

**CONFORMED COPY**

**LOAN NUMBER 7231-CO**

# **Loan Agreement**

**(Integrated Mass Transit Systems Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**REPUBLIC OF COLOMBIA**

**Dated September 21, 2004**

**LOAN NUMBER 7231-CO**

**LOAN AGREEMENT**

AGREEMENT, dated September 21, 2004 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and REPUBLIC OF COLOMBIA (the Borrower);

WHEREAS the Borrower, having been satisfied as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan provided for in Article II of this Agreement (the Loan) to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank dated September 1, 1999, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

“Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank’s policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank;” and

(b) the text in Section 5.01 which reads “(a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b)” is deleted in its entirety.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Affected Persons” means persons who, on account of an involuntary taking of land under the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; and “Affected Person” means any of the Affected Persons;

(b) “Annual Action Plan” means any of the plans referred to in Section 3.04 (a) and/or (c) of this Agreement;

(c) “Bogotá Transmilenio S.A.” means the entity responsible for planning and managing the mass transit system of the city of Bogotá, or any successor thereto;

(d) “BRTS” means bus rapid transit systems in Participating Cities (as hereinafter defined);

(e) “DNP” means *Departamento Nacional de Planeación*, the Borrower’s Planning Department, or any successor thereto;

(f) “Environmental Management Plans” and the acronym “EMPs” mean the plans of action, satisfactory to the Bank, to be adopted by the Borrower, with the approval of the Bank, for the carrying out of Parts B.1 and/or B.2 of the Project, according to a framework prepared by the Borrower and approved by the Bank, prior to the date of this Agreement, which set out the objectives, policies, monitoring procedures, time schedules and other environmental and cultural property protection provisions to: A) mitigate potential adverse environmental effects; B) mitigate potential adverse effects to natural habitats; and C) mitigate adverse effects to cultural properties encountered in the carrying out of Parts B.1, and/or B.2 of the Project, as such plan may be revised from time to time with the agreement of the Bank;

(g) “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(h) “Implementation Letter” means the letter of even date herewith from the Borrower to the Bank setting forth: (i) the Project monitoring indicators; and (b) the conditions for the transfer of implementation responsibilities from the *Departamento Nacional de Planeación* (as hereinafter defined) to the *Ministerio de Transporte* (as hereinafter defined);

(i) “MHCP” means *Ministerio de Hacienda y Crédito Público*, the Borrower’s Ministry of Finance and Public Credit, or any successor thereto;

(j) “MOT” means *Ministerio de Transporte*, the Borrower’s Ministry of Transport, or any successor thereto;

(k) “NQS Line of the Bogotá Transmilenio S.A.” means the *Norte Quito Sur* transportation corridor managed by Bogotá Transmilenio S.A.;

(l) “Operational Manual” means the manual referred to in Section 3.03 (a) of this Agreement;

(m) “Participating City” and “Participating Cities” mean the Borrower’s cities selected according to the eligibility criteria set forth in the Operational Manual for the carrying out of Part B.1 of the Project;

(n) “PCU” means the unit referred to in Section 3.05 (a) of this Agreement;

(o) “Policy Framework for Compensation and Resettlement of Project Affected Persons” and the acronym “PFCR” mean the policy framework for compensation and resettlement of Affected Persons, satisfactory to the Bank, in connection with the carrying out of Part B.1 of the Project, dated February 23, 2004, prepared by DNP and adopted through DNP’s official instruction dated April 28, 2004, as said policy framework may be amended from time to time with the agreement of the Bank;

(p) “Procurement Plan” means the Borrower’s procurement plan, dated April 29, 2004 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 of this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(q) “Remedial Resettlement Action Plan” and the acronym “RAP” mean the remedial resettlement action plan, satisfactory to the Bank, in connection with the carrying out of Part B.2 of the Project, adopted by the Borrower, through DNP, and that will be submitted by the Borrower, for approval by the Bank, before any disbursement of Loan proceeds allocated to Part B.2 of the Project can take place, which sets out the principles and procedures governing land acquisition, resettlement and compensation of Affected Persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with said plan, as such plan may be revised from time to time with the agreement of the Bank. The RAP will also take into consideration the assessment of the reestablishment of socioeconomic conditions of population already displaced and to be displaced as a result of the carrying out of Part B.2 of the Project;

(r) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(s) “Subsidiary Agreements” mean the agreements to be entered into between the Borrower, through DNP, with MHCP, the Participating Cities, and the city of Bogotá pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time; and

(t) “Transfers” means the amount transferred by the Borrower, through MHCP, to a Participating City and/or to the city of Bogotá, to cover Borrower’s contributions to finance goods, works, and services for: (i) the construction of segregated busways; (ii) the construction of terminals and transfer centers; (iii) the construction of mixed-traffic lanes adjacent to busway corridors (when their geometrical specification is affected); (iv) the construction of sidewalks; (v) the construction of pedestrian ways along busway corridors; and (vi) supervision of works, required for the implementation of Parts B.1 and/or B.2 of the Project.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to two hundred fifty million Dollars (\$250,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable

cost of goods, consultants' services, training and Transfers required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, upon previous approval by the Bank, for the purposes of the Project, open and maintain in Dollars a separate special deposit account (the Special Account) in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. The Borrower shall pay such fee no later than thirty (30) days after the Effective Date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (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:

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;

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

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 said 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 Section 2.01(7) of 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**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project, through DNP, with the assistance of the Participating Cities, and the city of Bogotá, with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial, managerial, social, technical, and urban practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower, through DNP, shall enter into agreements with MHCP, MOT, the Participating Cities, and the city of Bogotá (the Subsidiary Agreements) satisfactory to the Bank, providing, *inter alia*, for:

- (i) the transfer to Participating Cities of the portion of the proceeds of the Loan allocated to Parts A.2, A.3, B.1, B.3, and B.5 of the Project;
- (ii) the transfer to the city of Bogotá of the portion of the proceeds of the Loan allocated to Parts B.2, and B.5 of the Project;

(iii) the obligation of Participating Cities to:

- (A) carry out Parts A.2, A.3, B.1, B.3, B.4 and B.5 of the Project, and to comply with all the other applicable provisions of this Agreement, including, *inter alia*, those set forth in Sections 3.02, 3.03, 3.04, and 3.07;
- (B) enable the Bank to review the Participating Cities' accounts and other information as the Bank shall reasonably request in respect to the implementation of Parts A.2, A.3, B.1, B.3, B.4 and B.5 of the Project;
- (C) provide the Borrower promptly with whatever information, regarding Parts A.2, A.3, B.1, B.3, and B.5 of the Project, the Borrower needs to comply with the obligations referred to in Sections 4.01 and 4.02 of this Agreement;
- (D) procure the goods, services and works for the Project in accordance with the requirements of this Agreement;
- (E) keep records and accounts for expenditures under Parts A.2, A.3, B.1, B.3, and B.5 of the Project and Transfers under Part B.1 of the Project;
- (F) utilize the proceeds of the Transfers and provide information to DNP and MHCP on the use thereof in accordance with the procedures set forth in the Operational Manual; and
- (G) provide or cause to be provided, in a timely manner as needed, its share of the funds, goods and/or services required to implement Parts A.2, A.3, B.1, B.3, B.4; and B.5 of the Project;

(iv) the obligation of the city of Bogotá to:



- (A) carry out Parts B.2, B.4 and B.5 of the Project, and to comply with all the other applicable provisions of this Agreement, including, *inter alia*, those set forth in Sections 3.02, 3.03, 3.04 and 3.07;
  - (B) enable the Bank to review the city of Bogotá's accounts and other information as the Bank shall reasonably request in respect to the implementation of Parts B.2, B.4 and B.5 of the Project;
  - (C) provide the Borrower promptly with whatever information, regarding Parts B.2, B.4 and B.5 of the Project, the Borrower needs to comply with the obligations referred to in Sections 4.01 and 4.02 of this Agreement;
  - (D) procure the goods, services and works for the Project in accordance with the requirements of this Agreement;
  - (E) keep records and accounts for Transfers under Part B.2 of the Project;
  - (F) utilize the proceeds of the Transfers and provide information to DNP and MHCP on the use thereof in accordance with the procedures set forth in the Operational Manual; and
  - (G) provide or cause to be provided, in a timely manner as needed, its share of the funds, goods and/or services required for implementing Parts B.2, B.4 and B.5 of the Project;
- (v) the obligation of MHCP, to disburse to each Participating City, and to the city of Bogotá the Transfers for the implementation of Parts B.1 and/or B.2 of the Project, in accordance with the provisions of this Agreement, the corresponding Subsidiary Agreements, and the Operational Manual;

- (vi) the obligation of MOT, to: (1) provide technical and administrative assistance to Participating Cities with respect to the design and implementation of BRTS; and (2) register and include in its data base the investment projects related to the implementation of BRTS;
- (vii) the requirements for auditing the expenditures under Parts B.1, and B.2 of the Project;
- (viii) MHCP's right to suspend disbursements of Loan proceeds for Transfers, or cancel amounts to be disbursed for Transfers, as the case may be, in the event of non compliance by the Participating Cities and/or the city of Bogotá with the obligations set forth in the corresponding Subsidiary Agreements, in this Agreement and those of the Operational Manual;
- (ix) the schedule of disbursements by MHCP to the Participating Cities and the city of Bogotá of the Transfers for the implementation of Parts B.1 and B.2 of the Project; and
- (x) the technical, financial, procurement, environmental and resettlement requirements for the implementation of Parts B.1 and B.2 of the Project.

(c) The Borrower shall exercise its rights and comply with its obligations under the Subsidiary Agreements in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce the Subsidiary Agreements or any part thereof.

(d) In case of any conflict between the terms of the Subsidiary Agreements and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan, including those to be financed by the Borrower with Transfers under Parts B.1 and B.2 of the Project, shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower, through DNP, shall carry out the Project in accordance with a manual (the Operational Manual), acceptable to the Bank, said manual to include, *inter alia*:

- (xi) detailed arrangements for the overall carrying out of the Project;
- (xii) an institutional implementation plan of DNP, the Participating Cities, and the city of Bogotá for the management of the Project (including, *inter alia*, allocation of responsibilities among staff, yearly planning of activities and budget and time allocation for those activities);
- (xiii) the procurement guidelines to be followed by the Borrower, the Participating Cities and/or the city of Bogotá and the financial management guidelines to be followed during Project implementation by the Borrower, the Participating Cities and/or the city of Bogotá;
- (iv) the guidelines for the preparation of the Annual Action Plans;
- (v) the procedures and criteria for:
  - (A) training and technical assistance, environmental assessments and corresponding mitigation measures; and
  - (B) the selection for Participating Cities;
- (vi) the guidelines for the implementation of the RAP, the PFCR and the EMPs in connection with the carrying out of the Project;
- (vii) a construction manual to guide works under Parts B.1 and B.2 of the Project (which manual shall include, *inter alia*, the EMPs, provisions for erosion control, natural habitats' protection, solid waste management, protection of cultural property, occupational health guidelines, first aid instructions and restriction on the use of child labor);
- (viii) the model forms for Subsidiary Agreements; and

(ix) the procedures for the utilization of the proceeds of the Transfers for the implementation of Parts B.1 and B.2 of the Project.

(b) Except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.

(c) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.04. The Borrower, through DNP, shall:

(a) not later than December 31 of each year during Project implementation, starting in year 2004, furnish to the Bank for approval an annual action plan (the Annual Action Plan), each said plan to include, *inter alia*:

(i) the Project activities to be carried out by DNP, the Participating Cities and the city of Bogotá during the twelve months immediately following the presentation of each said plan; and

(ii) the procurement plan, disbursement schedule and chart of accounts for each said twelve month period; (b) thereafter implement each said Annual Action Plan, approved by the Bank, in accordance with its terms; and (c) carry out the Annual Action Plan for the year 2005 approved by the Bank prior to the date of this Agreement.

Section 3.05. (a) The Borrower, through DNP, shall operate and maintain in DNP, at all times during Project implementation, a Project coordination unit (the PCU) with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of the PCU to assist the Borrower in the coordination, monitoring and supervision of the Project.

(b) The Borrower, through DNP, shall ensure that the PCU is, during Project implementation, headed by a Project coordinator and staffed with a core team of: (i) an environmental specialist; (ii) a resettlement specialist; and (iii) a procurement specialist; and other professional and administrative staff, all hired with terms of reference, through competitive processes, in numbers and with qualifications and experience acceptable to the Bank.

(c) The Borrower and the Bank shall agree the proposed changes in the number of positions of the PCU and/or in the professional skills required for occupying such positions.

Section 3.06. The Borrower, through DNP, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Implementation Letter and the data produced by the monitoring and evaluation program referred to in Part A.4 (d) of the Project, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, each December 15 during Project implementation, starting with the report due not later than December 15, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the calendar semester preceding the date of presentation of the report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the following calendar semester;

(c) review with the Bank, by December 15 of each year of Project implementation, or such later date as the Bank shall agree, starting in year 2005, the pertinent reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said reports and the Bank's views on the matter; and

(d) carry out an in-depth review (the Mid-Term Review) jointly with the Bank, by July 26, 2006 or such later date as the Bank shall agree, on the progress achieved in the implementation of the Project.

Section 3.07. The Borrower, through DNP, shall:

(a) agree and coordinate with the Participating Cities and with the city of Bogotá all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets, or of income or means of livelihood, temporarily or permanently as a result of Part B.1 and/or B.2 of the Project;

(b) prior to initiating the implementation of Part B.1 of the Project, the Borrower shall provide evidence to the Bank, in form and substance satisfactory to the Bank, demonstrating that, *inter alia*:

- (i) the relevant Subsidiary Agreement has been entered into with the corresponding Participating City;
- (ii) the resettlement and rehabilitation of Affected Persons has taken place in accordance with the relevant resettlement plan, previously approved by the Bank, in accordance with the principles, provisions, and institutional procedures of the PFCR, the Operational Manual and this Agreement, including, *inter alia*, the acquisition of all necessary land, structures and other assets required for Part B.1 of the Project, and the provision of the relevant compensation therefore and resettlement and rehabilitation assistance; and
- (iii) the corresponding Participating City has complied with the environmental mitigation, monitoring, cultural property protection, institutional strengthening and other environmental measures set forth in the corresponding EMP;

(c) with regard to Part B.2 of the Project, cause the city of Bogotá to carry out the RAP, in a manner satisfactory to the Bank, designed to improve or at least maintain the living standards, income earning capacity and production levels of all Affected Persons;

(d) cause the Participating Cities and the city of Bogotá to implement their respective Parts of the Project in compliance with the environmental mitigation, monitoring, cultural property protection, institutional strengthening and other environmental measures set forth in the EMPs and shall not take any action which would prevent or interfere with such compliance; and

(e) furnish to the Bank any revisions proposed to be introduced into the RAP, PFCR and/or EMPs in order to achieve their objectives and, thereafter, introduce such revisions into such plans as shall have been agreed with the Bank.

Section 3.08. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower, through DNP, shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be

agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the sustainability of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.09. Without prejudice to the Bank's rights contained in paragraph 6 of Schedule 5 to this Agreement, if the Bank shall have determined at any time that any payment out of the Loan proceeds: (a) was made for expenditures and/or Transfers or in an amount not eligible pursuant to the provisions of this Agreement; or (b) was not justified by the evidence furnished to the Bank (including for example, the documents and other evidence referred to in paragraphs 3 (c) and 3 (e) of Schedule 1 to this Agreement), the Borrower shall, promptly upon notice from the Bank: (i) provide such additional evidence as the Bank may request; or (ii) refund to the Bank an amount equal to the amount of such payment or the portion thereof not so eligible or justified, as the case may be.

Section 3.10. (a) Without prejudice to the provisions of Section 3.01 (a) of this Agreement, upon compliance, in a manner satisfactory to the Bank and to the Borrower, with the conditions set forth in annex 2 to the Implementation Letter, the Borrower shall carry out the Project, through MOT, with the assistance of the Participating Cities, and the city of Bogotá, with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial, managerial, social, technical, and urban practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Upon compliance of the conditions referred to in paragraph (a) of this Section, any reference to *Departamento Nacional de Planeación* and/or the acronym DNP in this Agreement, shall be construed as a reference to *Ministerio de Transporte* and/or the acronym MOT, without the need of an amendment to this Agreement.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower, through DNP, shall maintain within the PCU a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower, through DNP, shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each of the Borrower's fiscal years audited (or other period agreed to by the Bank), in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
  - (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or other period agreed to by the Bank):
    - (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank) as so audited; and
    - (B) an opinion on such statements, by said auditors in scope and detail satisfactory to the Bank; and
  - (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure (including statements of transfer as cited in paragraph 4 (e) of Schedule 1 to this Agreement), the Borrower, through DNP, shall:
- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
  - (ii) enable the Bank's representatives to examine such records; and
  - (iii) ensure that such statements of expenditures (including statements of transfer as cited in paragraph 4 (e) of Schedule 1 to this Agreement) are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether: (I) the



statements of expenditure and/or statements of transfers; and (II) the documents and other evidence referred to in paragraphs 3 (c) and 3 (e) of Schedule 1 to this Agreement submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 3.06 of this Agreement, the Borrower, through DNP, shall prepare and furnish to the Bank a financial monitoring report (FMR), in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished by the Borrower, through DNP, to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Bank**

Section 5.01 (a) Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely that any Participating City, or the city of Bogotá shall have failed to perform any of its obligations under its corresponding Subsidiary Agreement, and that DNP and/or MHCP shall have failed to exercise its remedies under said Subsidiary Agreement; and

(b) without prejudice to the Bank's rights contained in Section 6.02 of the General Conditions, it is understood that, if any of the events specified in paragraph (a) of this Section shall have occurred, the Bank may choose, by notice to the Borrower, to suspend in whole or in part only the right of the Borrower to make withdrawals from the Loan Account for expenditures under Parts B.1 and/or B.2 of the Project.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Operational Manual has been issued by the Borrower, through DNP, and approved by the Bank;

(b) the terms of reference for the hiring of the independent auditors referred to in Section 4.01 (b) (i) of this Agreement have been prepared by the Borrower, through DNP, and have been approved by the Bank;

(c) the PCU has been fully staffed and is operational as provided in Section 3.05 of this Agreement; and

(d) the financial management system for the Project has been established as provided in Section 4.01 (a) of this Agreement;

Section 6.02. The date December 21, 2004 is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

Section 7.01. The Minister of Finance and Public Credit of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For the Borrower:

Minister of Finance and Public Credit  
Palacio de los Ministerios  
Plaza San Agustín  
Carrera 7-A, Número 6-45, Piso 3  
Bogotá, D.C.  
Colombia

Cable address:	Telex:	Facsimile:
MINHACIENDA	43289 MHAC	(571) 350-9344

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Bogotá, Colombia, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By/s/ Alberto Chueca Mora  
Acting Regional Vice President  
Latin America and the Caribbean

REPUBLIC OF COLOMBIA

By/s/ Alberto Carrasquilla Barrera  
Minister of Finance and Public Credit

Witness:

By/s/ Andres Uriel Gallego Henao  
Minister of Transport

Witness:

By/s/ Santiago Montenegro Trujillo  
Director  
Planning Department

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods for Part A.2 of the Project	250,000	100%
(2) Consultants' services for Part A of the Project and for Project audits	1,750,000	100%
(3) Training for Part A.2 (a) of the Project	300,000	100%
(4) Transfers for Part B.1 of the Project	114,500,000	100% of amounts transferred by the Borrower, through MHCP, to Participating Cities under the corresponding Subsidiary Agreement
(5) Transfers for Part B.2 of the Project	120,000,000	100% of amounts transferred by the Borrower, through MHCP, to the City of <i>Bogotá</i> under the corresponding Subsidiary Agreement

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(6) Unallocated	<u>13,200,000</u>	
TOTAL	<u>250,000,000</u> =====	

2. For the purposes of this Schedule the term “Training” means reasonable expenditures, based on a budget previously approved by the Bank (other than those for consultants’ services), incurred to finance transportation costs and per-diem of trainers and trainees, rental of training facilities and acquisition of training equipment and material under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the amount of \$25,000,000, may be made in respect of Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of this Schedule on account of payments made within twelve months prior to the date of this Agreement, but not earlier than March 26, 2004;

(b) payments for expenditures in respect of Category (4) set forth in the table in paragraph 1 of this Schedule unless the obligations set forth in Sections 3.07 (b) and 3.07 (d) of this Agreement have been complied with by the Borrower, in a manner acceptable to the Bank, with respect to the Participating City for which such payments are made;

(c) payments for expenditures in respect of Category (4) set forth in the table in paragraph 1 of this Schedule in the event the Borrower shall have failed to furnish to the Bank by a date six (6) months after the end of each Borrower’s fiscal year, together with the audits referred to in Section 4.01 (c) (iii) of this Agreement, such documents and other evidence showing, to the satisfaction of the Bank, that one hundred (100%) of the amounts disbursed by the Borrower and covered by Category (4) set forth in the table in paragraph 1 of this Schedule were used for goods, works, and services eligible for financing out of the proceeds of the Loan as confirmed by such audit report;

(d) payments for expenditures in respect of Category (5) set forth in the table in paragraph 1 of this Schedule unless the obligations set forth in Sections 3.07 (c) and

3.07 (d) of this Agreement have been complied with by the Borrower in a manner acceptable to the Bank with respect to the city of Bogotá;

(e) payments for expenditures in respect of Category (5) set forth in the table in paragraph 1 of this Schedule in the event the Borrower shall have failed to furnish to the Bank by a date six (6) months after the end of each Borrower's fiscal year, together with the audits referred to in Section 4.01 (c) (iii) of this Agreement, such documents and other evidence showing, to the satisfaction of the Bank, that one hundred (100%) of the amounts disbursed by the Borrower and covered by Category (5) set forth in the table in paragraph 1 of this Schedule were used for works eligible for financing out of the proceeds of the Loan as confirmed by such audit report; and

(f) payments for expenditures in respect of any Category set forth in the table in paragraph 1 of this Schedule unless and until the Borrower shall have paid to the Bank in full the front-end fee referred to in Section 2.04 of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures: (a) under contracts for goods; (b) under contracts for the employment of consulting firms; (c) under contracts for the employment of individual consultants; (d) for Training; and (e) for Transfers (in which case the statements of expenditure shall be referred to as statements of transfer) that are not subject to prior review by the Bank pursuant to the provisions of the Procurement Plan.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (a) to develop high quality and sustainable BRTS in Participating Cities to improve mobility along strategic mass transit corridors; (b) to improve accessibility to public transportation for the poor; and (c) to build greater institutional capacity in the Borrower's public transportation institutions in order to formulate integrated urban transport policies and to improve urban transport planning and traffic management.

The Project 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 A: Implementing Capacity Building

1. Provision of support for the Borrower's efforts to formulate national urban transport programs and strategies, through, *inter alia*: (a) the definition of a national urban transport institutional map; (b) the formulation of a transport sector policy; (c) the definition of operational, regulatory, institutional, environmental, social and road safety strategies within the urban transport and urban development context; and (d) the identification of appropriate mass transit solutions to improve transport in the Borrower's territory and to improve traffic management.

2. Improvement of the institutional capacity of transportation entities of Participating Cities to ensure adequate implementation of BRTS, through, *inter alia*: (a) the provision of equipment and training; (b) the setup of an operational structure able to program, monitor and administer public transportation services; and (c) the implementation of twinning arrangements between BRTS and Bogotá Transmilenio S.A.

3. Strengthening of the operational capacity of Participating Cities with respect to the implementation of urban development and transport strategies.

4. Provision of support for overall Project coordination, evaluation, supervision and implementation, including, *inter alia*:

(a) the strengthening of the capacity of the PCU to comply with its responsibilities referred to in Section 3.05 (a) of this Agreement;

(b) the carrying out of audits under Section 4.01 (b) (i) of this Agreement;



(c) the carrying out of Project studies, including, *inter alia*, performance reviews and impact evaluations; and

(d) the design and implementation of a program to monitor and evaluate the carrying out of the Project.

Part B: BRTS Development

1. Construction of about 57 kilometers of segregated transportation corridors in Participating Cities, including, *inter alia*: (a) construction of segregated busways; (b) repaving of mixed-traffic lanes adjacent to new busways; (c) construction and installation of bus stations and terminals; and (d) paving of feeder roads.

2. Construction of about 20 kilometers of segregated corridors in the NQS Line of the Bogotá Transmilenio, S.A., including, *inter alia*: (a) construction of segregated busways; and (b) repaving of mixed-traffic lanes adjacent to new busways.

3. Definition of a new regulatory framework for the implementation of BRTS in Participating Cities.

4. Resettlement of Affected Persons in connection with the carrying out of Parts B.1 and B.2 of the Project.

5. Design and implementation of EMPs for the carrying out of Parts B.1 and/or B.2 of the Project.

\* \* \*

The Project is expected to be completed by September 30, 2008.

### SCHEDULE 3

#### Amortization Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each June 15 and December 15	
Beginning on June 15, 2012 through December 15, 2013	8%
On June 15, 2014 through December 15, 2015	9%
On June 15, 2016 through December 15, 2017	8%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date,

such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan 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 principal amount of the Loan withdrawn and outstanding from time to time shall be 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 amount.

## **SCHEDULE 4**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of international competitive bidding in accordance with the provisions of Section II of the Procurement Guidelines, and the following additional procedures:

1. Domestic Preference. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Republic of Colombia

#### B. Other Procurement Procedures

##### 1. National Competitive Bidding.

(a) Goods estimated to cost less than \$250,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines.

(b) Works estimated to cost less than \$5,000,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines.

(c) Works estimated to cost more than \$5,000,000 equivalent per contract for the 5 lots already procured for the NQS Line of the Bogotá Transmilenio S.A. (as per the waiver of the \$5,000,000 maximum threshold applicable to national competitive bidding in the Borrower's territory granted by the Bank to the Borrower on January 28, 2004), may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines.

(d) 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.

(e) 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 Colombia or elsewhere, or to appoint a representative domiciled in Colombia, unless and until such bidder is awarded the corresponding contract.

(f) 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.

(g) 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 on 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.

(h) 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.

2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract and works estimated to cost less than \$350,000 equivalent per contract, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

3. Direct Contracting. Goods and works which meet the requirements for direct contracting referred to in paragraphs 3.1, 3.6 and 3.7 of the Procurement Guidelines may, with the Bank's prior agreement, be procured in accordance with the provisions of said paragraphs.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality -and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$350,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of quality in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a fixed budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for very standard and routine technical assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of lowest

cost in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Bank.

Section IV. 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.

## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2), (3 ), (4), and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works, services, and Transfers required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means the amount of \$25,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$15,000,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of \$35,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
  - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.



- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank (including, for example, the documents and other evidence referred to in paragraphs 3 (c) and 3 (e) of Schedule 1 to this Agreement), the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.