Loan Agreement
(Second Programmatic Fiscal Sustainability and Growth Resilience Development Policy Loan)

between

REPUBLIC OF COLOMBIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 4, 2012
LOAN AGREEMENT

Agreement dated December 4, 2014, entered into 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: (a) 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 (b) 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) 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 two hundred million Dollars ($200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provision of Section 2.07 of this Agreement ("Loan").

2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule I 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 sixty days after the Effective Date.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 (e) 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 II 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 to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) 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; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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.

2.08. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 3 of Section II of the Appendix to this Agreement and relating to Cooperation and Consultation), 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 5.08 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 the provisions of 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 I 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. 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 May 13, 2014.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Borrower's Address is:

Ministry of Finance and Public Credit
Carrera 8 No. 6 C 38 Bogotá D.C. Piso 3°
E-Mail: Desmin@minhacienda.gov.co
Facsimile: (571) 350 9344

6.03. 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: INTBAFRAF 248423(MCI) or 64145(MCI)
Telex: 1-202-477-6391
Washington, D.C. 1-202-477-6391

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AGREED at **Bogota, Republic of Colombia** as of the day and year first above written.

**REPUBLIC OF COLOMBIA**

By

[Signature]

Ministry of Finance and Public Credit
Authorized Representative

By

[Signature]

National Planning Department
Authorized Representative

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

By

[Signature]

Authorized Representative
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

A. The actions taken by the Borrower under the Program include the following:

1. The Borrower, through MFPC, has taken key steps to implement the Fiscal Rule Law, including: (a) the publication of the 2012 Medium Term Fiscal Framework Report; and (b) the issuance of Decree No. 1790, dated August 28, 2012 (duly published in the Borrower’s official gazette on August 28, 2012), which, inter alia, established a consultative committee to monitor the implementation of the Fiscal Rule Law by the Borrower’s Executive Branch.

2. The Borrower, through MFPC, has issued the Implementing Regulations of Law 1430, to increase the Borrower’s tax revenue, enhance the Borrower’s tax system efficiency and improve the competitiveness of its economy.

3. The Borrower, through its Health Regulatory Commission, has issued the Accord (Acuerdo) No. 29, dated December 28, 2011, which, inter alia: (a) updated the Mandatory Benefit Package of both the contributory and subsidized regimes for purposes of expanding the coverage of health goods and services under said regimes; and (b) introduced a list of healthcare goods and medical services to be excluded from said Mandatory Benefit Package.

4. The Borrower, through its Ministry of Health and Social Protection, has issued Decree No. 4107, dated November 2, 2011 (duly published in the Borrower’s official gazette on November 2, 2011), which, inter alia, established a contingency fund for the Borrower’s health insurance system for purposes of ensuring the availability of sufficient funds available for contingencies, including health emergencies stemming from different types of natural and biological epidemics or disasters.

5. The Borrower, through MFPC, has approved and published a disaster risk financing strategy, dated May, 2012, to reduce the Borrower’s fiscal vulnerability against the occurrence of natural disasters.

6. The Borrower, through MFPC, has issued Decree No. 4865, dated December 22, 2011 (duly published in the Borrower’s official gazette on December 22, 2011), which, inter alia, modified the reserve requirement of private insurance firms providing insurance against earthquakes.

7. The Borrower has improved the institutional framework for its private agriculture insurance market, through: (a) the promulgation of Law No. 1450, dated June 16, 2011 (duly published in the Borrower’s official gazette on June 16, 2011) which, inter alia, established a risk management framework to integrate adaptation and mitigation strategies to improve production risks; (b) the issuance by the National Agricultural Credit Commission of: (i) Resolution No. 1, dated August 23, 2011
(duly published in the Borrower's official gazette on September 2, 2011), which *inter alia*, expanded the type of risks that qualify for public subsidies for agriculture insurance premiums; and (ii) Resolution No. 1, dated May 16, 2012 (duly published in the Borrower's official gazette on May 16, 2012), which, *inter alia*, preserved the voluntary access to insurance.

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>Allocation</th>
<th>Amount of the Loan (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>200,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>200,000,000</td>
</tr>
</tbody>
</table>

C. **Payment of Front-end Fee.** No withdrawal shall be made from the Loan Account until the Bank has received payment in full of the Front-end Fee.

D. **Withdrawal Tranche Release Conditions.**

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.

E. **Deposits of Loan Amounts.** Except as the Bank may otherwise agree:

1. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and

2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.

F. **Excluded Expenditures.** The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

G. **Closing Date.** The Closing Date is June 30, 2013.
SCHEDULE 2

Borrower shall repay the principal amount of the Loan in full on August 15, 2030.
APPENDIX

Section I. Definitions

1. "Excluded Expenditure" means any expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;
(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

2. “Fiscal Rule Law” means the Borrower’s Law No. 1473, dated July 5, 2011 (duly published in the Borrower’s official gazette on July 5, 2011), which includes, inter alia: (a) a numerical target for the Borrower’s central government structural deficit; and (b) provisions stipulating that the Borrower can deviate from this target only under special circumstances, including national emergencies or economic shocks.


4. “Implementing Regulations” means the following decrees which were issued by the Borrower’s Ministry of Finance and Public Credit to implement Law 1430 (as defined below): (i) Decree 493 dated February 23, 2011 (duly published in the Borrower’s official gazette on February 23, 2011); (ii) Decree No. 1919 of June 1, 2011 (duly published in the Borrower’s official gazette on June 1, 2011); (iii) Decree No. 660 dated March 10, 2011 (duly published in the Borrower’s official gazette on March 10, 2011); (iv) Decree No. 1505 dated May 9, 2011 duly published in the Borrower’s official gazette on May 9, 2011; (v) Decree No. 2245 dated June 28, 2011 duly published in the Borrower’s official gazette on June 28, 2011; (vi) Decree No. 2915 dated August 12, 2011 (duly published in the Borrower’s official gazette on August 12, 2011) which was modified by Decree No. 4955 dated December 30, 2011 (duly published in the Borrower’s official gazette on December 30, 2011); and (vii) Decree No. 1159 dated June 1, 2012 (duly published in the Borrower’s official gazette on June 1, 2012).

5. “Law 1430” means the Borrower’s Law No. 1430, dated December 29, 2010 and published in the Borrower’s Official Gazette on December 29, 2010, which, inter alia, reduced tax exemptions, closed tax loopholes and phased out the Borrower’s financial transaction tax.

6. “Mandatory Benefit Package” means Plan Obligatorio de Salud, the Borrower’s positive list of healthcare goods (including pharmaceuticals) and health services covered under the Borrower’s two health insurance regimes: (a) the contributory regime (defined hereinafter); and (b) the subsidized regime, as defined in the Borrower’s Laws No. 100, dated December 23, 1993 and No. 1122, dated January 9, 2007, respectively.
7. "Medium Term Fiscal Framework Report" means the report for 2012 prepared and published by MFPC on June 2012 which contains, inter alia, the fiscal projections of the Borrower’s structural fiscal balance for the period 2011-2023 period, including annual targets.

8. "MFPC" means Ministerio de Hacienda y Crédito Público, the Borrower’s Ministry of Finance and Public Credit.

9. “National Agricultural Credit Commission” means the Borrower’s commission created pursuant to article 5 of the Borrower’s Law No. 16, dated January 22, 1990.

10. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated October 10, 2012 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.

11. “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.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 5.01 (Project Execution Generally), and 5.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.

4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 5.06. Plans; Documents; Records

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records.”
Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 5.07. Program Monitoring and Evaluation

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan."

7. 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 "Eligible Expenditure" is modified to read as follows:

"'Eligible Expenditure' means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement."

(b) The term "Financial Statements" and its definition are deleted in their entirety.

(c) The term "Project" is modified to read "Program" and its definition is modified to read as follows (and all references to "Project" throughout these General Conditions are deemed to be references to "Program"):

"'Program' means the program referred to in the Loan Agreement in support of which the Loan is made."