Loan Agreement

(Second Student Loan Support Project)
APL Phase I

between

INSTITUTO COLOMBIANO DE CREDITO EDUCATIVO Y ESTUDIOS TECNICOS EN EL EXTERIOR - ICETEX

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated March 14, 2008
LOAN AGREEMENT


WHEREAS the Borrower has delivered to the Bank a letter dated December 13, 2007 (recorded under ACCES UCP 4907-07), describing the Borrower’s strategy to strengthen its student assistance program for tertiary education (the Program), and declaring the Borrower’s commitment to the execution of such Program; and

WHEREAS the Borrower has requested that the Bank support the Borrower’s execution of the Program through a series of loans over a period of approximately six (6) years to be utilized by the Borrower in the implementation of the Program;

The Bank and the Borrower 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 three hundred million Dollars ($300,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 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 60 days after the Effective Date.
2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 (d) of the General Conditions.

2.05. The Payment Dates are April 15 and October 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 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 or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable 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.

(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.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01 The Additional Condition of Effectiveness consists of the following, namely that the Guarantor (in its legal opinion) issued by counsel acceptable to the Bank, indicate that the Guarantee Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Guarantor and is legally binding in accordance with its terms.
4.02. 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 September 4, 2009.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is the President of ICETEX.

5.02. The Borrower’s Address is:

ICETEX
Carrera Tercera No. 1832
Bogota, Colombia

Facsimile:

+571-599 6323

5.03. 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: Telex: Facsimile:

INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)
AGREED at the city of Bogotá, Colombia, as of the day and year first above written.

INSTITUTO COLOMBIANO DE CREDITO EDUCATIVO
Y ESTUDIOS TECNICOS EN EL EXTERIOR - ICETEX

By /s/ Marta Lucía Villegas

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Axel van Trotsenburg

Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Program are to: (a) improve coverage by increasing the enrollment and graduation rates of students in tertiary education; (b) improve equity by increasing enrollment and graduation rates of tertiary education students from economically disadvantaged backgrounds; and (c) increase and diversify the sources of alternative funding available to the Borrower in order to increase the Borrower’s financial sustainability.

The Project constitutes the first phase of the Program, and consists of the following parts subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives.

Part 1: Expanding Equity and Access to Tertiary Education

(a) Provision of loans to Eligible Students to finance their enrollment and tuition in Eligible Tertiary Institutions to pursue Tertiary Education.

(b) Execution of Tertiary Institution Agreements.

Part 2. Institutional Strengthening

(a) Strengthening of the Borrower’s loan administration, portfolio management and collection procedures through, *inter alia*, the upgrading of its data technology (hardware and software).

(b) Provision of support for the Borrower’s long-term sustainability through, *inter alia*, the carrying out of studies to expand its funding base and to continue internal reform processes to lower administrative costs, improve credit quality and increase loan collection rates.

(c) Provision of support for overall Project coordination, evaluation, supervision and implementation, including, *inter alia*: (i) the carrying out of audits; and (ii) the carrying out of studies to measure the Program’s impact indicators.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank may otherwise agree, the Borrower shall carry out the Project in accordance with a manual, satisfactory to the Bank, containing, inter alia, specific provisions on detailed arrangements for the carrying out of the Project, including:

   (i) the procurement, financial management and disbursement requirements thereof;
   (ii) the criteria and methods for the selection of the Eligible Students;
   (iii) the criteria and methods for the selection, approval, implementation and monitoring of the Tertiary Education Loans;
   (iv) the model forms for the Tertiary Education Agreements;
   (v) the IPPF; and
   (vi) the Key Performance Indicators;

   Except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of the Operational Manual without the Bank’s prior written approval. If any provision of the Operational Manual is inconsistent with a provision of this Agreement, the provision of this Agreement shall prevail.

2. The Borrower shall:

   (a) maintain, at all times during Project implementation, an implementation team, with a structure, functions and responsibilities acceptable to the Bank, including, inter alia, the responsibility of said team to coordinate and monitor the carrying out of the Project;
   (b) ensure that the IT is, at all times during Project implementation, led by a Project coordinator and is assisted by adequate professional and administrative staff (including procurement and financial specialists), in numbers and with experience and qualifications acceptable to the Bank, operating under terms of reference satisfactory to the Bank;

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
C. Student Loans

1. Prior to the first disbursement of a Tertiary Education Loan, the Borrower shall enter into an agreement (Pagaré y Carta de Instrucciones) with each Eligible Student, under terms and conditions acceptable to the Bank (as outlined in the Operational Manual).

2. The Borrower shall: (a) exercise its rights and carry out its obligations under each Tertiary Education Agreement, in such a manner as to protect the interests of the Bank and the Borrower and to accomplish the purposes of the Loan; and (b) except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Tertiary Education Agreement (or any provision thereof).

3. In case of any conflict between the terms of any Tertiary Education Agreement and the terms of this Agreement, the terms of this Agreement shall prevail.

4. If the Bank determines at any time, through regular Project supervision or auditing, that an amount of the Loan, disbursed pursuant to Category (1) in the table in Section IV of Schedule 2 to this Agreement, was not used by the Borrower to finance the Tertiary Education Loans under Part 1(a) of the Project, the Borrower shall: (a) furnish to the Bank additional evidence, as the Bank may request, to justify the use of said amount of the Loan; or (b) promptly refund to the Bank the corresponding portion of the Loan for inclusion in the Loan Account.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the Key Performance Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements and Project Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the Project becomes effective. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.
Section III.  Procurement

A.  General

1.  Goods.  All goods required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2.  Consultants’ Services.  All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3.  Definitions.  The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B.  Particular Methods of Procurement of Goods

1.  International Competitive Bidding.  Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

2.  Other Methods of Procurement of Goods and Works.  The following table specifies the methods of procurement, other than National Competitive Bidding, which may be used for goods.  The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Competitive Bidding (subject to the additional procedures set forth in paragraph 3 of this section)</td>
</tr>
<tr>
<td>Shopping</td>
</tr>
</tbody>
</table>

3.  (a)  Before issuing any invitation to bid, the Borrower shall prepare and furnish or cause to be prepared and furnished to the Bank for approval, appropriate model bidding documents.  Once approved by the Bank, the Borrower shall use, or cause to be used, said model bidding documents, as approved for bidding under the Project.  Any change or departure from the model approved shall require Bank’s prior approval.

(b)  All bidders, irrespective of whether they are foreigners or Colombians, will be treated equally and, particularly, no preference will be granted to any bidder or group of bidders for bid evaluation purposes.  Bidders shall be allowed to submit their bids by hand or through the post office or private mailing services.  There shall not be any requirement for any bidder to show evidence of the bidder’s registration in any public registry, chamber of commerce or similar entity, whether in the Guarantor’s territory or elsewhere, or to appoint a representative domiciled in the Guarantor’s territory, unless and until such bidder is awarded the corresponding contract.
(c) Bids shall be opened in a public meeting to which bidders and their representatives shall be allowed to attend if they so wish. Date, time and place for the opening meeting shall be set forth in the bidding documents. Bid opening shall coincide with, or take place promptly after, the final date and time of the period for bid submission stipulated in the bidding documents.

(d) Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder who meets appropriate technical and financial standards of capability and whose bid has been determined to be the lowest evaluated bid. Such determination shall be made exclusively on the basis of the specifications, conditions and evaluation criteria stipulated in the bidding documents. If any factor additional to the amount or amounts of each bid is to be considered in bid evaluation, such factor or factors and the quantified manner in which they will be applied for purposes of determining the lowest evaluated bid shall be precisely stipulated in the bidding documents. For purposes of bid evaluation and comparison, the only bid amount or amounts to be used as a factor shall be the bid amount or amounts as quoted in the corresponding bid, including correction of arithmetic errors.

(e) The provisions of paragraph 2.47 of the Guidelines shall fully apply and, more specifically, bids shall not be disclosed to persons other than the persons officially charged with the task of comparing and/or evaluating the bids while they are performing their official duties, without the corresponding bidder’s written authorization. Moreover, bidders shall not be required to provide such authorization as a condition to be entitled to bid. This confidentiality requirement shall apply until the award of contract is notified to the successful bidder. Thereafter, confidentiality of the bids shall be limited to those bid portions for which confidentiality has been specifically requested by the bidder in question.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Selection Under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
</tbody>
</table>
D. **Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan 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 Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Tertiary Education Loans under Part 1 of the Project</td>
<td>293,700,000</td>
<td>100% of the amounts disbursed by the Borrower to Eligible Students</td>
</tr>
<tr>
<td>(2) Goods, consultant’s services and operating costs under Part 2 of the Project</td>
<td>6,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section IV, the term “operating costs” means the reasonable costs of communications, office supply and utilities, travel, transportation and *per diem* directly related to the performance of the Project activities, which would not have been incurred absent the Project.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
(b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $60,000,000 equivalent may be made for payments made within twelve (12) months of this Agreement, but in no case prior to November 13, 2007.

2. The Closing Date is December 31, 2010.
SCHEDULE 3

Amortization Schedule

1. Subject to the provisions of paragraph 2 of this Schedule, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each April 15 and October 15, the first such installment to be payable on the thirteenth (13th) Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount and the last such installment to be payable on the forty-fifth (45th) Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount. Each installment except for the last one shall be equal to one thirty-third (1/33rd) of said Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of said Disbursed Amount.

2. If any one or more installments of principal of any Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after October 15, 2033, the Borrower shall also pay on such date the aggregate amount of all such installments.

3. The Bank shall notify the Borrower of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for said Disbursed Amount.

4. Notwithstanding the provisions of paragraphs 1 through 3 of this Schedule, in the event of Currency Conversion of all or any portion of a Disbursed Amount to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “Eligible Student” means a Tertiary Education (as hereinafter defined) student who is eligible to benefit from the loans referred to in Part 1(a) of the Project in accordance with the criteria set forth in the Operational Manual (as hereinafter defined).

5. “Eligible Tertiary Institution” means an institution which provides Tertiary Education (as hereinafter defined) and meets the eligibility criteria set forth in the Operational Manual (as hereinafter defined).


7. “IPPF” means the indigenous peoples development framework for the Project, dated December 6, 2007, that details an action plan to assist indigenous peoples and afro-colombians to overcome barriers to access to tertiary education, as said plan may be updated from time to time by agreement between the Bank and the Borrower.

8. “IT” means the implementation team referred to in Section I.A.2 (a) of Schedule 2 to this Agreement.

9. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.


12. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated November 13, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. “Tertiary Education Agreement” means any of the agreements referred to in Section I.C.1 of Schedule 2 to this Agreement.

14. “Tertiary Education Loan” means any of the loans to be provided by the Borrower to an Eligible Student under the relevant Tertiary Education Agreement and included in Part I(a) of the Project.

15. “Tertiary Institution Agreement” means an agreement to be entered into, or an existing agreement to be amended by the Borrower, with an Eligible Tertiary Institution, under terms and conditions acceptable to the Bank to: (i) increase support and services for low-income students; (ii) help students manage education loans; (iii) foster a culture of repayment among students; (iv) support collection efforts after graduation; and (v) co-finance tuition (in some cases).