

ALLIANCE FOR PROGRESS

LOAN AGREEMENT

(COLOMBIA - EDUCATION SECTOR LOAN)

between the

REPUBLIC OF COLOMBIA

the

MINISTRY OF EDUCATION

the

NATIONAL PLANNING DEPARTMENT

and the

UNITED STATES OF AMERICA

Dated: July 26, 1974

LOAN AGREEMENT dated July 26, 1974, between the REPUBLIC OF COLOMBIA ("Borrower"), the MINISTRY OF EDUCATION, the NATIONAL PLANNING DEPARTMENT, and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend to the Borrower, in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed ten million United States dollars (\$10,000,000) ("Loan") to assist the Borrower in carrying out the Program referred to in Section 1.02 ("Program"). The Loan shall be used exclusively to finance local currency costs of goods and services required for the Program ("Local Currency Costs"). The aggregate amount of disbursements under the Loan is hereinafter referred to as the "Principal".

SECTION 1.02. The Program. The Loan is made to aid the Borrower in carrying out its educational reform program by assisting it in its efforts to continue and strengthen program started under the 1969 through 1972 Education Sector Loans and to support initiatives in the following areas: (a) expansion and improvement of rural primary education; (b) extension of secondary education reform by further encouraging diversified education; (c) development and upgrading of teacher training facilities and faculties of education and sciences, to produce sufficient number of well-trained graduates to satisfy projected teaching needs; (d) encouragement of the integration of Colombian institutes of higher education; (e) strengthening educational management and increasing of cost-effectiveness of the system through development of research and improvement of administration at national, regional and institutional levels; (f) expansion of individual educational opportunities by provision of additional educational credit to students.

Funds made available under this Loan shall assist in financing the Local Currency Costs of (i) the Ministry of Education in the amount of approximately one million, one hundred thirty five thousand United States dollars, (\$1,135,000) equivalent, (ii) the education research institute (ICOLPE) in the amount of approximately two hundred seventy-eight thousand United States dollars (\$278,000) equivalent, (iii) the school construction institute (ICCE) in the amount of approximately four million nine hundred nineteen thousand United States (\$4,919,000) equivalent, (iv) the higher education development institute (ICFES) in the amount of approximately two million eight hundred sixty-one thousand United States dollars (\$2,861,000) equivalent, (v) the education credit institute (ICETEX) in the amount of approximately eight hundred seven thousand United States dollars (\$807,000) equivalent.

By mutual written agreement, the amount set forth in the above paragraph of this Section 1.02 for use by the several implementing and sub-implementing agencies may be adjusted upward or downward in an amount not to exceed one million United States dollars (\$1,000,000); provided however, that the amount shown above for each such agency may not be increased or decreased more than fifty percent (50%).

Nothing provided herein shall be deemed to prohibit the Borrower from assigning a function or activity presently vested in a particular sub-implementing agency under the provisions of Annex I to another sub-implementing agency or other suitable entity, and requesting an appropriate adjustment by A.I.D. of the amounts set forth in the second paragraph of this Section 1.02. Prior to such assigning A.I.D. shall be informed of the proposed change, and the funds will be used in the proposed agency or entity to carry out the function or activity specified in accordance with the purpose of this Agreement. Appropriate corresponding adjustments in Borrower resources will be made.

The Program is more fully described in Annex I, attached hereto, which Annex may be modified in writing. The procedures for securing goods and services to be financed under the Loan shall be described in the implementation letters referred to in Section 9.03 ("Implementation Letters").

SECTION 1.03. Implementing and Sub-Implementing Agencies. The Borrower hereby designates the Ministry of Education ("MINED") as its implementing agency ("Implementing Agency") for purposes of carrying out the overall Program. The MINED hereby designates the following autonomous agencies as sub-implementing agencies ("Sub-Implementing Agencies") Colombian Institute for School Construction, ("ICCE"), Colombian Institute for the Development of Higher Education ("ICFES"), Colombian Institute for Educational Research ("ICOLPE"), and the Colombian Institute for Educational Credit ("ICETEX"), for purposes of effectuating the various aspects of the Program, as more fully described in Annex I.

In addition, the parties hereto recognize that the National Planning Department ("DNP") is accorded by law certain functions with respect to the planning, management, control and evaluation of public investment funds in Colombia. Accordingly, since all local currency to be made available under the Loan is to be authorized for use by the Implementing and Sub-Implementing Agency through the Government of Colombia's investment budget, the DNP hereby undertakes to exercise its responsibilities so as to further the successful execution of the Program. To this effect the DNP shall give approval to the modifications requested by the Implementing or Sub-Implementing agencies of the programs financed under this loan. All reports required under this agreement shall be channeled through the Ministry of Education and the DNP by the Sub-Implementing Agencies.

SECTION 1.04. Use of Funds Generated by Other United States Assistance
The Borrower shall use for the Program, in lieu of any United States dollars that would otherwise be disbursed under the Loan to finance the Local Currency Costs of the Program, any currencies other than United States dollars that may become available to the Borrower after the date of this Agreement in connection with assistance (other than the Loan) provided by the United States of America to the Borrower to the extent and for the purposes that A.I.D. and the Borrower may agree in writing. Any such funds used for the Program shall reduce the amount of the Loan (to the extent that shall not then have been disbursed) by an equivalent amount of United States dollars computed, as of the date of the agreement between A.I.D. and the Borrower as to the use of such funds, at the rate of exchange in effect on the date on which the pesos become available.

ARTICLE II

Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.03), and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. The Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise agree in writing, all such payments shall be made to the Agency of International Development, Cashier, FER/CONT, Washington, D. C. 20523, and shall be deemed made when received at this address.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, on any date on which interest is due, all or any part of the Principal. Any such prepayment shall be applied in the order prescribed in Section 2.03 and, to the extent applied to Principal, shall be applied pro-rata to the remaining installments thereof.

SECTION 2.05. Renegotiation of the Terms of the Loan. In the light of the undertaking of the United States of America, and the other signatories of the Act of Bogotá and the Charter of Punta del Este to forge an Alliance for Progress, the Borrower agrees to negotiate with A.I.D., concerning an acceleration of the repayment of Principal at any time or from time to time as A.I.D. or the Borrower may request; provided, however, that no such request under this Section shall be made prior to six (6) months before the date the

first installment of Principal is payable under Section 2.02. The parties hereto shall mutually determine whether such an acceleration shall take place on the basis of the following criteria;

(i) The capacity of Borrower to service a more rapid liquidation of its obligations in the light of the internal and external financial position of Colombia, taking into account debts owing to any agency of the United States of America, or to any international organization of which the United States of America is a member; and

(ii) The relative capital requirements of Borrower and of the other signatories of the Act of Bogotá and the Charter of Punta del Este.

ARTICLE III

Conditions Precent to Disbursement

SECTION 3.01 (a) Release of Loan Funds. Disbursements will be made upon request of the Borrower. Unless A.I.D. otherwise agrees in writing for purpose of this Agreement, the amount of pesos to be disbursed by A.I.D. will be that amount required to establish an equilibrium between Borrower contributions and A.I.D. contribution ratios set forth in the Annex to this Agreement, as they may be amended from time to time.

SECTION 3.01 (b) Each request for disbursement shall be accompanied by a statement from the Implementing or Sub-Implementing Agency or Agencies in question showing for each:

- (i) the information listed in items (a), (b), and (c) of Section 4.09.
- (ii) a narrative statement, pursuant to Section 4.09 (g), on progress made by the Sub-Implementing Agency in carrying out the Program;
- (iii) a statement of work expected to be accomplished during the period of time in which the requested disbursement is to be expended;
- (iv) other anticipated financial resources for the Program during this period;
- (v) a justification for the amount requested in terms of the needs of the Program.

A.I.D. has furnished, pursuant to A.I.D. Loan No. 514-L-065, dated August 19, 1971, for use by the Implementing and Sub-Implementing Agencies, Implementation Letters detailing the nature of the information to be provided and criteria for demonstrating need. The procedures and material set forth therein, as they may be modified from time to time, will remain in effect for this loan.

A.I.D. reserves the right to disburse the full amount requested, or any portion thereof, pursuant to its evaluation of the progress of the Program.

In case of a disbursement of less than the full amount requested, the portion to be disbursed shall be established through a discussion between the Borrower and A.I.D.

SECTION 3.01 (c) Depository of Loan Funds. All disbursements of Loan funds pursuant to Section 3.01 (a) above shall be made to a special treasury account in the Bank of the Republic ("BOR") from which direct disbursements will be made to Implementing and/or Sub-Implementing Agencies. Such

transfers from the special treasury account to the Implementing and/or Sub-Implementing Agencies shall take place not later than 30 days from the date of the A.I.D. disbursement to the special account.

SECTION 3.02. Conditions Precedent to Initial Disbursement of Loan Funds. Prior to any disbursement under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.

(a) An opinion or opinions of the Legal Advisor to the President of the Republic, or of other counsel satisfactory to A.I.D. demonstrating that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Borrower, the MINED, and the DNP, and constitutes a valid and binding obligation of Borrower, the MINED, and DNP, in accordance with its terms, and,

(b) Evidence of the authority of the person or persons who will act as representative or representatives of Borrower, the MINED, and the DNP pursuant to Section 9.02 together with a specimen signature of each such person duly certified as to its authenticity.

SECTION 3.03 Terminal Dates for Meeting Conditions Precedent to Disbursement.

(a) If all of the conditions specified in Section 3.02 (a) and (b) shall not have been met within forty-five (45) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.04. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower within thirty (30) days of the receipt of documents submitted in satisfaction of Section 3.02 whether A.I.D. has determined that the various conditions precedent to disbursement have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Program. The Borrower, through the MINED, shall carry out the Program with due diligence and efficiency, and in conformity with sound engineering, construction, financial, administrative, and educational practices, and also in accordance with all of the relevant plans, specifications, contracts, schedules, and other arrangements including all modifications therein.

In this connection, the Borrower shall cause the Sub-Implementing Agencies at all times to employ suitably qualified and competent construction contractors to carry out construction subprojects, and shall employ suitably qualified and experienced consultants, where appropriate, in connection with the Program set forth in Annex I, to be professionally responsible for the planning and execution of the Program.

A.I.D. reserves the right upon notifying the Borrower and the MINED to review such plans, specifications, contracts, schedules, and other documents directly related to the Program, as may be appropriate.

SECTION 4.02. Funds and Other Resources to be Provided by Borrower. The Borrower shall provide or cause to be provided promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Program.

SECTION 4.03. Continuing Consultation. The Borrower, the MINED, the DNP, and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower, the MINED, the DNP, and A.I.D. shall from time to time, at the request of any party, exchange views through their representatives with regard to the progress of the Program, the performance by the Borrower of its obligations under this Agreement, the performance of the consultants, contractors, and suppliers engaged on the Program, and other matters relating to the Program.

SECTION 4.04. Operation and Maintenance. The Borrower shall operate, maintain, and repair the facilities constructed and equipment procured under the Program in conformity with sound engineering, financial, administrative, and educational practices, and in such manner as to insure the continuing and successful achievement of the purposes of the Program.

SECTION 4.05. Taxation. This Agreement, the Loan, and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from any taxation or fees imposed under the laws in effect within the country of the Borrower.

SECTION 4.06. Utilization of Goods and Services

(a) Goods and services financed under the Loan shall be used exclusively for the Program, except as A.I.D. may otherwise agree in writing. Upon completion of the Program, or at such other time as goods financed under the Program can no longer usefully be employed for the Program, the Borrower may use or dispose of such goods in such manner as A.I.D. may agree to in writing prior to such use or disposition.

(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION 4.07. Disclosure of Material Facts and Circumstances. The Borrower and the MINED represent and warrant that all facts and circumstances that they have disclosed or cause to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that they have disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Program and the discharge of their obligations under this Agreement. The Borrower and the MINED shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Program or the discharge of the Borrower's or the MINED's obligations under this Agreement.

SECTION 4.08. Commissions, Fees, and Other Payments.

(a) The Borrower and MINED warrant and covenant that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, they have not paid, and will not pay or agree to pay, nor to the best of their knowledge had there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to the Borrower's or the MINED's full time officers and employees or as compensation for bona fide professional, technical, or comparable services. The Borrower and the MINED shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical or comparable services to which they are parties

or of which they have knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and, if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) The Borrower and the MINED warrant and covenant that no payments have been or will be received by the Borrower or the MINED or any official of the Borrower or the MINED in connection with the procurement of goods and services financed hereunder, except commission, fees, taxes, or similar payments legally established in the country of the Borrower.

SECTION 4.09. Maintenance and Audit of Records. The Borrower and the MINED shall maintain, or cause to be maintained by the Sub-Implementing Agencies, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Program and to this Agreement. Such books and records shall, without limitation, be adequate to show:

(a) disbursements of Borrower's contribution to MINED and to the Sub-Implementing Agencies in accordance with the provisions of Annex I;

(b) disbursements of funds made available under the Loan to the MINED and the Sub-Implementing Agencies in accordance with the provisions of Annex I;

(c) disbursements made by the Implementing Agency and each Sub-Implementing Agency of the commingled funds received in accordance with the Program;

(d) the receipt and use made of goods and services acquired with commingled funds and disbursed pursuant to this Agreement;

(e) the nature and extent of solicitations of prospective suppliers of goods and services acquired;

(f) the basis of the award of contracts and orders to successful bidders; and

(g) the progress, both fiscal and qualitative, of the Program, in sufficient detail (as shall hereafter be specified in Implementation Letters) to enable A.I.D. to review requests for releases of Loan funds.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the

last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.10. Reports. The Borrower and the MINED shall furnish to A.I.D. such information and reports relating to the Loan and to the Program as A.I.D. may request.

SECTION 4.11. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Program, the utilization of all goods, facilities and services financed by Loan funds or by Borrower's contribution, and the Borrower's and the MINED's books, records, and other documents relating to the Program and the Loan. The Borrower and the MINED shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of the country of the Borrower for any purpose relating to the Loan. Prior to undertaking any inspections pursuant to the provisions of this Section, however, A.I.D. hereby undertakes to advise the Controller General of the Republic of Colombia of its intent to exercise its rights hereunder. The Borrower and the MINED shall: (a) upon request extend to A.I.D. the right to inspect the project books, project records and other project documents of the Sub-Implementing Agencies; and (b) insert, or cause to be inserted in all contracts with private entities, whether financed directly or through an intermediary under the Loan, a clause extending to A.I.D. the right to make inspections in accordance with this Section.

ARTICLE V

Special Covenants and Warranties

SECTION 5.01. Budgetary Levels. The Borrower on his own initiative warrants and covenants that, subject to necessary action by the Colombian Congress, it will establish: (i) a budgetary level during 1974 in the National Budget for education (under the funds allocated to the Ministry of Education and its dependencies) of not less than five billion, six hundred and sixty-five million pesos (\$5,665,000,000); and (ii) a budgetary level during 1975 in the National Budget for education (under the funds allocated to the Ministry of Education and its dependencies) of not less than the above amount.

SECTION 5.02. Ecological Considerations in Approval of Projects. The Borrower warrants and covenants that it shall take into account, or cause to be taken into account by the Sub-Implementing Agencies, ecological criteria, where appropriate, among other factors to be taken into consideration in approval of any specific project.

SECTION 5.03. Comprehensive Annual Report. The Borrower hereby agrees that, in addition to such periodic reports as may be required under the Loan with respect to activities of Implementing and Sub-Implementing Agencies receiving Loan funds, it shall provide to A.I.D. a comprehensive annual report setting forth in full all of the investment activities of the MINED, all dependencies of the MINED, and any other entities receiving support from the MINED. Such report shall also include complete data on assistance of any nature to the Colombian education sector either under negotiation or executed during the reporting period with or from other donors, in particular the IBRD and the UNDP.

ARTICLE VI

Procurement

SECTION 6.01. Procurement from Colombia. Disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Program of goods and services having both their source and origin in Colombia.

SECTION 6.02. Implementation of Procurement Requirements. The definitions applicable to the eligibility requirements of Section 6.01 will be set forth in detail in Implementation Letters.

SECTION 6.03. Plans, Specifications, and Contracts. The Borrower or the MINED shall furnish or cause to be furnished to A.I.D. upon request, all plans, specifications, construction schedules, bid documents, and contracts relating to the Program, and any modifications therein, relating to goods and services to be financed under the Loan.

SECTION 6.04. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan. Items procured pursuant to Section 6.01 shall be procured on a fair and, except for professional services, on a competitive basis in accordance with established Colombian laws and procedures.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursements for Peso Costs. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by A.I.D. of Colombian pesos for peso costs of goods and services procured or to be procured for the Program in accordance with the terms and conditions of this Agreement and as specified in Section 3.01. A.I.D. shall make such disbursements from pesos owned by the United States Government and obtained by A.I.D. with United States dollars. Unless otherwise agreed in writing by A.I.D. no disbursement shall be sought in an amount less than the equivalent of two million United States dollars (\$2,000,000). The United States dollar equivalent of the pesos made available hereunder will be the amount of United States dollars required by A.I.D. to obtain the pesos. Upon presentation of appropriate documentation, and after a determination that satisfactory progress is being made by Borrower and the MINED in carrying out the Program, A.I.D. may disburse funds in order to meet the needs of the Program.

SECTION 7.02. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

SECTION 7.03. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur pursuant to Section 7.01 on the date on which A.I.D. makes a payment to the Borrower or to its designee.

SECTION 7.04. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no disbursement shall be made against documentation received by A.I.D. pursuant to Section 7.01, or other commitment documents which may be called for by another form of disbursement under Section 7.02, after December 31, 1975. A.I.D., at its option, may at any time or times after December 31, 1975, reduce the Loan by all or any part hereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01. Cancellation by the Borrower. The Borrower may, with the prior written consent of A.I.D. and by written notice to A.I.D., cancel any part of the Loan which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse.

SECTION 8.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

(a) the Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;

(b) the Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Program with due diligence and efficiency;

(c) the Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A.I.D., or any of its predecessor agencies.

Then A.I.D. may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately.

SECTION 8.03. Suspension of Disbursement. In the event that at any time:

(a) an Event of Default has occurred;

(b) an event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement;

(c) any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.;

(d) the Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

(e) satisfactory progress is not being made in carrying out all or any part of the Program in accordance with the terms of this Agreement;

Then A.I.D. may, at its option:

(i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized;

(ii) decline to make disbursements other than under outstanding commitment documents;

(iii) decline to issue additional commitment documents.

SECTION 8.04. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 8.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then disbursed.

SECTION 8.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06. Refunds. In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement made or used not in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within thirty days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Program hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

SECTION 8.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 8.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 8.08. Nonwaiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any such rights, powers, or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document, or other communication given, made or sent by the Borrower, the MINED, the DNP or A.I.D., pursuant to this Agreement shall be in writing or by telegram, cable, or radiogram and shall be deemed to have been duly given, made, or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable or radiogram at the following addresses:

TO BORROWER:

Mail Address: Ministerio de Hacienda y Crédito Público
Bogotá, Colombia

Cable Address: MINHACIENDA
Bogotá, Colombia

TO THE MINISTRY:

Mail Address: Ministerio de Educacion Nacional
Bogotá, Colombia

Cable Address: MINEUCACION
Bogotá Colombia

TO THE DNP:

Mail Address: Departamento Nacional de Planeacion
Bogotá, Colombia

Cable Address: PLANEACION
Bogotá, Colombia

TO A.I.D.:

Mail Address: USAID Mission to Colombia
American Embassy
Bogotá, Colombia

Cable Address: AMEMBASSY
Bogotá, Colombia

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications, and documents submitted to A.I.D., hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

SECTION 9.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of the Minister of Finance, the MINED will be represented by the individual holding or acting in the office of the Minister of Education, and DNP will be represented by the individual holding or acting in the office of the Director of the National Planning Department, and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, USAID Mission to Colombia. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower, DNP or the MINED shall submit a statement of the representative's name and specimen signature in the form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower, DNP or the MINED designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement. Nothing set forth in such Letters of Implementation shall either modify or alter the terms of this Agreement.

SECTION 9.04. Promissory Notes. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

SECTION 9.05. Successors to Rights of A.I.D. If, by operation of any law of the United States, or by virtue of assignment, any corporate or other agency of the United States Government succeeds to the rights and obligations of A.I.D. under this Agreement, such agency shall be deemed to be A.I.D. for purposes of this Agreement.

SECTION 9.06. Effective Date of Agreement. This Agreement shall enter into effect on the day and year first above written.

SECTION 9.07. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, Borrower, MINED, the DNP, and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written:

THE GOVERNMENT OF THE REPUBLIC OF COLOMBIA

By _____
Title: Minister of Finance

THE MINISTRY OF EDUCATION

By _____
Title: Minister of Education

THE NATIONAL PLANNING DEPARTMENT

By _____
Title: Director of National Planning Department

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

By _____
Title: Director of USAID Mission to Colombia

ANNEX I

DESCRIPTION OF PROGRAM

I. BACKGROUND AND OBJECTIVES

The Government of Colombia has undertaken, and will continue during 1974, an expanded educational development program designed to accomplish the goals and objectives outlined in Document DNP-1058-URH-DE "Policies and Programs for the Education Sector, 1974-75," dated May 24, 1973. This program is designed to support certain of those goals and objectives as described below.

A. Expansion and Improvement of Basic (Primary) Education

The activities to be carried out in pursuit of this objective consist principally of: (1) construction and establishment of rural development centers; (2) construction of additional primary classrooms, both in urban and rural areas, but particularly those surrounding the rural development centers; (3) gradual introduction of modified curriculum, initially in the rural development centers and their satellites, and subsequently in other schools; (4) provision of appropriate textbooks and educational aids, and (5) basic and in-service training of teaching personnel.

B. Expansion and Improvement of Comprehensive Secondary Education

The activities to be carried out in pursuit of this objective consist principally of: (1) construction and establishment of vocational service centers and related improvement in secondary schools; (2) development of Colombia's faculties of education and science, and (3) provision of increased education opportunities for students intending to enter the teaching professions.

C. Integration of Colombian Universities

This program consists principally of on-going activities to develop bases for general integration, and includes implementation of regional integration plans and improvement of institutions involved in regional integration, plus inter-regional activities to coordinate the development of similar and complementary disciplines.

D. Improvement of the Management of Education

The activities to be carried out in connection with this goal consist principally of development and implementation of relevant educational research, and administrative improvement.

II. IMPLEMENTATION OF THE LOAN

A. The Program to be carried out in relation to this Loan will be implemented by those agencies and organizations specified in Section 1.03 of the Loan Agreement.

B. The amount of pesos shown as Loan proceeds and designated for use by the Implementing and Sub-Implementing Agencies are approximations only, and are subject both to the dollar limitations set forth in Section 1.02 of this Agreement and those provisions governing the rate of exchange contained in Section 7.01 hereof.

C. All pesos, both Loan proceeds and Government of Colombia contributions, shown in the Annex refer to monies which have been appropriated in the Calendar Year 1974 Government of Colombia Budget Law. Disbursements of Loan proceeds and of Government of Colombia counterpart to be credited against Loan targets may only be made against these appropriations, either during Calendar Year 1974 or during Calendar Year 1975, as these same appropriations may be carried over into the latter year in the form of certified "reservas."

D. By mutual written agreement, the amount of pesos shown in this Annex as Loan proceeds for use by Implementing and Sub-Implementing Agencies may be adjusted upward or downward, provided that at any given time the total of such adjustments does not exceed 25 million pesos; and provided further that the amount shown in this Annex for any individual Agency is not increased or decreased by more than 50%.

E. It is also understood that the peso amounts indicated as Borrower contributions to the Implementing and Sub-Implementing Agencies can, by mutual written agreement, and based inter alia on the evolution of the Colombian Government's overall fiscal situation, be increased or decreased without this necessarily affecting the availability of the amounts of pesos shown as Loan proceeds.

F. Adjustments to targeted revenues pursuant to the above paragraphs, when agreed upon, shall be reflected in agreed adjustments to expenditure targets of commingled funds and, where appropriate, in program accomplishment targets. In addition, and subject to normal Borrower procedures, the Implementation Agency and each Sub-Implementing Agency specified in Section 1.03 of the Loan Agreement shall have the authority to make upward or downward adjustments between the targeted amounts for each of the activities managed by it with which the program is concerned, of not more than 10% of the total amount of commingled funds programmed for each activity. Adjustments of greater than 10% between the activities within the same Implementing or Sub-Implementing Agency shall only be undertaken pursuant to mutual, written agreement between A.I.D. and the Borrower.

G. While the Program will be implemented by the Agencies specified in the following sections of this Agreement, the ultimate success of the Program also depends on the cooperation of other entities such as autonomous universities, other ministries, departments and local communities.

H. In all cases, funds shown below under "Source of Funds" as Borrower's inputs correspond only to funds provided through the Borrower's investment budget. Other sources of income are excluded.

I. For purposes of implementation of the above adjustment provisions and the program in general, the activities of the Implementing and Sub-Implementing Agencies shall be considered as follows:

Implementing and Sub-
Implementing Agencies

Activities

MINISTRY OF EDUCATION

- a. Primary Teacher Training.
- b. Administrative Improvement of Ministry of Education
- c. Development and Distribution of Textbooks and Educational Aids.
- d. Extension Programs (Capacitación Popular)
- e. ETV
- f. All Other

ICCE

- a. Rural Development Centers and Satellite Classrooms.
- b. Extension of Basic Education Opportunities in Rural and Urban Areas.
- c. Construction, Furnishing and Equipping Vocational Service Centers and Satellite Secondary Schools.
- d. Repair and maintenance of ITA's, INEM's.
- e. Las Gaviotas Development Project
- f. All Other

ICOLPE

- a. Educational Research and Development.
- b. All Other.

ICFES

- a. Integration and Development of Higher Education Institutions.
- b. Development and Integration of Faculties of Education and Sciences.
- c. Preparation and In-Service Training of Technical Professors
- d. Textbooks and University Libraries.
- e. All Other.

Implementing and Sub-
Implementing Agencies (Cont'd)

Activities (cont'd)

ICETEX

- a. Credit for Students who Intend to Become Teachers.
- b. National Scholarship Fund for Financing Teacher Professionalization.
- c. Systems Research of Institution
- d. All Other.

SUMMARY

<u>Entity</u>	<u>A.I.D. Loan Funds</u>	<u>(Thousands of Pesos)</u>		<u>Ratio for Disbursement</u>
		<u>GOC Budget</u>	<u>Total</u>	
1. MINED	29,400	61,000	90,400	1.8
2. ICCE	127,400	397,260	524,660	1.81
3. ICFES	74,100	149,500	223,600	1.8
4. ICETEX	20,900	36,000	56,900	1.7
5. ICOLPE	<u>7,200</u>	<u>9,000</u>	<u>16,200</u>	<u>1.2</u>
GRAND TOTAL	259,000	652,760	911,760	1.8

III. MINISTRY OF EDUCATION

A. Financial Targets

To make available for expenditure by the MINED the following amounts, to be financed as follows:

	<u>(Millions of Pesos)</u>
<u>Source of Funds</u>	<u>1974</u>
Borrower	61.0
A.I.D.	<u>29.4</u>
Total	90.4 ^{1/}

B. Activity Targets

This program calls for expenditure of commingled funds for 1974 in the approximate amounts shown:

	<u>(Millions of Pesos)</u>
	<u>1974</u>
Primary Teacher Training	24.7
Administrative Improvement of MINED	4.5
Development and Distribution of Textbooks and Educational Aids	18.1
Extension Programs (Capacitación Popular)	8.9
ETV	1.5
All Other	<u>32.7</u>
Total	90.4

^{1/} Disbursements of loan funds will be on a ratio of 1 part loan funds to 1.8 parts Government of Colombia funds.

C. Primary Teacher Training

1) The funds allocated for this activity are to be used to increase the qualitative and quantitative capacities of institutions responsible for teacher preparation and training, including in-service training, at this level. ICOLPE will bear the principal responsibility for coordination of the development and utilization of the various facilities.

2) During 1974 the Ministry will improve the capacity of approximately 8 existing normal schools. Funds will also be utilized during 1974 to improve 5 regional programs. Approximately 5 million pesos of commingled funds will be utilized for this purpose. The improvements of the normal schools will include provision of additional facilities, repair of dilapidated facilities and provision of additional laboratory and library equipment. Not later than August 30, 1974, the MinEd (or ICOLPE) will develop and provide to AID a time-phased work plan for improving approximately 8 existing normal schools. This plan shall be based on an analysis of the current status, both physical and qualitative, of normal schools and shall specify the criteria used in selecting the schools to be improved. It shall also identify and justify the types of improvements to be made in each school and the expected result to be obtained from making the improvement. Reporting to AID for the purposes of obtaining disbursements shall discuss progress and problems in implementing this work plan.

3) In addition, the remaining funds under this activity will be used to finance in-service training for teachers at this level. During 1974 the combination of efforts will provide in-service training for approximately 20,000 teachers. By August 30, 1974, AID shall be provided with a time-phased work plan for in-service primary teacher training which shall be based on an analysis of priority needs for training and shall specify by region the types of courses to be given, the subject matter, the duration and the criteria utilized in selecting participants. Reporting to AID for the purposes of obtaining disbursements shall discuss progress and problems in implementing this work plan.

4) Training provided, will have as first priority development of personnel for vocational education aspects of the rural development centers, and as second priority development of personnel for the satellite schools, particularly personnel trained in techniques of the unitary (one-teacher) school. The MINED will specify in its reports referred to in Article III, Section 3.01, of the Loan Agreement the manner in which these priorities are being satisfied and the proportion of teachers trained who are serving in rural areas, and the proportion serving in urban areas.

D. Administrative Improvement of the Ministry of Education. Funds allocated to this activity will be used to improve the administrative capability of the MINED, including its ability to coordinate other institutions

of the education system. Funds will be utilized during 1974 to: (a) support contracts of the Ministerial Office of Planning with other institutions for supply of educational data, and consultative services for analysis of such data; (b) upgrade the capacity of the Office of Rural Development to coordinate and supervise the development of rural education, through provision of improved facilities and equipment; (c) improve the quality of personnel of both offices through training in administrative techniques; (d) systematize budget development and control; and (e) systematize the Ministry's personnel system. Not later than August 30, 1974, MINED will provide to A.I.D. a detailed work plan covering the above sub-activities. The MINED will also keep AID informed of progress in implementing the reorganization of the MINED and its agencies under Law No. 2 of 1973.

E. Development and Distribution of Textbooks and Educational Aids. Funds allocated to this activity will be used to support the development, supply and distribution of textbooks, educational material and educational television material. During 1974, the Ministry will distribute low-cost primary textbooks and educational aids, initially to rural development centers and then to approximately 1,600 official primary schools, principally rural development center satellites. Prior to August 30, 1974 the MINED shall develop a time-phased plan, based on and containing an analysis of priority needs for production and distribution of textbooks and materials. The plan shall specify what textbooks and materials are to be produced, whether under contract or directly by the MINED or its agencies, and what criteria are to be applied in distribution as well as distribution procedures. In addition, the MINED will equip the rural development centers for receiving radiophonic programs, and will prepare and distribute material (teachers' guides, notebooks) for use in rural development centers in conjunction with these programs.

F. Extension Programs. These funds will be used to expand and improve the relevance of the adult primary level ETV and educational radio program. Loan funds will provide new materials to accompany the ETV and educational radio programs. Copies of materials will be forwarded to A.I.D.

G. ETV. Funds allocated to this activity will be used to adapt the ETV program to the up-dated curriculum. Efforts to evaluate and make ETV a more effective instructional instrument will proceed and reports to AID shall discuss the progress of such efforts. AID shall also be provided with the MINED's program to insure proper maintenance of television sets in rural development centers.

H. All Other. Funds allocated under this category will support MINED activities other than those previously mentioned.

I. In addition the MINED shall provide to AID a comprehensive year-end report setting forth in full all of the investment activities of the MINED, all dependencies of the MINED and any other entities receiving support from the

MINED. Such report shall include inter alia: (a) complete data on assistance of any nature to the Colombian education sector either under negotiation or executed during the reporting period with or from other donors, in particular the IBRD and the UNDP, and (b) an appraisal of the studies and other research and data-gathering activities undertaken by the various sector agencies, especially ICOLPE, which will further indicate the policy requirements which flow from such appraisal and the actions pursuant thereto that have been or are to be taken.

IV. ICCE

A. Financial Targets

To make available to ICCE the following amounts in 1974:

<u>Source of Funds</u>	(Millions of Pesos) <u>1974</u>
Borrower	397.26
A.I.D.	127.40
Total	<u>524.66</u> ^{1/}

B. Activity Targets

This program calls for the expenditure of commingled funds during 1974 by ICCE for the activities listed in the approximate amounts shown:

	(Millions of Pesos) <u>1974</u>
Rural Development Centers and Satellite Classrooms	110.4
Extension of Basic Education Opportunities in Rural and Urban Areas	171.8
Construction and Equipping of Service Centers for Secondary Education	226.0

^{1/} Disbursement of loan funds will be on a ratio of 1 part loan funds to 1.8 parts Government of Colombia funds.

<u>Source of Funds</u> (cont'd)	<u>(Millions of Pesos)</u> (cont'd) <u>1974</u>
Repair and maintenance of ITAS, INEMS and industrial schools	4.4
Las Gaviotas Development Project	9.8
All Other	<u>2.26</u>
Total	<u>524.66</u>

C. Rural Development Centers and Satellite Classrooms

1) Funds allocated for this activity are to be used to continue work as needed on the centers provided for under Loan 514-L-066. Prior to disbursement to ICCE, ICCE shall provide a report to AID describing the status of each Rural Development Center in terms of progress and problems in the following areas: a) construction, b) training of teachers, especially in technical areas, c) placement of teachers in sedes centrales and satellite schools; d) introduction of revised curriculum; e) introduction of teaching materials, including textbooks; f) utilization of ETV; g) formation of radio-phonc schools for adults; h) community participation in Rural Development Center programs; i) coordination of education, health, agriculture and community development agencies operating the area of the Rural Development Centers; j) increased enrollment beyond the third grade in satellite schools. If possible maps of each Rural Development Center area showing local infrastructure and location of construction sites of the sede central and satellite schools, location of existing schools and offices of other agencies serving the area shall be annexed to the report.

2) Funds will also be used for the construction of 200 add-on classrooms located in the areas of influence of the rural development centers, in order to enable "primary" center-satellites to offer a full five grades of primary education and "secondary" center satellites to offer three grades.

3) During 1974, ICCE will also commence procurement of construction services for and/or commence construction of these classrooms. At least 80% of such classrooms will be add-ons to already existing facilities. First priority for construction of such additional classrooms will be provision of sufficient facilities to enable all "primary" center satellites ("escuelas satélites") to offer the first five grades of basic education; second priority will be provision of sufficient facilities to enable all "secondary" satellites (escuelas vinculadas) to offer the first three grades of basic education.

D. Extension of Basic Education Opportunities in Rural and Urban Areas. Funds allocated for this activity are to be used for the construction of additional primary classrooms in rural and urban areas, which are not within vicinities of the planned rural development centers. During 1974 ICCE will commence procurement of construction services for and/or initiate construction of approximately 1,000 such classrooms.

Of the approximately 1,000 classrooms to be initiated during 1974, approximately 400 will be located in rural areas where agrarian development projects (such as those sponsored by ICA, INCORA, and INDERENA) are taking place, approximately 80 will be located in frontier zones, approximately 60 will be located in National Territories, approximately 60 will be located in marginal (fringe) urban areas, and approximately 200 in intermediate-sized cities. The majority (over 50%) of such classrooms constructed will be add-ons to already existing facilities. First priority for construction of such additional classrooms will be provision of sufficient facilities to enable rural schools to offer the first five grades of basic education. Second priority will be provision of sufficient facilities to enable existing urban schools to offer the first five grades of basic education.

ICCE will develop a reporting system which distinguishes between rural and urban schools in terms of clearly specified criteria (e.g. size of population in the site, origin of students, or other criteria which ICCE may wish to apply). Reports shall also specify which classrooms are being built in areas where agrarian development projects, other than the Rural Development Centers, are in progress, which are in frontier zones, which in national territories, which in marginal urban areas and which in intermediate-sized cities. By August 30, 1974, ICCE will provide to AID a report showing how many rural schools were actually increased to three grades and how many urban schools were increased to five grades as a result of its construction program.

E. Construction, Expansion, and Equipment of Service Centers and Satellites. Funds allocated to this activity will be used to assist in constructing, furnishing, and equipping approximately 23 vocational/laboratory service centers, to be completed by the end of 1975. Funds will also be used to help expand, and/or furnish approximately 50 service center "satellite" secondary schools. During 1974, ICCE will commence procurement of construction of the 23 centers, and that related to the 50 "satellite" secondary schools, where required. This work will be completed by the end of Calendar Year 1975.

ICCE will provide to AID a detailed work plan for the construction, furnishing and equipping of the vocational service centers, and reports on progress toward implementation of this plan. This plan and

reports may take the form of documents prepared for the IBRD in connection with its loan for financing the service centers. A plan will also be provided for improvements to be made in service center satellite secondary schools and for integrating these schools with the programs of the central service center. Reports shall discuss progress and problems associated with implementation of the plan.

F. Repair and Maintenance of ITA's, INEM's, and Industrial Schools. Funds for this activity will be used to support in part, the maintenance program for the ITA's, INEM's, and industrial schools. Loan funds will increase maintenance budget by at least 10% to provide for the initiation of preventative maintenance.

G. Las Gaviotas Development Project. These funds will be used to support the Las Gaviotas pilot development school project in the Llanos. Funds will complete equipment for the project.

H. All Other. Funds allocated under this category will support ICCE costs and activities other than those previously mentioned.

V. ICOLPE

A. Financial Targets

To make available to ICOLPE the following amounts in 1974:

<u>Source of Funds</u>	<u>(Millions of Pesos)</u> <u>1974</u>
Borrower	9.0
A.I.D.	<u>7.2</u>
Total	16.2 <u>1/</u>

B. Activity Targets

This program calls for the expenditure of commingled funds by ICOLPE for the activities listed, in the approximate amounts shown:

	<u>(Millions of Pesos)</u> <u>1974</u>
Educational Research and Development	15.4
All Other	<u>.8</u>
Total	16.2

1/ Loan funds will be disbursed at a ratio of 1 part loan funds to 1.2 parts Government of Colombia funds.

C. Educational Research and Development. Funds allocated to this activity are to be used for support of research projects, including experimentation with innovations, development of teaching materials, and development of research infrastructure. During 1974 ICOLPE will continue on-going research projects and/or initiate new projects in the following areas, among others: costs of primary education; secondary education flow; inventory, analysis and evaluation of complementary inputs; administration and organization of educational projects in rural areas; effects of family structure, health and other factors on educational productivity; social structure and education; effects of student and teacher welfare activities (e.g., school lunch programs for students and housing and social security programs for teachers) on internal efficiency of schools; basic education curriculum; teaching-learning process; evaluation of normal school curriculum; evaluation of vocational components of diversified secondary education; and design of counseling programs. In addition, ICOLPE will continue to develop, experiment with and evaluate low cost teaching materials, including textbooks. It will also continue to develop its Documentation Center as a fundamental library of educational research results, and to provide seminars and short courses on educational research.

AID will be furnished, as they are produced, with copies of all ICOLPE reports of studies, evaluations of teaching materials, including textbooks, etc.

D. All Other. Funds allocated under this category will be used for ICOLPE costs and activities other than those mentioned above.

VI. ICFES

A. Financial Targets

To make available for expenditure by ICFES during 1974 the following amounts, to be financed as follows:

<u>Source of Funds</u>	<u>(Millions of Pesos)</u> <u>1974</u>
Borrower	149.5
A. I. D.	74.1
Total	<u>223.6</u> ^{1/}

B. Activity Targets

This program calls for the expenditure of commingled funds by ICFES for the activities listed, in the approximate amounts shown:

^{1/} Loan funds will be disbursed at a ratio of 1 part loan funds to 1.8 parts Government of Colombia funds

	<u>(Millions of Pesos)</u> <u>1974</u>
Integration and Development of Higher Education Institutions	102.95
Development and Integration of Faculties of Education and Science	69.1
Preparation and In-Service training of Technical Professors	18.5
Textbooks and University Libraries	3.75
All Other	<u>29.3</u>
Total	<u>223.60</u>

C. Integration and Development of Higher Education Institutions
 Funds allocated for this activity will be used to support existing priority regional integration projects in Colombia's Atlantic Coast, Southern and West-Central Regions and, in addition, provide for initiation of integration projects in the Northeast, and Central Regions. In accordance with regional integration plans and studies which have been and will continue to be provided to A.I.D., the integration projects (which include universities and technological institutes) to be supported may include: expansion of those facilities which re-inforce areas of special competence at given universities serving a particular region; improvement in the administrative capacity of such institutions, through provision of increased training in educational administration and improved administrative equipment; improvement in the capacities of such institutions to provide services for professors and students; and upgrading the knowledge and skills of professors in such institutions through making it possible for them to participate in seminars in their respective subject areas, in-country work study visits at other institutions offering similar programs, and increased opportunity to engage in practical applications of innovations and carry out research on topics within their respective subject areas. During 1974, ICFES will provide support to approximately 15 university integration projects of the types described and with first priority being accorded to completion of existing, on-going projects. Second priority will be accorded to projects intended to both improve the quality of teaching at university levels and develop bases for inter-regional university integration (on a national level), through coordination of similar and complementary disciplines.

Reports to AID will clearly state the criteria applied in making grants to specific university integration projects and the justification of grants in terms of these criteria.

D. Integration of Faculties of Education and Science

- 1) Funds allocated for this activity are to be used in 1974 to make grants-in-aids to faculties of education and science in order to develop and implement plans to increase and improve their capabilities for graduating secondary teachers. Special attention will be given to the staffing requirements of INEM's, "service centers" and satellite secondary schools, technological schools and normal schools.
- 2) After approval of individual plans, ICFES will make grants-in-aid to approximately 10 faculties of education. These grants may cover support for in-country exchange of professors; cost of sharing, exchange and maintenance of equipment; increased exchange of educational information; and increased and improved facilities of the faculties themselves.
- 3) During 1974 ICFES will also select and, after approval of individual plans, make grants-in-aid to three faculties of science to be developed as centers of excellence for the training of teaching personnel in basic science areas. These grants will finance activities similar to those noted above, and will also provide for increasing and improving the facilities of the three faculties indicated.
- 4) Funds will also be used to cover costs of ICFES staff and for contractual services needed to assist faculties of education and science in solving administrative and technical problems currently regarding implementation of improvement plans, and in modification of curriculum to help improve the quality and quantity of training offered.
- 5) A general plan relating grants to faculties of education and science to priority needs for secondary school teachers will be provided to AID. In addition reports to AID will clearly state the criteria applied in awarding grants to specific institutions and the justification of such grants in terms of these criteria. Reports to AID covering activity D-4 will describe the specific activities undertaken by ICFES, or consultants to ICFES.

E. Preparation and In-Service Training of Technical Professors

The funds under this activity will be used to prepare 100 professors for the national system of technical institutes.

F. Textbooks and University Libraries. These funds will be used to upgrade the textbook and library program of TEXUN started under Loan 514-L-066.

G. All Other

Funds under this category will be used for ICFES costs and activities other than those previously mentioned.

VII. ICETEX

A. Financial Targets

To make available for expenditure by ICETEX in 1974, the following amount, to be financed as follows:

<u>Source of Funds</u>	<u>(Millions of Pesos)</u> <u>1974</u>
Borrower	36.0
A.I.D.	20.9
Total	56.9 ^{1/}

B. Activity Targets

This program calls for expenditure of commingled funds for 1974 in the approximate amounts shown:

	<u>(Millions of Pesos)</u> <u>1974</u>
Credit for Students in Education, Science, and Other Faculties who Intend to Become Teachers	33.5
National Scholarship Fund for Financing Teacher Professionalization	20.9
Systems Research of Institution	1.0
All Other	1.5
Total	56.9

C. Credit for Students in Education, Science, and Other Faculties who Intend to Become Teachers. Funds for this activity will be used to provide loans for students who intend to become teachers, particularly at the secondary level, in Colombia's faculties of education, science and other faculties. ICETEX will make loans to approximately 1,700 such students in 1974. Approximately 60% of the number of the loans made may be renewals.

Prior to August 30, 1974, ICETEX will provide to AID a report stating the criteria to be applied in awarding loans under this program, the terms of such loans, and an analysis of demand for such loans.

^{1/} Loan funds will be disbursed at a ratio of 1 part loan funds to 1.7 parts Government of Colombia funds.

D. National Scholarship Fund. Funds for this activity will be utilized to provide grants to teachers who desire to improve their professional qualifications by further academic training. During 1974 ICETEX will provide annually approximately 2,800 such grants to help finance such training. Prior to August 30, 1974 ICETEX will provide to AID a report specifying the selection criteria to be applied in awarding grants under this program and an analysis of the types of training such grants are helping to finance.

E. Systems Research of Institution. Funds will provide for research to establish a systems approach for the operation of the institution.

F. All Other. Funds under this category will be used for ICETEX costs and activities other than those mentioned.