occurrence of a Trigger Event for a CAT Transaction shall not exceed an amount equal to the Withdrawn Loan Balance.
(b) The Borrower shall pay the Bank the CAT Transaction Costs for each such CAT Transaction in such amount(s) or at such rate(s) as the Bank may determine. Such CAT Transaction Costs shall be either: (i) payable as a lump sum on demand or added to the interest amount payable on each Payment Date related to the CAT Protection Risk Period; or (ii) expressed as a percentage per annum and added to the interest rate payable on each Payment Date related to the CAT Protection Risk Period, provided that, at the request of the Borrower and in the Bank’s sole discretion, the Bank may authorize the payment of the CAT Transaction Costs hereunder on certain Payment Dates and/or defer such payments for a period acceptable to the Bank, but not beyond the first Payment Date following the termination of the CAT Transaction.

(c) A CAT Transaction requested by the Borrower as provided in this paragraph shall be executed on such terms and conditions as may be provided in a Supplemental Agreement.

2.08. 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 3º

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:  Facsimile
248423(MCI) or 1-202-477-6391
64145(MCI)
AGREED as of the Signature Date.

REPUBLIC OF COLOMBIA

By

Name: Andrés Mauricio Velasco
Title: Acting Minister of Finance and Public Credit

Authorized Representative

By

Name: Luis Fernando Mejía
Title: General Director National Planning Department

Authorized Representative and Technical Coordinator of the Program

Date: January 12, 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Issam Azouz El-Ham
Title: Country Manager
Date: January 12, 2018
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 Borrower, through its Legislative branch, has approved the Paris Agreement, which establishes the legal framework for an international cooperation on climate change, including, inter alia: (a) the adoption every five years of progressive national targets to reduce greenhouse gas emissions; (b) the option to engage in cooperative approaches to use internationally transferred mitigation outcomes to achieve national targets; and (c) enhancing action on adaptation through sharing information and good practices, improving scientific knowledge on climate and early warning systems, and periodically updating a national communication on climate adaptation, as evidenced by the Borrower’s Law No. 1844 dated July 14, 2017, and duly published in the Official Gazette.

2. The Borrower has established a regulatory framework for the promotion of clean energy transportation which, inter alia: (a) defines incentives for the use of bicycles and for increasing the number of trips using bicycles; (b) regulates the registry and technical and safety inspections applicable to motorcycles, three-wheeled motorcycles, and quad-trucks; and (c) sets policy guidelines for the co-financing by the Borrower’s national government of local public transport investments, as evidenced by the Borrower’s Law No. 1811 (Ley Probieta), dated October 21, 2016, and duly published in the Official Gazette; Resolution No. 160, dated February 2, 2017, issued by the Borrower’s Ministry of Transport, and duly published in the Official Gazette; and CONPES No. 3882, dated January 10, 2016, respectively.

3. The Borrower has strengthened its legal and institutional framework for promoting non-conventional energies by: (a) defining FENOGE as a stand-alone Trust Account (Fiduciario mercantil - patrimonio autónomo); (b) defining FENOGE’s funding sources, eligibility criteria for allocating funds, composition and functions of its Board of Directors, and the criteria for selecting the fiduciary entity that will manage FENOGE’s financial resources; and (c) setting criteria that prioritizes the use of non-conventional energies in the National Rural Electrification Plan, as evidenced by Article 368 of the Borrower’s Law 1819, dated December 29, 2016, and duly published in the Official Gazette; Borrower’s Decree No. 1543, dated September 16, 2017, and duly published in the Official Gazette; and Borrower’s Law Decree No. 884, dated May 26, 2017, and duly published in the Official Gazette, respectively.

4. The Borrower has adopted a risk management policy on chemical substances that establishes: (a) a program to manage chemical substances for industrial uses; (b) a program to prevent major chemical accidents; and (c) measures for strengthening risk management capacity of chemical substances, as evidenced by CONPES No. 3868, dated October 5, 2016.

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5. The Borrower has adopted measures to increase forests protection and improve forest management information and monitoring by: (a) establishing a system of payments for environmental services; (b) setting up the organization and functions of the National Information System of Forests (SNIF), the National Forests Inventory (IFN), and the Forests and Carbon Monitoring Systems; and (c) establishing the Forests for Peace Program, and the Intersectoral Commission for Deforestation Control and Comprehensive Management for Protecting Natural Forests, as evidenced by the Borrower's Law Decree No. 870, dated May 25, 2017, and duly published in the Official Gazette; Borrower’s Decree No. 1655 dated October 10, 2017, and duly published in the Official Gazette; Resolution No. 470, dated February 28, 2017, issued by the Borrower's Ministry of Environment and Sustainable Development, and duly published in its official website, and Decree No. 1257, dated July 25, 2017, and duly published in the Official Gazette, respectively.

6. The Borrower has taken measures to strengthen air quality management by: (a) approving a resolution that, upon publication, will update outdoor air quality norms by setting new progressive maximum permissible levels (starting in 2018 through 2030) for “criteria pollutants” including PM2.5; (b) increasing the biofuel component to 9 percent in diesel (B-9); and (c) revising the parameters and requirements of ethanol in gasoline, as evidenced by Resolution No. 2254, dated November 1, 2017, issued by the Borrower’s Ministry of Environment and Sustainable Development; Resolution No. 40351, dated April 28, 2017 (which modified Resolution No. 182142/2007), issued by the Borrower’s Ministry of Mines and Energy, and duly published in the Official Gazette; and Resolution No. 40527, dated June 7, 2017, issued by the Borrower’s Ministry of Mines and Energy, and duly published in the Official Gazette, respectively.

7. The Borrower has established measures to improve access to, and quality of, service for potable water and sanitation in rural areas, and improve the formulation of water and sanitation investments, by: (a) regulating appropriate requirements for the provision of potable water and sanitation services; (b) regulating appropriate solutions for domestic wastewater management; and (c) issuing preparation guidelines for water and sanitation sector investments by entities that request financial support from the Borrower’s national government, as evidenced by the Borrower’s Decree No. 1898, dated November 23, 2016, and duly published in the Official Gazette, and Resolution No. 1063, dated December 30, 2016, issued by the Borrower’s Ministry of Housing, City, and Territory, and duly published in the Official Gazette, respectively.

8. The Borrower has: (a) updated operation standards for sanitary landfills; and (b) updated regulations for complementary solid waste treatment activities; as evidenced by the Borrower’s Decree No. 1784, dated November 2, 2017, and duly published in the Official Gazette.

9. The Borrower has established measures to improve solid waste management by establishing the operational framework for the reuse of solid waste and the timeline for the compliance of waste pickers as formal suppliers in the reuse activity, as evidenced by the Borrower’s Decree No. 596, dated April 11, 2016, and duly published in the Official Gazette.
Gazette; and Resolution No. 276, dated April 29, 2016, issued by the Borrower's Ministry of Housing, City and Territory, and duly published in the Official Gazette.
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 Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>500,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>500,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless: (a) the Bank has received payment in full of the Front-end Fee; and (b) the Bank is satisfied: (i) with the Program being carried out by the Borrower; and (ii) with the adequacy of the Borrower’s macroeconomic policy framework.

D. Closing Date. The Closing Date is December 31, 2018.
SCHEDULE 2

The Borrower shall repay the principal amount of the Loan in full on July 15, 2029.
APPENDIX

Section I. Definitions

1. "Applicable Disaster Event" means any meteorological or geological event or events affecting health issues such as mortality, morbidity and longevity, including, without limitation, epidemics and pandemics.

2. "CAT Protection Risk Period" means, with respect to a CAT Transaction, the risk coverage period applicable to such CAT Transaction as specified in the relevant Supplemental Agreement.

3. "CAT Transaction" means a catastrophic risk transfer transaction entered into on such terms and conditions as may be specified in a Supplemental Agreement pursuant to the terms of Section 2.07 of the Agreement.

4. "CAT Transaction Costs" means the costs of executing the CAT Transaction by the Bank at the request of the Borrower (as specified in Section 2.07(b)), which may include: (i) the CAT Transaction premium for the coverage of risks of Applicable Disaster Events; (ii) upfront costs and expenses of setting up and executing the CAT Transaction; (iii) the Bank’s applicable transaction fees; and (iv) the financial costs resulting from a deferred payment of the CAT Transaction Costs pursuant to Section 2.07(b).

5. "CONPES" means Consejo Nacional de Política Económica y Social, the Borrower’s council for national economic and social policy.


7. "FENOGÉ" means Fondo de Energías No Convencionales y Gestión Eficiente de la Energía, the Borrower’s Fund for Non-Conventional Energy and Efficient Energy Management, aimed at financing alternative energy resources and an efficient energy management, as established pursuant to Article 10 of the Borrower’s Law No. 1715 of May 13, 2014, published in the Official Gazette on May 13, 2014.


9. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 2, 2017 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, consistent with the program’s objectives.

10. "Official Gazette" means the Borrower’s *Diario Oficial*.

11. "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.

12. "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.

13. "Supplemental Agreement” means an agreement between the Borrower and the Bank setting forth the terms and conditions of any CAT Transaction, as provided in Section 2.07 of this Agreement.

14. “Trigger Event” means an Applicable Disaster Event determined to be eligible to trigger a payout from the Bank to the Borrower in accordance with the terms of the CAT Transaction.