Mr. Rafael Pardo Rueda  
Ministro  
Ministerio de Trabajo  
Bogotá, Colombia

Ms. Sandra Bessudo Lion  
Directora General  
Agencia Presidencial de Cooperación Internacional de Colombia  
Presidencia de la República  
Bogotá, Colombia

Re: Colombia: IDF Grant for Strengthening the Ministry of Labor’s Capacity to Design Interventions and Manage for Results Project  
IDF Grant No. TF014557

Dear Sir/Madam:

In response to the request for financial assistance made on behalf of the Labor Ministry, the (“Recipient”), for the benefit of the Republic of Colombia (“Member Country”), with the participation of the Member Country’s Agencia Presidencial de Cooperación Internacional de Colombia (“APC”), (in fulfillment of its role set forth in the Member Country’s Presidential Decree No. 4152, dated November 3, 2011), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed six hundred seventy five thousand United States Dollars (US$675,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Even if this Agreement has become effective pursuant to the previous paragraph, it shall terminate if the Recipient shall have failed to furnish to the World Bank a withdrawal application.
for Grant proceeds within ninety (90) days after the date of signature of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this paragraph. The World Bank shall promptly notify the Recipient of such later date.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Gloria M. Granján
Director
Colombia and Mexico
Latin America and the Caribbean Region

AGREED:

REPUBLIC OF COLOMBIA
(Ministry of Labor)

By:

Authorized Representative

Name:

Title:

Date: December 16, 2013

AGREED:

AGENCIA PRESIDENCIAL DE COOPERACIÓN INTERNACIONAL DE COLOMBIA

By:

Authorized Representative

Name:

Title:

Date: December 16, 2013
Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

(a) "ML" or "Ministry" or "Ministry of Labor" means Ministerio del Trabajo, the Recipient’s Ministry of Labor or any successor or successors thereto acceptable to the World Bank.

(b) "PES" means Servicio Publico de Empleo, the Recipient’s public employment services established pursuant to Law No. 1636 dated June 18, 2013 and responsible for promoting the employability to the unemployed.

(c) "Training and Workshops" means reasonable expenditures (other than consultant services) incurred by the Recipient in connection with the carrying out of training and workshops activities under the Project, including, *inter alia:* purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees and participants but excluding salaries of officials of the Recipient’s civil service.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to strengthen the capacity of the newly established Ministry to fulfill its mandate using strong country systems that focus on performance and results. The Project consists of the following parts:

*Component 1: Strengthening the Ministry of Labor’s Capacity for Labor Market Monitoring and Analysis*

Improving the Ministry’s capacity to monitor core labor market indicators and develop performance analysis to inform policy decisions and program design through, *inter alia:*

(a) the strengthening of its capacity for analysis and consolidation of labor market information and improving the quality of the reports produced to provide more accurate data for decision making;

(b) the strengthening of the labor market information system as well as the Ministry’s capacity for management and use of the system; and
(c) the strengthening of its capacity for conducting the analysis of the impact of shocks and reforms on labor markets through macro-economic models.

**Component 2: Strengthening Management of the National Employment Services**

Improving the Ministry's capacity to manage national employment services and promote the employability of the workforce in an efficient manner through, *inter alia*:

(a) the strengthening of the PES overall monitoring and evaluation system to provide more accurate data on the quality, efficiency and results of the services provided; and

(b) the strengthening of the PES's overall management and operation by designing and implementing instruments to assess the sufficiency of the existing network vis-à-vis the potential demand for services and the installed capacity of the network for the provision of those services.

**Component 3: Strengthening the Ministry of Labor’s Capacity to Respond to Crisis through Temporary Employment Programs**

Improving the Ministry's capacity to effectively respond to crisis such as natural disasters and/or economic shocks through, *inter alia*:

(a) the strengthening of the design and implementation of a temporary employment program, including: (i) defining and operationalizing its institutional and legal arrangements; and (ii) strengthening and improving the strategy for the program expansion; and

(b) the design and implementation of monitoring and evaluation instruments for the program, including: (i) defining and computing indicators; and (ii) carrying out assessments and evaluations of the program pilot interventions.

**Component 4: Audits**

Carrying out audits of the Project.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank's request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover such period as shall be
indicated in the World Bank's request and shall furnished to the World Bank not later than one (1) month after the date of such request.

(b) The Recipient shall, upon the World Bank's request, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five (5) months after the Closing Date.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have the Project's Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.05. **Procurement**

(a) **General.** All goods, non-consulting services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

   (ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”); and

   (iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
(c) Particular Methods of Procurement of Goods and Non-consulting Services.

Goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (G) Selection of Individual Consultants; and (H) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and non-consulting services</td>
<td>13,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services, including audits and Training and Workshops</td>
<td>662,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>675,000</td>
<td></td>
</tr>
</tbody>
</table>
3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed one hundred United States Dollars (US$100,000) equivalent may be made for payments made prior to this date but on or after March 29, 2013, for Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years (3) after the date of countersignature of this Agreement by the Recipient.

### Article IV

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Ministry of Labor.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

    Ministerio de Trabajo  
    Carrera 14 No. 99-33, Piso 33  
    Bogotá, Colombia

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

    Cable: INTBAFRAD  
    Telex: 248423 (MCI) or 64145 (MCI)  
    Facsimile: 1-202-477-6391