

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7293-CO

Loan Agreement

(National Disaster Vulnerability Reduction Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

REPUBLIC OF COLOMBIA

Dated October 4, 2005

Public Disclosure Authorized

LOAN NUMBER 7293-CO

LOAN AGREEMENT

AGREEMENT, dated October 4, 2005 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and REPUBLIC OF COLOMBIA (the Borrower);

WHEREAS (A) the Bank has received a letter from the Borrower dated April 6, 2005, which letter describes the strategies and objectives with respect to the Borrower's program to reduce fiscal vulnerability to national disasters (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) the Borrower has requested that the Bank support the Borrower's execution of the Program through a series of loans over a period of approximately ten (10) years, as part of an adaptable program lending sequence, to be utilized by the Borrower in the implementation of the Program; and

(C) 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 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 (as amended through May 1, 2004) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank,

the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan;”

(b) the text in Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”; and

(c) 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;”

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) “Annual Action Plan” means each plan referred to in Section 3.05 of this Agreement;

(b) “CGR” means *Contraloría General de la República*, the Borrower’s General Comptroller’s Office, or any successor thereto;

(c) “Critical Imports” means the following imports identified in a Recovery Plan: construction materials; water, land and air transport equipment, including spare parts; agricultural equipment and inputs; school supplies and equipment; medical supplies and equipment; petroleum and fuel products; construction equipment and industrial machinery; communications equipment; seeds and fertilizer; agricultural equipment and

inputs (excluding pesticides); food and water containers; and any other items which may be acceptable to the Bank;

(d) “Decree 919” means the Borrower’s Presidential Decree dated May 1, 1989 in which the Borrower establishes the national system for the prevention and attention of disasters;

(e) “Disaster” means a serious harm or alteration of the normal living conditions in a specific geographic area within the Borrower’s territory, caused by a natural phenomenon and/or catastrophic effects derived from unintended human actions, that will require the special attention of the government and other humanitarian or social service entities;

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

(g) “DPAD” means *Dirección de Prevención y Atención de Desastres*, the Disaster Prevention and Control Directorate within the Borrower’s MIJ as defined here below;

(h) ECOPETROL means *ECOPETROL S.A.*, a public sector entity, established by the Borrower’s Decree No. 1760 of June 26, 2003 and operating in affiliation with the Borrower’s Ministry of Mines and Energy;

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

(j) “IDEAM” means *Instituto de Hidrología, Meteorología y Estudios Ambientales*, the Borrower’s Institute for Hydrology, Meteorology and Environment Studies in affiliation with MAVDT;

(k) “IDEAM Subsidiary Agreement” means the agreement with IDEAM referred to in Section 3.03 (a) of this Agreement;

(l) “INGEOMINAS” means *Instituto Colombiano de Geología y Minería*, the Borrower’s Institute of Geology and Mining;

(m) “INGEOMINAS Subsidiary Agreement” means the agreement with INGEOMINAS referred to in Section 3.03 (a) of this Agreement;

(n) “Implementation Letter” means the letter of even date herewith from the Borrower to the Bank setting forth the Project monitoring indicators;

(o) “Infrastructure Agencies” means any of the Borrower’s line ministries, sector institutions or public enterprises that carry out periodic strategic reviews of vital infrastructure in need of retrofitting or reinforcement to reduce its vulnerability to natural disasters;

(p) “INVIAS” means *Instituto Nacional de Vías*; the Borrower’s National Institute of Roads;

(q) “MAVDT” means *Ministerio de Ambiente, Vivienda y Desarrollo Territorial*, the Borrower’s Ministry of Environment, Housing and Territorial Development, or any successor thereto;

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

(s) “MIJ” means *Ministerio del Interior y Justicia*, the Borrower’s Ministry of the Interior and Justice, or any successor thereto;

(t) “Municipality” means a *Municipio*, the political subdivision of the Borrower defined in Article 286 of the Borrower’s Constitution;

(u) “Operational Manual” means the manual referred to in Section 3.04 (a) of this Agreement;

(v) “Procurement Plan” means the Borrower’s procurement plan, dated March 30, 2005 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;

(w) “Project Implementing Agencies” means collectively, INGEOMINAS, IDEAM, MAVDT, INVIAS, Infrastructure Agencies, MHCP and MIJ’s DPAD;

(x) “Recovery Plan” means the plan to be prepared by the Borrower pursuant to Article 20 of Decree 919, and referred to in Section 3.07 (a) (ii) of this Agreement;

(y) “Risk Reduction Investments” means a set of investments to be carried out by ECOPETROL, a Territorial Entity (as hereinafter defined) or an Infrastructure Agency (as hereinafter defined), as the case may be, under Part B.2 of the Project, consisting of one or more of the following activities: (i) reforestation and management of micro-watersheds; (ii) flood defense measures; (iii) flood plan management—irrigation, drainage, and land recovery; (iv) mitigation and prevention measures in urban and rural areas identified as high disaster risk; (v) disaster prevention; and (vi) any other activities which may be acceptable to the Bank in addition to, or in substitution of, those set forth above;

(z) “Risk Reduction Investments Guidelines” means the guidelines referred to in Section 3.08 of this Agreement;

(aa) “SNPAD” means *Sistema Nacional de Prevención y Atención de Desastres*, the Borrower’s National System for Disaster Response Prevention and Attention created by the Borrower’s Law 46/88 and regulated under Decree 919/1989;

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

(cc) “Territorial Entity” means any of the *Departamentos, Municipios* or *Territorios Indígenas* (departments, municipalities, or indigenous territories), the political subdivisions of the Borrower defined in Article 286 of the Borrower’s Constitution.

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 sixty million Dollars (\$260,000,000), 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 costs of goods, works and services 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 December 31, 2011 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, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. The Borrower shall pay such fee no later than sixty (60) 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. The Borrower declares its commitment to the objective of the Project, and, to this end, shall:

- (a) carry out or cause to be carried out Part A.1 of the Project through INVIAS and MIJ's DPAD;
- (b) cause IDEAM and INGEOMINAS jointly to carry out Part A.2 of the Project pursuant to the INGEOMINAS Subsidiary Agreement and the IDEAM Subsidiary Agreement;
- (c) carry out Parts B.1, C.2 and D of the Project through MAVDT;
- (d) carry out Part B.3 of the Project through MAVDT and MIJ's DPAD, with the assistance of DNP;
- (e) under the coordination of MAVDT, with the assistance of DNP, cause Part B.2 (a) of the Project to be carried out in collaboration with Territorial Entities, under arrangements satisfactory to the Bank;
- (f) under the coordination of MHCP, cause ECOPETROL and the respective Infrastructure Agencies to carry out Part B.2 (b) of the Project, under arrangements satisfactory to the Bank;

- (g) carry out Part C.1 of the Project through MIJ's DPAD and MAVDT with the assistance of DNP; and
- (h) carry out Part E.1 of the Project through MHCP and Part E.2 of the Project through MHCP and MIJ's DPAD.

all with due diligence and efficiency and in conformity with appropriate administrative, financial, managerial, social, environmental and technical standards and practices, as well as in accordance with the Operational Manual and the Annual Action Plans, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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 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 through MAVDT 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) The Borrower shall make the corresponding portion of the proceeds of the Loan for the purposes of the carrying out of Part A.2 of the Project available to INGEOMINAS and to IDEAM, as the case may be, according to agreements, one between the Borrower and INGEOMINAS and the other between the Borrower and IDEAM, satisfactory to the Bank.

(b) The Borrower shall through MAVDT exercise its rights under the INGEOMINAS Subsidiary Agreement and under the IDEAM Subsidiary Agreement in such a 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 assign, amend, abrogate, fail to enforce or waive any of said agreements or any provision thereof.

Section 3.04. (a) Without limitation to the provisions related to Project implementation set forth in this Agreement, the Borrower shall, through MAVDT and MHCP with assistance from DNP, issue, and carry out the Project (or cause it to be carried out, as the case may be) in accordance with a manual, satisfactory to the Bank (the Operational Manual), which shall contain the policies and procedures for the carrying out of the Project, including, *inter alia*: (i) detailed arrangements for the overall carrying out of the Project (including the procurement and financial management procedures to be followed during Project implementation by the Borrower and the Project

Implementing Agencies); (ii) the guidelines to be followed by the Territorial Entities, ECOPETROL and the Infrastructure Agencies in the carrying out of the Risk Reduction Investments, including a description of the permitted investments and applicable procurement methods; (iii) the roles and responsibilities of the Project Implementing Agencies; (iv) the guidelines for the review, approval and preparation of disbursement requests for Risk Reduction Investments, including the description of the role played by CGR; (v) the guidelines for the preparation of the Annual Action Plans; and (vi) mandatory safeguards and mitigation actions for the activities carried out by the Territorial Entities and/or the Infrastructure Agencies and /or ECOPETROL that could possibly have a negative environmental impact such as, for example, through use of any pesticides, increase in deforestation, pollution of groundwater, negative impact on endangered species, increased soil erosion, impact on parks or protected areas, and encroachment of natural habitats.

(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 3.05. The Borrower, through MAVDT, with the assistance of MHCP and DNP, shall:

(a) not later than March 31 of each year during Project implementation, starting in 2006, furnish to the Bank, for its approval, and to DNP for information purposes, an annual action plan (the Annual Action Plan), each said plan to include, *inter alia*: (i) the Project activities to be carried out by the Project Implementing Agencies during the twelve months immediately following the presentation of each said plan; and (ii) the procurement plan, disbursement schedule and financial forecast for each said twelve month period; and

(b) thereafter implement each said Annual Action Plan, approved by the Bank, in accordance with its terms.

Section 3.06. (a) The Borrower, through MAVDT, shall maintain at all times during Project implementation the responsibility for the overall management, coordination, supervision and monitoring of Parts A, B.1, B. 2 (a), B.3, C, D, and E.1 of the Project and to this end shall act in accordance with a MAVDT administrative structure satisfactory to both the Borrower and the Bank, with staff in adequate numbers and with functions, responsibilities, qualifications and experience satisfactory to both the Borrower and the Bank, including a director, a procurement specialist and a financial management specialist.

(b) The Borrower, through MHCP, shall maintain at all times during Project implementation responsibility for the management of Parts B.2 (b) and E.2 of the Project, and to this end shall act in accordance with a MHCP administrative structure satisfactory to both the Borrower and the Bank.

Section 3.07. (a) Upon occurrence of a Disaster in response to which the Borrower proposes to withdraw Loan proceeds from the Loan Account in respect of Category (3) of the table in paragraph 1 of Schedule 1 to this Agreement, the Borrower shall:

- (i) issue a presidential decree declaring the occurrence of a Disaster, as described in Article 19 of Decree 919, indicating the magnitude, geographical scope and possible effects of said disaster;
- (ii) prepare a plan acceptable to the Bank, to carry out recovery activities in response to the relevant Disaster, including an initial list of Critical Imports to be required for such recovery activities;
- (iii) submit a written application for withdrawal of funds available under said Category (3) of the table in paragraph 1 of Schedule 1 to this Agreement, in the form specified by the Bank and for expenses incurred up to two months before, and six months after, the declaration of occurrence of a Disaster referred in (a) above; and
- (iv) thereafter, carry out the recovery activities identified in the Recovery Plan observing the norms and procedures set forth in Decree 919, as well as those referred to, or contained, in this Agreement.

(b) If the Bank believes that the execution of the Recovery Plan or any subsequent update is inconsistent with the recovery needs triggered by the Disaster, the Bank may, after consultation with the Borrower, suspend disbursements of Loan proceeds in connection with the Disaster in question and/or request that the Borrower refund to the Loan Account Loan proceeds previously disbursed from such Loan Account in connection with said Disaster. The Borrower shall promptly honor any such refund request.

Section 3.08 For the purposes of implementing Part B.2 (a) of the Project, the Borrower, through DNP, shall prepare and thereafter maintain, during the execution of the Project, guidelines for the review of eligible expenditures to be financed under the Risk Reduction Investments and to be carried out by the Territorial Entities, acceptable to

the Bank, and to be included in the Operational Manual (the Risk Reduction Investments Guidelines).

Section 3.09. Throughout the course of Project implementation, and without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower 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, 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 March 31 and September 30 during Project implementation, starting with the report due not later than March 31, 2006, 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, DNP and the Project Implementing Agencies by May 15 and November 15 of each year of Project implementation, or such later date as the Bank shall agree, starting in year 2006, 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, DNP and the Project Implementing Agencies by May 15, 2009 or such later date as the Bank shall agree, on the progress achieved in the implementation of the Project.

Section 3.10. For the purposes of Section 9.07 of the General Conditions, and without limitation thereto, the Borrower, through MAVDT, shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before 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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain 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, except for Part E. 2. of the Project.

(b) The Borrower 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, the Borrower 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 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 in 4.03 (a) (i).

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 3.09 of this Agreement, the Borrower shall, except with respect to Parts B.2 and E.2 of the Project, 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 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.

Section 4.03. (a) The Borrower shall, in the event that any portion of Part E.2 of the Project be financed from the Loan:

- (i) furnish to the Bank, as soon as available, but in no case later than six_ months after the end of any fiscal year in which disbursements occur under this Part of the Project, an audit report, in scope and detail satisfactory to the Bank; and
- (ii) upon request from the Bank, provide a budgetary execution report (the Report) for the Recovery Plan, showing the categories of expenditure under the Recovery Plan. The Report shall

include a statement whereby the Borrower declares that the expenditures therein were made in accordance with the Recovery Plan. The Borrower shall also provide any other evidence of the financial activities pertaining to the Recovery Plan that the Bank may reasonably request.

(b) No later than 18 months after the end of each fiscal year of the Borrower during Project implementation, the Borrower shall furnish to the Bank annual reports on expenditures made during the respective Borrower fiscal year under Parts B.2 (a) and B.2 (b) of the Project, in form and substance satisfactory to the Bank.

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 INGEOMINAS or IDEAM shall have failed to perform any of their obligations under the INGEOMINAS Subsidiary Agreement or the IDEAM Subsidiary Agreement, respectively, and that the Borrower shall have failed to exercise its remedies fully under the INGEOMINAS Subsidiary Agreement or the IDEAM Subsidiary Agreement.

(b) Without prejudice to the Bank's rights contained in Section 6.02 of the General Conditions, it is understood that, if the event 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 Part A.2 of the Project in the case of INGEOMINAS and IDEAM.

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 and adopted by the Borrower;

(b) the MAVDT has been duly staffed with the positions mentioned in Section 3.06 of this Agreement;

(c) the INGEOMINAS Subsidiary Agreement and the IDEAM Subsidiary Agreement shall have been duly signed; and

(d) the Borrower has established a financial management system for the Project, satisfactory to the Bank.

Section 6.02. The date January 2, 2006 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:

MINHACIENDA

Facsimile:

(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/ Pamela Cox

Regional Vice President
Latin America and the Caribbean

REPUBLIC OF COLOMBIA

By /s/ Alberto Carrasquilla Barrera

Ministry of Finance and Public Credit
Authorized Representative

By /s/ Sandra Suarez Pérez

Ministry of the Environment, Housing
and Territorial Development
Authorized Representative

By /s/ Sabas Pretelt de la Vega

Ministry of the Interior and Justice
Authorized Representative

By /s/ Santiago Montenegro

National Planning Department
Authorized Representative

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, works, services, training, and Operating costs under Parts A, B.1, B.3, C, D and E.1 of the Project	10,000,000	100%
(2) Goods, works, and services with respect to Risk Reduction Investments under Part B.2 of the Project	100,000,000	100%
(3) Critical Imports for disaster emergency assistance under Part E.2 of the Project:	150,000,000	50%
TOTAL	<u>260,000,000</u>	

2. For the purposes of this Schedule:

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

(b) the term “Operating Costs” means reasonable recurrent expenditures, based on an annual budget previously approved by the Bank, that would not have been

incurred absent the Project, such as office utilities, travel costs, operation and maintenance of office equipment financed with the proceeds of the Loan, and non-durable goods, all needed for the supervision of the Project.

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

(a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the amount of \$52,000,000 equivalent may be made on account of payments made not earlier than January 1, 2004;

(b) for 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; and

(c) under Category (3) set forth in the table in paragraph 1 of this Schedule, for each particular Disaster until: (i) the Borrower has issued a Presidential Decree declaring the occurrence of a Disaster, as described in article 19 of Decree 919; and (ii) the Borrower has prepared and the Bank has approved the Recovery Plan (including an initial list of Critical Imports therefor).

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures with respect to Categories (1) and (2) of the table in Paragraph 1 of this Schedule: (a) under contracts for goods; (b) under contracts for works; (c) under contracts for the employment of consulting firms; (d) under contracts for the employment of individual consultants; (e) for Training and workshops; and (f) Operating Costs; 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 objective of the Project is to assist the Borrower in the strengthening of its national capacity for reducing the fiscal vulnerability to national disasters and mitigate the negative impact of possible effects derived from such disasters.

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 objective:

Part A: Disaster Risk Identification

1. Development of a comprehensive information system on disaster vulnerability, risk evaluation and risk reduction programs, through the purchase and installation of hardware and software and other necessary equipment, as well as the provision of specialized training on disaster prevention and management of disaster emergencies.
2. Strengthening of data quality and analytic capacity for early warning and risk mapping related to hydrological, seismic and volcanic events, through the provision of technical assistance, necessary equipment and installation works needed for the updating of existing systems for monitoring catastrophic events.

Part B: Risk Reduction

1. Improvement of the current practices of territorial planning by including better risk assessments, risk analyses, and preventive planning, through the provision of technical assistance to Municipalities, preparation of studies, and the provision of training and workshops.
2. Carrying out of Risk Reduction Investments by:
 - (a) Territorial Entities; and
 - (b) Infrastructure Agencies and ECOPETROL.
3. Strengthening of the Municipalities' hazard risk reduction and management capabilities, through the provision of technical assistance, training and workshops, and the establishment and operation of an information sharing system to link Municipalities, municipal institutions and the national agencies members of SNPAD.

Part C: Institutional Development

1. Strengthening of the institutional capacity of SNPAD, through the provision of technical assistance, specialized training and workshops.
2. Strengthening of the Borrower's national capacity to coordinate, implement, monitor and evaluate risk reduction, through the provision of technical assistance, necessary goods and specialized training.

Part D: Awareness and Preparedness

Development and integration of disaster risk awareness activities as part of MAVDT's environmental education program.

Part E: Risk Transfer

1. Strengthening of the Borrower's capacity to define strategies that improve and optimize the financial coverage of risks, through the provision of technical assistance and preparation of studies to assist Project Implementing Agencies in the evaluation of risk exposure and the formulation and implementation of cost-effective risk transfer arrangements.
2. Financing of Critical Imports required due to a Disaster, as identified in a Recovery Plan.

* * *

The Project is expected to be completed by June 30, 2010.

SCHEDULE 3

Amortization Schedule

1. 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>
December 15, 2013	10%
June 15, 2014	8%
December 15, 2014	8%
June 15, 2015	8%
December 15, 2015	8%
June 15, 2016	8%
December 15, 2016	8%
June 15, 2017 ⁴	8%
December 15, 2017	8%
June 15, 2018	8%
December 15, 2018	8%
June 15, 2019	10%

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 subparagraph (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 subparagraph 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 such 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:

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 and services (other than consultants' services) 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) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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 (other than under Part B.2 (a) of the Project) 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. Limited International Bidding. Goods which the Bank agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding

4. Imports. Critical imports may be procured under paragraphs 2.66 and 2.67 of the Procurement Guidelines. Commonly traded commodities may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Bank, in accordance with the provisions of paragraph 2.68 of the Guidelines.

Critical Imports made by the Borrower or purchased by the Borrower from the private sector for: (i) construction materials estimated to cost less than \$3,000,000 equivalent per contract; (ii) water, land, and air transport equipment estimated to cost less than \$3,000,000 equivalent per contract; (iii) school supplies and equipment estimated to cost less than \$3,000,000 equivalent per contract; (iv) medical supplies and equipment estimated to cost less than \$3,000,000 equivalent per contract; (v) petroleum and fuel products; (vi) construction equipment estimated to cost less than \$3,000,000 equivalent per contract; (vii) industrial machinery estimated to cost less than \$3,000,000 equivalent per contract; (viii) communications equipment estimated to cost less than \$1,000,000 equivalent per contract; (ix) food and waste containers estimated to cost less than \$1,000,000 equivalent per contract; and (x) agricultural equipment and inputs estimated to cost less than \$1,000,000 equivalent per contract, may be procured in accordance with the provisions of footnote 50 of the Procurement Guidelines.

5. Goods and Works under Part B. 2 of the Project. Goods for Risk Reduction Investments estimated to cost less than \$50,000 equivalent per contract and Works for Risk Reduction Investments estimated to cost less than \$100,000 equivalent per contract, may be procured on the basis of Shopping as per paragraph 3.5 of the Guidelines. Sole source contracting may be applied under Part B.2 (b) of the Project in response to high risk situations as defined in the Operational Manual according to paragraph 3.6 (e) of the Guidelines for works estimated to cost less than \$350,000 equivalent, goods and non-consultant services estimated to cost less than \$50,000 equivalent per contract and consultants' services estimated to cost less than \$100,000.

6. Non-consultants services for Risk Reduction Investments estimated to cost less than \$50,000 equivalent per contract and Works for Risk Reduction Investments estimated to cost less than \$100,000 equivalent per contract, which the Bank agrees meet

the requirements for Direct Contracting, may be procured in accordance with the provisions of said procurement method.

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. (a) 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.

(b) With respect to the consultant contracts under the Part B.2 (a) of the Project, single source selection shall be allowed without prior review for such contracts valued up to US\$50,000.

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 Category (1) 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 and services 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 \$750,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
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, 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.