

CONFORMED COPY

LOAN NUMBER 3692 CO

Loan Agreement

(Natural Resource Management Program)

between

REPUBLIC OF COLOMBIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 9, 1994

LOAN NUMBER 3692 CO

LOAN AGREEMENT

AGREEMENT, dated August 9, 1994, between the REPUBLIC OF COLOMBIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the natural resource management program described in Schedule 2 to this Agreement (hereinafter called the Project), has requested the Bank to assist in the financing of the Project;

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" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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) "ACOFORE" means a non-profit private organization, established and operating under the Borrower's laws under the form of a corporation;

(b) "Annual Work Program" means each program approved, in respect of a given calendar year, pursuant to the provisions of Section 3.04 of this Loan Agreement; and "Annual Work Provisions" means the provisions of an Implementing Agreement (as defined below) referred to in subparagraph (ii) of paragraph (c) of Section 3.01 of this Loan Agreement;

(c) "Approved Part B Subproject" means each Part B Subproject (as defined below) which has been approved by the Temporary Project Execution Entity (as defined below) in accordance with the provisions of the Manual, as defined below and to be carried out with the assistance of the applicable Regional Corporation or the Department of Antioquia, as the case may be, under the corresponding Implementing Agreement;

(d) "Law No. 70" and "Law No. 99" mean, respectively, the Borrower's Law No. 70 of August 27, 1993, enacted by the Borrower's Congress pursuant to the provisions of Transitory Article 55 of the Borrower's Constitution, as published in the Borrower's Official Gazette dated August 31, 1993 and the Borrower's Law No. 99 of December 22, 1993, as published in the Borrower's Official Gazette dated December 22, 1994;

(e) "Black Community" means the groups of families described in paragraph 5 of Article 2 of Law No. 70;

(f) "Buffer Zone" means an area adjacent to protected areas, on which land use is partially restricted to give an added layer of protection to such protected areas while providing valued benefits to neighboring rural communities;

(g) "CODECHOCO" means Corporacion Autonoma Regional para el Desarrollo Sostenible del Choco, a Regional Corporation established by the Borrower's Law No. 760 of 1968, as transformed by Law No. 99;

(h) "CONIF" means Corporacion Nacional de Investigacion y Fomento Forestal, a non-profit organization established and operating under the laws of the Borrower under the form of a mixed-economy corporation;

(i) "Coordinating Committee" means the committee established by the third clause of the letter of understanding dated March 9, 1994 and signed for purposes of this Project by DNP and the Ministry (as both terms are defined in paragraphs (g) and (an) of this Section, respectively); and the term "Coordinating Unit" means the unit established by the decision of the Coordinating Committee meeting of March 9, 1994 as recorded in point No. 2 of the Minutes of said meeting, described in the document titled Esquema de Ejecucion del Programa mentioned in such point, and that will always be under the control of the Temporary Project Execution Entity (as the term is defined in paragraph (am) of this Section);

(j) "CORNARE" means Corporacion Autonoma Regional de las Cuencas de los rios Rionegro y Nare, a Regional Corporation established by the Borrower's Law No. 60 of December 28, 1983, governed by the Borrower's Decree No. 2295 of 1987 and renamed by Law No. 99;

(k) "CORPONARINO" means Corporacion Autonoma Regional de Narino, a Regional Corporation established by the Borrower's Decree-Law No. 3455 of 1983;

(l) "CORPOURABA" means Corporacion para el Desarrollo Sostenible del Uraba, a Regional Corporation established by the Borrower's Law No. 6 of 1968, as transformed by the Borrower's Law No. 99;

(m) "CRC" means Corporacion Autonoma Regional del Cauca, a Regional Corporation established by the Borrower's Law No. 11 of 1983, with the new jurisdiction attributed thereto by Law No. 99;

(n) "CVC" means Corporacion Autonoma Regional del Valle del Cauca, a Regional Corporation established by the Borrower's Decree No. 3110 of 1954, with the new jurisdiction attributed thereto by Law No. 99;

(o) "Choco Region" means the Choco Biogeographic Region, a part of Western Colombia which comprises the coastal areas along the Pacific Ocean between the borders with Republics of Panama and Ecuador and coastal areas along the Caribbean Sea in the Uraba Gulf, and includes the mountainous areas of Baudo and Darien, the basins of the Atrato and San Juan Rivers and of the Upper Sinu and San Jorge Rivers, with an aggregate area of about 9.1 million hectares;

(p) "Department" means Departamento, a political subdivision of the Borrower;

(q) "DNP" means Departamento Nacional de Planeacion, the Borrower's National Planning Department, an administrative subdivision of the Borrower's Executive Branch;

(r) "FEDECAFE" means Federacion Nacional de Cafeteros de Colombia, a private non-profit legal entity established and operating under the laws of the Borrower under the form of an association of coffee growers;

(s) "Framework Provisions" means the two types of provisions of an Implementing Agreement (as defined below) referred to in subparagraph (i) of paragraph (c) of Section 3.01;

(t) "ICFES" means Instituto Colombiano para el Fomento de la Educacion Superior established by the Borrower's Decree No. 3156 of December 26, 1960;

(u) "Implementing Agency" means each of the following: a Part A.2 (b) Agency, a Part A.2 (d) Agency, a Part B Agency, a Part D.3 Agency, ICFES, exclusively with regard to Part D.1 of the Project, INCORA (as defined below), exclusively with regard to Parts A.2 (c) and (d) of the Project, the National Park Service (as defined below) exclusively with regard to Part C of the Project, CVC, exclusively as a Part B Agency, and only in respect of the Eastern part of the Farallones de Cali National Park, also with respect to Part C of the Project, FOSES (as defined in paragraph (ap) of this Section), exclusively with regard to Part A.2 (f) of the Project, and SENA (as defined below), exclusively with regard to Part D.2 of the Project, and the term includes any other public or private institution, proposed by the Borrower as a legal entity to replace one or more of the above, or to be added to the above mentioned ones, in assisting the Temporary Project Execution Entity in the carrying out of the Project pursuant to paragraph (a) of Section 3.01 of this Loan Agreement, and that has been accepted by the Bank by written notice to the Borrower; for purposes of the preceding definition of "Implementing Agency:" "Part A.2 (b) Agency" means each of CORPONARINO, CODECHOCO or INDERENA, exclusively with regard to the projects referred to in (iv) and (v), (vi) and (vii), respectively, of Part A.2 (b) of the Project, or any entity which the Bank shall have accepted by written notice to the Borrower for purposes of Part A.2 (b) (viii) of the Project; "Part A.2 (d) Agency" means INCORA and any other public agency with which DNP establishes mechanisms under Part A.2 (d) (i) of the Project; "Part B Agency" means a Regional Corporation that intends to execute a Part B Subproject within its jurisdiction i.e., in the Narino Department, CORPONARINO, in the Cauca Department, CRC, in the Valle del Cauca Department, CVC, and in the Antioquia Department, CORNARE or CORPOURABA, when the activities in question fall within their respective jurisdiction and, in the case of CORPOURABA, only to the extent it is being assisted by the Department of Antioquia acting through its Agriculture Secretariat or any other Regional Corporation accepted

by the Bank by notice to DNP for purposes of Part B of the Project, and in the portions of the Department of Antioquia which do not fall within the jurisdiction of CORNARE or CORPOURABA, the Department of Antioquia, acting through its Agriculture Secretariat; and "Part D.3 Agency" means each of FEDECAFE, ACOFORE, CONIF, the Timber Company (as defined below) and CORPONARINO, exclusively with regard to the projects referred to in (a), (b) and (e), (c), (d) and (f), (g), and (h), respectively, of Part D.3 of the Project, and any legal entity which the Bank shall have accepted, by written notice to the Borrower, for purposes of Part D.3 (i) of the Project;

(v) "Implementing Agreement" means each of the contractual arrangements referred to in Section 3.01 (b) of this Loan Agreement, which arrangements comprise the Framework Provisions and the Annual Work Provisions;

(w) "INCORA" means the Borrower's Instituto Colombiano de Reforma Agraria established by the Borrower's Law No. 135 of December 13, 1961;

(x) "INDERENA" means the Borrower's Instituto Nacional de los Recursos Naturales Renovables y del Ambiente established by the Borrower's Decree No. 2420 of 1968, currently under the control of the Ministry (as the term is defined in paragraph (an) of this Section) during the process of INDERENA's winding-up as provided for by the provisions of Title XV of Law No. 99;

(y) "Manual" means the operational manual (Reglamento Operativo) for the Project, consistent with the provisions of this Loan Agreement, to be issued by DNP pursuant to the provisions of paragraph (a) of Section 6.01 of this Agreement;

(z) "Mid-term Review" means the review to be held pursuant to the provisions of Section 3.03 of this Loan Agreement;

(aa) "M.S.A." means the management services agreement provided for under the provisions of Section 3.05 of this Loan Agreement;

(ab) "National Park" means each area of non-transferrable land owned by the Borrower and protected under the provisions of the Borrower's Decree-Law No. 2811 of December 8, 1974 (National Code of Renewable Natural Resources and Environmental Protection);

(ac) "National Park Service" means the Unidad Administrativa Especial del Sistema de Parques Nacionales Naturales of the Ministry, created by Article 10 of Law No. 99, to which resources will be transferred by the said Ministry from the administrative Division of INDERENA currently in charge of the management of the National Parks as part of the winding-up process of INDERENA;

(ad) "New Environmental Legislation" means any Borrower's law (other than Law No. 99) stipulating norms related to the environment, or to natural resources or the management thereof, or to indigenous populations or land, or to public or private institutions involved directly or indirectly with any of the above subject matters, including the law provided for in Article 329 of the Borrower's Constitution or norms issued by the Borrower's Executive Branch pursuant to the provisions of Transitory Article 56 of the Borrower's Constitution or to Law No. 70 or to Law No. 99, all said norms promulgated after August 1, 1993;

(ae) "Panel" means the panel to be established by the Borrower pursuant to Section 3.06 of this Loan Agreement;

(af) "Part B Subproject" means the set of one or more interventions, such as land-use zoning, tree planting or soil conservation, to be carried out for purposes of Part B of the Project by a Part B Agency that has presented the proposed interventions in question to the Coordinating Unit for approval and that in its turn, shall contribute funds to the financing therefor and shall have obtained from one or more relevant groups of local population on terms and conditions acceptable to Temporary Project Execution Entity, the promise of carrying out certain undertakings as a quid pro quo for the performance of the interventions in question, including provision of goods and civil works therefor, by the Part B Agency in question;

(ag) "Project Area" means the area within the current limits of the Borrower's Departments of Antioquia, Cauca, Choco, Narino and Valle del Cauca, plus the areas

within the Cordova Department of the Paramillo National Park and its Buffer Zones;

(ah) "Part D.1 Subagency" means any training institution selected by ICFES and accepted by the Bank, all for purposes of Part D.1 of the Project; and "Part D.1 Subagency Agreement" means each of the contractual arrangements entered into between ICFES and a Part D. 1 Subagency pursuant to paragraph (d) of Section 3.01 of this Loan Agreement;

(ai) "Regional Committee" means each of the committees of representatives from the Black Communities and of representatives of indigenous communities, all in the Choco Region, which will participate in the identification, preparation, follow-up and assessment of the corresponding activities carried out under the Project;

(aj) "Regional Corporation" means Corporacion Autonoma Regional, a publicly owned legal entity governed by the provisions of the specific legal provisions which have created said legal entity, or of Title VI of Law No. 99, or both;

(ak) "SENA" means Servicio Nacional de Aprendizaje established by the Borrower's Decree No. 118 of June 21, 1957;

(al) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(am) "Temporary Project Execution Entity" means either DNP, or the Ministry exclusively after January 1, 1995 and after the Bank shall have notified the Borrower that the Ministry has acquired, in the Bank's opinion, the operational capabilities to administer and manage the Project on behalf of the Borrower in a fashion that will enable the Borrower's compliance with its obligations under this Agreement;

(an) "the Ministry" means the Borrower's Ministry of the Environment established under Law No. 99;

(ao) "Timber Company" means the private timber company referred to in Part D.3 (g) of the Project; and

(ap) "FOSES" means the Borrower's Fondo de Solidaridad y Emergencia Social (Solidarity and Social Emergency Fund), a legal entity established by virtue of the provisions of the Borrower's Decree No. 2133 of December 30, 1992, that has been entitled to execute the budget of the Borrower's Plan Nacional de Rehabilitacion (National Rehabilitation Plan) by Article 2 of the Borrower's Decree No. 2707 of December 30, 1993 which defines and regulates said Plan, and the By-laws and Internal Organization of which have been adopted by Acuerdos No. 001 and 003 of the Governing Council of such Fund and approved by the Borrower's Decree No. 2737 of December 31, 1993.

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 the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of thirty nine million dollars (\$39,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of Parts A, B and D of the Project and through its Ministry of Finance and Public Credit, open and maintain in dollars a special deposit account in the Borrower's Banco de la Republica 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, 1999 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 commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

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 the Temporary Project Execution Entity and with the assistance of Implementing Agencies as shown, in respect of the different Parts of the Project, in the Annex to said Schedule 2, all with due diligence and efficiency and in conformity with appropriate environmental and ecologic practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Pursuant to the provisions of paragraph (a) of this Section and for purposes of receiving their assistance regarding the carrying out of the Project, the Borrower, through the Temporary Project Execution Entity, shall enter into contractual arrangements with each Implementing Agency (Implementing Agreement); such contractual arrangements shall provide, on terms and conditions satisfactory to the Bank: (i) a general description of the results that the Temporary Project Execution Entity and such Implementing Agency are expecting as the outcome of the activities of such Implementing Agency under the Project; and (ii) shall further provide that such Implementing Agency shall, in performing such activities, abide by the provisions of the Manual and take all such action on its part as shall be required to enable the Borrower: (A) to comply with its obligations under this Loan Agreement, particularly with those under Sections 3.02 and 4.01 thereof and under Sections 9.04 through 9.09 of the General Conditions; and (B) to suspend payments to the Implementing Agency in question in the case of lack of compliance thereby with the provisions of the corresponding Implementing Agreement, particularly in the case special audits of the accounts and records of such Agency are required because audits thereof made pursuant to Section 4.01 of this Loan Agreement shall have identified irregularities; provided, further, that in respect of each of ACOFORE, CONIF, FEDECAFE and the Timber Company, and any other privately owned entity that may be accepted in the future as an Implementing Agency under the Project, the services of each such Implementing Agency shall be hired by the Borrower, through the Temporary Project Execution Entity and on the terms and conditions stipulated under the corresponding Implementing Agreement while, in respect of the rest of the Implementing Agencies, each Implementing Agreement shall stipulate in what manner the Implementing Agency in question shall participate in the Project and the means by which their respective budgetary resources for the Project shall be supplemented, if so required, with, inter alia, the corresponding portion of Loan proceeds.

(c) Without limitation upon the preceding provisions of this Section, and except if the Bank shall otherwise agree, the contractual arrangements referred to in paragraph (b) above shall include, also on terms and conditions satisfactory to the Bank: (i) provisions, of the type stipulated in such paragraph (b) and other provisions covering aspects related to relevant environmental licenses or other types of permits or prohibitions all aimed at preventing or mitigating adverse environmental impact (the Framework Provisions), such Framework Provisions to continue to be in effect for as long as one year after the specific activities that the Implementing Agency in question has obligated itself to perform in respect of the Project have been completed to the satisfaction of the corresponding Temporary Project Execution Entity and the Bank (the Framework Provisions); and (ii) provisions (the Annual Work Provisions) which shall reflect, in terms fully consistent with the relevant Annual Work Program or Programs, the specific activities that such Implementing Agency shall perform under the Project during a period which, unless the Bank and the corresponding Temporary Project Execution Entity shall otherwise agree, shall not extend beyond the end of the calendar year in respect of which the relevant Annual Work Program has been approved; provided, however, that the Implementing Agreement with each Implementing Agency may be reflected in one or more instruments and that in the case of an Implementing Agency that performs activities with regard to more than one Part of the Project, the Framework Provisions binding such Agency may be common to all the relevant Parts of the Project and be reflected in one single instrument.

(d) The provisions of paragraphs (b) and (c) above notwithstanding, the Temporary Project Execution Entity shall, through the corresponding Implementing Agreement, ensure that ICFES shall enter with each Part D.1 Subagency into contractual arrangements on terms and conditions satisfactory to the Bank (Part D.1 Subagency Agreement); provided, however that: (i) the Framework Provisions of such Implementing Agreement shall constitute an integral part of each Part D.1 Subagency Agreement and

shall continue to be in effect for as long as one year after the specific activities referred to in (ii) below have been completed to the satisfaction of DNP, ICFES and the Bank; while (ii) the obligations of the corresponding Part D.1 Subagency under the provisions of the Part D.1 Subagency Agreement in question (which shall reflect, in terms fully consistent with the relevant Annual Work Program or Programs, the specific activities that such Part D.1 Subagency has obligated itself to carry out under Part D.1 of the Project during a period which unless the Bank and DNP shall otherwise agree, shall not extend beyond the end of the calendar year in respect of which the relevant Annual Work Program has been approved), shall also constitute obligations of ICFES as an integral part of the Annual Work Provisions of the Implementing Agreement entered into between DNP and ICFES; further provided, however, that the provisions of the proviso to paragraph (c) above shall apply also, mutatis mutandis, to this paragraph (d).

(e) Except as the Bank shall otherwise agree, DNP shall not, and cause ICFES with regard to the Part D.1 Subagency Arrangements not to assign, amend, abrogate or waive any provision of any Implementing Agreement, or Subagency Agreement, as the case may be, with the exception of those provisions referred to in paragraphs (c) (ii) or paragraph (d) (ii) above, as the case may be, which relate exclusively to the carrying out of the specific activities, and which, after the relevant period has ended and after a new Annual Work Plan has been approved, shall be replaced by new provisions reflecting, and/or related to, the specific activities, consistent with such Annual Work Program, which the Implementing Agency or Part D.1 Subagency in question, as the case may be, shall carry out under the Project during the period in question.

(f) The preceding provisions of this Section notwithstanding, the Borrower shall not enter into any Implementation Agreement and cause ICFES not to enter into any Part D.1 Subagency Agreement if, at the time of entering into the applicable Agreement, the Implementing Agency or Part D.1 Subagency in question was not fully complying with the existing legal requirements in respect of matters related to environment, ecology, indigenous people and Black communities.

(g) Without limitation upon the preceding provisions of this Section, the Borrower shall maintain the Manual and the Coordinating Unit until the end of the year in which the final withdrawal from the Loan Account has taken place, shall not change or fail to enforce the Manual or any provision thereof, shall not change the legal status, terms of reference, organization or structure of the Coordinating Unit, and shall provide the Coordinating Unit, promptly as needed, the funds, facilities, services and other resources required for the discharging of its functions and responsibilities under the Project.

(h) Without limitation upon the preceding provisions of this Section, the Borrower shall: (i) maintain the Coordinating Committee until the Bank will have notified the Borrower, pursuant to the provisions of paragraph (am) of Section 1.02 of this Agreement, the Bank's favorable opinion with respect to the Ministry becoming the Temporary Project Execution Entity; (ii) take all such action as shall be necessary to put the Coordinating Unit under the jurisdiction of the Ministry, if the aforesaid notification will have been sent, and upon the sending thereof; and (iii) provide the funds, facilities, services and other resources required for purposes of (i) and, if warranted, (ii) above.

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.

(b) Without prejudice to the provisions of paragraph (a) of this Section, the Borrower, through the Coordinating Unit and by a date eight months after the award of the first non-reviewed contract, and every six months thereafter, shall submit to the Bank a procurement evaluation report, such report to review and describe the processes followed for the award of each non-reviewed contract awarded during the six-month portion of the period ending on the date on which each such report is due and to evaluate whether the obligations of the Borrower under paragraph (a) of this Section have been met in respect of the contracts covered by such report.

(c) For purposes of paragraph (b) of this Section: (i) the Coordinating Unit shall assign the services of its procurement specialist in a timely fashion and pursuant to the provisions of Section II of Schedule 4 to this Agreement; and (ii) the term "non-reviewed contract" means each contract to be procured pursuant to the provisions of paragraph (a) of this Section and, as the case may be, subjected either to the provisions of Part E.1 (b) of Section I of such Schedule or to the exception provided for under paragraph 2 of the aforesaid Section II.

Section 3.03. The Borrower shall take all such action on its part as shall be necessary to ensure that: (a) by June 30, 1996 all preparatory activities in order to undertake jointly with the Bank the Mid-term review and evaluation of the Project under Part D.5 (c) of the Project have been completed, including, but not limited to, Part A.1 of the Project and a proposal for revised forest concessions, harvesting permits and royalties in natural forest areas, and Parts D.4 and D.5 (e) of the Project, and that, at any date thereafter, it shall be ready to meet with the Bank at the request thereof for purposes of the aforesaid Part D.5 (c) of the Project; and (b) after Part D. 5 (c) of the Project shall have been completed at the satisfaction of the Bank, all required adjustments to Project execution, as well as changes to the Manual agreeable to the Bank, are introduced.

Section 3.04. The Borrower shall: (a) not later than on October 31 each year, present to the Bank, for approval, a detailed work program (Annual Work Program) for the following year prepared by the Coordinating Unit for all activities under the Project of the Temporary Project Execution Entity, each Implementing Agency and Part D.1 Subagency, together with the corresponding budgets; (b) refrain and cause Implementing Agencies and Part D.1 Subagencies to refrain, from incurring in expenditures under the Project unless the expenditures in question are part of the corresponding Annual Work Program and the said Program has been approved by the Bank; (c) carry out and cause each Implementing Agency and Part D.1 Subagency to carry out activities under the corresponding Part of the Project in a manner that shall be fully consistent with the corresponding Annual Work Program; and (d) change Annual Work Programs only in agreement with the Bank.

Section 3.05. The Borrower shall enter, with an entity acceptable to the Bank, into a management services agreement on terms and conditions satisfactory to the Bank (M.S.A.) for purposes of carrying out Part A.2 (a) of the Project and, unless the Bank shall have otherwise agreed, it shall not assign, amend, abrogate or waive such agreement or any provision thereof. The agreement in question shall include provisions aimed at: (a) securing the services of the Borrower's Instituto Geografico Agustin Codazzi for purposes of doing the photo interpretation, cartography and digitizing of the existing 1:100,000 radar images that will be used to execute Part A.2 (a) (ii) of the Project and of other adequate third party services for purposes of Parts A.1, A.2 (e) and D.4 through 6 of the Project; and (b) assisting the Temporary Project Execution Entity in discharging its obligations under the Implementing Agreements entered into for purposes of Part D.3 of the Project.

Section 3.06. DNP shall, not later than 90 days after the Effective Date, appoint all members of the Panel with qualifications, experience and terms and conditions of appointment satisfactory to the Bank. If, at any time until a date 90 days before the Closing Date, as it may be postponed pursuant to the provisions of Section 2.01, 20 of the General Conditions, one or more positions in the Panel will have become vacant, DNP shall promptly consult with the Bank and appoint, to occupy such vacant or vacants, persons with qualifications, experience and terms and conditions of appointment satisfactory to the Bank. DNP shall obtain the approval of the Bank before changing the terms and conditions of appointment of any member of the Panel.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower, including Implementing Agencies and Part D.1 Subagencies, responsible for carrying out

the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall 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) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for 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;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit 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 the statements of expenditure 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified, provided, however, that if any of the events specified in paragraphs below shall have occurred and be continuing and such event relates only to one or more privately owned Implementing Agencies or Part D.1 Subagency, the suspension of the Borrower's rights to make withdrawals from the Loan Account may be limited by the Bank to withdrawals related to the Part or Parts of the Project with regard to which the Implementing Agency or Part D.1 Subagency in question, as the case may be, is assisting the Borrower pursuant to Section 3.01 of this Loan Agreement:

(a) Law No. 70 or Law No. 99, as both terms are defined in Section 1.02 (d) of this Agreement, shall have been amended, abrogated, repealed or waived so as to affect materially and adversely, in the Bank's opinion, the ability of the Borrower to carry out the Project or to perform any of its obligations under this Loan Agreement or any of the Implementing Arrangements or Part D.1 Subagency Arrangements;

(b) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of a publicly owned Implementing Agency or Part D.1 Subagency or a resolution shall have been passed for the dissolution of any privately owned Implementing Agency or Part D.1 Subagency, provided, however, that the provisions of this paragraph (b) shall not apply if the Implementing Agency or Part D.1 Subagency in question shall have been replaced, in

form and substance satisfactory to the Bank, by another legal entity, or by a Borrower's administrative subdivision, acceptable to the Bank;

(c) a default shall have occurred in the performance of any obligation on the part of any Implementing Agency or Part D. 1 Subagency under the respective Implementing Agreement or Part D.1 Subagency Agreement, as the case may be, and such default has, in the Bank's opinion, materially and adversely affected the carrying out of the Project;

(d) New Environmental Legislation shall have been put into effect, and have affected adversely and materially, in the Bank's opinion, the ability of the Borrower to carry out the Project;

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan Project shall have been whole or in part, pursuant to the providing therefor; or made to the Borrower for the financing of the suspended, cancelled or terminated in terms of the agreement

(B) any such loan shall have become due and payable prior to the maturity thereof;

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that:

(A) such suspension, cancellation, termination or prematuring is not caused obligations under by the failure of the Borrower to perform any of its such agreement; and

(B) adequate funds for the Project are available to the Borrower from other obligations of the sources on terms and conditions consistent with the Borrower under this Agreement; and

(f) as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have occurred which shall make it improbable that an Implementing Agency or a Part D.1 Subagency will be able to perform their respective obligations under the applicable Implementing Agreement or Part D.1 Subagency Agreement, as the case may be.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified:

(a) any event specified in paragraphs (a) or (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of 30 and 60 days, respectively, after notice thereof shall have been given by the Bank to the Borrower;

(b) any event specified in paragraphs (b) or (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

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 Manual has been issued in form and substance satisfactory to the Bank;

(b) the Coordinating Unit has been established in form and substance satisfactory to the Bank, its General Coordinator, with qualifications and experience

satisfactory to the Bank, has taken office and the heads of the Secretariats mentioned in Part D.4 (b) and (c) of the Project have been appointed and the appointees have qualifications and experience satisfactory to the Bank;

(c) the M.S.A. has been executed and delivered; and

(d) the Implementing Agreements with INDERENA, CVC, CORPONARINO, CORNARE and ICFES have been executed and delivered.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that each of the Implementing Agreements referred to in paragraph (d) of Section 6.01 has been duly authorized or ratified by, and executed on behalf of the respective parties thereof and the respective obligations of the several parties thereunder are legally binding thereupon in accordance with the terms thereof.

Section 6.03. The date of November 9, 1994 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 Borrower:

Ministerio de Hacienda y Credito Publico
Palacio de los Ministerios
Santa Fe de Bogota, Colombia

Cable address:

MINHACIENDA

Telex:

44473

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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

REPUBLIC OF COLOMBIA

By /s/ Enrique Umana

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Javed Burki

Regional Vice President
Latin America and the Caribbean

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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Project Expenditures incurred in respect of the Coordinating Unit through the entity referred to in Section 3.05 of this Agreement in respect of the following Parts of the Project:		100%
(a) Part A.1	800,000	
(b) Part A.2 (a)	1,550,000	
(c) Part A.2 (e)	350,000	
(d) Part D.4	1,900,000	
(e) Parts D.5 and D.6	1,050,000	
(2) Amounts paid by the Temporary Project Execution Entity to Implementing Agencies or to a Part D.1 Sub-agency, as the case may be, in respect of Project Expenditures under the following Parts of the Project:		100%

(a) Part A.2 (b)	2,200,000	
(b) Part A.2 (d)	1,550,000	
(c) Part A.2 (f)	1,000,000	
(d) Part D.1	5,000,000	
(e) Part D.2	1,600,000	
(f) Part D.3	3,300,000	
(3) Amounts paid by the Temporary Project Execution Entity to Implement- ing Agencies in respect of Project Expenditures under:		100%
(a) Part A.2 (c) of the Project	200,000	
(b) Part B of the Project	9,500,000	
(4) Unallocated	9,000,000	
	<hr/>	
TOTAL	39,000,000	
	=====	

2. For the purposes of this Schedule "Project Expenditures" means expenditures in respect of goods, works or services included under the corresponding Annual Work Program and in respect of the corresponding Part or Parts of the Project, with the exception of expenditures in respect of: (a) goods intended for a military or paramilitary purpose; (b) tobacco unmanufactured (including tobacco refuse) or manufactured whether or not containing tobacco substitutes; (c) tobacco manufacturing; (d) radioactive and associated materials; (e) goods or processes related to nuclear reaction; (f) transfer of assets or acquisition of rights on lands (irrespective of the form it takes); (g) severance payments; and (h) refinancing of debt.

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

(a) payments made for Project Expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$3,900,000, may be made on account of payments made for Project Expenditures before that date but after July 19, 1993;

(b) Project Expenditures which have not been included in, or which are not consistent with, an Annual Work Program approved by the Bank;

(c) Project Expenditures: (i) incurred in through activities of an Implementing Agency or Part D.1 Subagency which has not entered into the corresponding Implementing Agreement or Part D.1 Subagency Agreement, as the case may be, or which, having entered into the applicable Agreement, has not yet agreed with the corresponding Temporary Project Execution Entity on the Annual Work Provisions corresponding to the year in question, or (ii) in respect of which the corresponding Temporary Project Execution Entity has not yet given notice to the Bank that the corresponding Annual Work Provisions have been agreed upon between such Temporary Project Execution Entity and the Implementing Agency in question or between ICFES and the Part D.1 Subagency in question; and

(d) payments made by the Temporary Project Execution Entity in respect of expenditures: (i) under Category (2) of the table set forth in paragraph 1 of this

Schedule (other than subcategories (b) and (c) thereof), if the payments in question exceed 80% of the Project Expenditures in question; and (ii) under Category (3) of such table, if the payments in question exceed 50% of the Project Expenditures in question.

4. Unless otherwise stated in the corresponding withdrawal application, every application for withdrawal of funds from the Loan Account shall be deemed filed under the representation that the expenditures in question qualify as Project Expenditures and, if applicable, that the percentages stipulated in paragraph 3 (d) above have not been exceeded by the corresponding payments.

5. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and services not exceeding the equivalent of \$150,000, \$250,000 and \$100,000, respectively, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to develop, through the carrying out of specific actions, policies and mechanisms which would contribute to arrest the ongoing degradation of natural renewable resources over the longer term. In the Choco Region, the specific objective is to help conserve the primary moist forest and its biodiversity. The specific objective for the portion of the Project located in the Western and Central Cordilleras is to assist in halting and reversing forest conversion and degradation.

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: Development of a national forest policy and of a strategy for natural resource management in the Choco Region

1. National Forest Policy. Execution of a comprehensive forest sector report that will:

(a) assess existing limitations on forest sector sustainable growth; and

(b) recommend policies and actions which could be implemented to overcome said limitations, including those concerning the prior licensing for timber exploitation and commercialization and other aspects of policies related to creating a conducive context for the promotion of sound timber business without endangering forest preservation.

2. Development of a strategy for natural resource management in the Choco Region:

(a) Ecological zoning of the Region, consisting of:

(i) production of a first integrated assessment of the Region at a scale of 1:500,000 based on available data;

(ii) production of a new base cartography at a scale of 1:200,000 including hydrology, geomorphology, and land-use and vegetation;

(iii) identification of critical issues and areas concerning natural resource management, integration of the information on environment, biodiversity and natural resources, and demographic and economic processes; and

(iv) development of a geographic information system with the primary information on, and zoning results obtained in, the Region, oriented as a tool for regional analysis, planning and decision making, and

based locally at the Department level and accessible to different institutions and social groups in the corresponding Department.

(b) Establishment of an environmental monitoring system.

Through the monitoring of on-going forest use projects mentioned below and, if warranted, other similar projects that may be selected and undertaken in the future, the Coordinating Unit will:

- (i) ascertain the immediate and medium-term environmental and social impacts of the forest use projects referred to below on their natural surroundings and the quality of life of local inhabitants;
- (ii) generate sustainable forest management parameters for long-term forest-based extractive activities in the Region; and
- (iii) strengthen the institutions responsible for environmental monitoring.

The projects in question are:

- (iv) the naidi palm project to be implemented by CORPONARINO and referred to under Part D.3 (h) of the Project;
- (v) the guandal forest use and conservation project in the Sanquianga River area of the Narino Department, being implemented by CORPONARINO and the Borrower's Universidad Nacional de Medellin;
- (vi) one or more commercial timber extraction operations which are located in one or more representative areas of the lower Atrato River basin, and are being supervised by CODECHOCO;
- (vii) the integrated forest management project in the Uraba region of the Antioquia Department, being implemented by INDERENA; and
- (viii) such other project or projects as the Borrower, through the Sub-Director of DNP, and the Bank shall agree from time to time which shall be utilized for monitoring purposes under this Part of the Project.

All of the above will be done through the acquisition of consultant services to be utilized by each of CORPONARINO, CODECHOCO and INDERENA in respect of the above mentioned projects, and by other entities acceptable to the Bank in the case of projects determined in the future under (viii) above, and by the Coordinating Unit.

(c) Titling and Demarcation of Indigenous Reserves (Resguardos):

- (i) Definition and legal protection of indigenous (Amerindian) lands including measures geared to the granting of land title through INCORA to indigenous groups in the Region who do not have secure land titles, and establishing of new reserves; and
- (ii) Marking of the boundaries of existing reserves (Resguardos) with the assistance of the Borrower's Ministry of Government.

(d) Initial activities geared to collective land titling in favor of Black Communities, as follows:

- (i) Establishment of coordination mechanisms between: (A) INCORA and other public agencies involved in the land titling process such as INDERENA, the Borrower's Instituto Geografico Agustin Codazzi, Instituto Colombiano de Antropologia (Colombian Institute of Anthropology) and the Borrower's Ministry of Government; and (B) these agencies and administrative subdivisions and the Black Communities, such mechanisms to include procedures and financial support to make possible the participation in meetings of the individuals involved;

(ii) execution of one or more studies to estimate the level of demand for critical areas and collective titling, identifying the regional priorities, potential problems;

(iii) technical support and training programs oriented to public entities and private contractors in order to develop the capacity required for the titling process using global positioning system technology, and acquisition and utilization of minor equipment for the use of such technology;

(iv) field work with communities so as to inform them on the titling procedures and to support their organization process and the subsequent first phase of the titling process (clarification of community grouping, boundaries of the areas corresponding to each community, and description of demographic, ethno-historic and land-use factors);

(v) execution of planimetric maps of each community land;

(vi) processing by INCORA of each community request of land titling and registration; and

(vii) other coordination and supervision activities by INCORA in connection with Law 70 and this Part A.2 (d) of the Project.

(e) Institutional Analysis of Regional Corporations:

(i) Execution of an institutional analysis of each of CORPONARINO, CRC, CVC, CODECHOCO and CORPOURABA; and

(ii) preparation of proposals for the reorientation and restructuring of each of the aforesaid Regional Corporations so as to improve their capacity and efficiency for the management of the environment and of natural resources.

(f) Support to Regional Committees

Support by the Temporary Project Execution Entity, with the assistance of FOSSES, of the operation of committees of delegates of local communities and community based groups from the Amerindian and Black Communities populations in the Region (Regional Committees), mostly through financial assistance of the travel expenses and per-diem allowances for the delegates, so as to enable them to attend the respective Regional Committee meetings, and operational expenses of such Committees, such as staff and consultant services and materials.

Part B: Watershed Protection and Rehabilitation

Execution of Approved Part B Subprojects to protect and rehabilitate watersheds in critical parts of the Project Area, such Subprojects to be ranked and selected according to the benefits expected from the interventions in question, the size of the area, and the severity of the erosion problem and the organization and commitment of the affected populations, all as provided for in the Manual. These interventions will include:

(a) a micro-watershed protection program, principally to promote through extension-type field work improved land use practices and reforestation which conserve soil and water resources;

(b) a subprogram of (a) above for the treatment of severely degraded micro-watersheds that will focus on steep, heavily eroded grazing areas in Antioquia through regeneration of forest cover; and

(c) community plantations to produce fuelwood and other wood products on a larger scale to reduce pressure on remaining highland natural forests, alleviate poverty and protect the natural environment.

Part C: Management of National Parks and Buffer Zones

1. Development of the institutional capacity of the National Park Service and CVC through hiring of incremental staff thereof, infrastructure investments therefor and technical assistance thereto to ensure satisfactory execution of the National Park activities under the Project, both at regional and central levels.
2. Training of: (a) National Park Service and CVC headquarters personnel; and (b) field staff of public or private entities involved, both in respect of management of protected areas in the Choco Region.
3. Development of management plans to be prepared in close consultation with local communities in respect of the geographic areas currently included in each of the National Parks listed below, such plans to include infrastructure investments, and utilization of vehicles and equipment, and provision of personnel, so as to enable the adequate management of said areas in the following Parks: Sanquianga, Tatama, Munchique, Utria, Farallones de Cali, Katios, Gorgona, Paramillo and Las Orquideas.
4. Establishment, including surveys, boundary demarcation, and publications in the Official Gazette, and preparation of management plans for the creation of special management areas (Areas de Manejo Especial) to be selected on the basis of their extraordinary biodiversity value.
5. Enhancement of community conservation and environmental education in the protected areas, including the aforesaid National Parks and their Buffer Zones.
6. Development of a strategy and a draft action plan for the long-term funding of protected areas.
7. Specific monitoring and evaluation of protected area developments using biophysical and socioeconomic indicators.

Part D: Education, Training, Research and Project Management

1. University Education and Research. Increasing the availability of trained manpower for the forestry/environment sector by:
 - (a) improving the facilities of training institutions through the execution of construction and rehabilitation works in institutions selected by ICFES and which are acceptable to the Bank, and acquisition and utilization of equipment therefor;
 - (b) strengthening the teaching capacity through funding of postgraduate studies and workshops for teachers and research fellows, and hiring services of additional teaching staff at the forestry schools in Colombia for the initial part of Project execution;
 - (c) funding allowances for trainee technicians to stimulate interest in technical training;
 - (d) funding in-service training (refresher courses) for professionals and technicians;
 - (e) funding research programs, such as theses and research seminars, on matters related to the Borrower's Plan de Accion Forestal at universities with degree training in forestry; and
 - (f) strengthening of ICFES' capabilities to administer and monitor the Project-supported education and university research activities through the provision of financial support for travel and subsistence expenditures of ICFES' and other trainees, and students and teachers sponsored by ICFES staff, acquisition and utilization of equipment and materials, and provision of consultant services to modify ICFES' training curricula and corporate environmental moduli.
2. Vocational Training

Training by SENA of semi skilled staff and workers who will discharge duties

and/or perform services in the timber industry and in forestry and environmental protection tasks carried or to be carried out by private or public entities, with priority given to those operating in the Choco Region.

3. Forestry Research

Support of selected forestry research and demonstration projects, as follows:

(a) Species and management trials with ten high value tropical timber species, to be implemented by FEDECAFE.

(b) Management and conservation of forest genetic resources of the Andean Region, to be implemented by FEDECAFE.

(c) Establishment and operation of a technical and statistical data base and information system for industrial plantations, to be implemented by ACOFORE.

(d) Development of methods for the protection of industrial plantations against diseases, physiological damages and forest fires, to be implemented by CONIF.

(e) Genetic improvement of high value forest species, to be implemented by FEDECAFE.

(f) Evaluation of the environmental impact of industrial plantations, to be implemented by CONIF.

(g) Improved regeneration of about 2,500 hectares of natural guandal forest in the Southern part of the Choco Department, to be implemented by Madereria Central Ltda., a private forest company.

(h) Improvement of naidi palm production in the Southern part of the Choco Region, to be implemented by CORPONARINO.

(i) Such other forestry research project or projects as the Borrower, through either the Sub-Director of DNP or the Minister of the Ministry, as the case may be and the Bank shall agree from time to time that shall be implemented under this Part D. 3 of the Project.

4. Project Management

Strengthening of the Borrower's capacity to coordinate, manage, implement and monitor the Project, by means of providing direct support to the Coordinating Unit through the acquisition for, and utilization by, such Unit of: (a) related office equipment and operational services, including staff training; (b) personnel for such Unit's Secretariat of Technical Matters, to occupy the following positions thereof: head, three specialists in each of forest policies, forest conservation and land regularization, three professional assistants to the said specialists, and one secretary; (c) personnel for such Unit's Secretariat of Financial Matters, to occupy the following positions thereof: head, legal counselor, specialist in financial issues related to procurement, and two financial assistants; (d) one professional assistant for such Unit's Secretariat of Institutional Matters and one coordination assistant to the General Coordinator of such Unit; and (e) such other additional personnel or services, or both (including acting services) for the Coordinating Unit as agreed from time to time between the Borrower, through either the Sub-Director of DNP or the Minister of the Ministry, as the case may be, and the Bank.

5. Technical Assistance for Project Preparation and Evaluation

Execution of the following activities through the utilization of consultant services therefor:

(a) Preparation of a baseline study of the physical, economic and social conditions prevailing in the Project Area at the start of the Project, such study to be done on the basis of existing information and to refine current monitoring and evaluation indicators which will be used for continuous monitoring of Project progress and for purposes of paragraphs (b), (c) and (d) of this Part D.5 of the Project.

(b) Design and establishment of a monitoring system within the Coordinating Unit to monitor, without limitation to the provisions of Section 9.07 (a) of the General Conditions, progress in the implementation of all Project activities, and training of Coordinating Unit staff in the use of such system.

(c) A mid-term review and evaluation of the Project, including recommendations on policies and strategies to be developed thereunder, or as a consequence thereof, on the selection of new special management areas under Part C.4 of the Project and on the design of the future project referred to in (e) below.

(d) Preparation, without limitation to the provisions of Section 9.07 (c) of the General Conditions, of an end-evaluation and draft Project completion report.

(e) Identification and preparation of a future project or program for natural forest management and land titling in the Choco Region.

(f) Assistance to Implementing Agencies for the preparation or refinement of specific Project activities to be included in the Annual Work Programs.

(g) Such other activities as the Borrower, through either the Sub-Director of DNP or the Minister of the Ministry, as the case may be, and the Bank shall agree from time to time that shall be executed under this Part of the Project.

6. Independent Panel of Experts

Establishment of a panel of four independent environmental experts with qualifications and experience satisfactory to the Bank, who will be selected by the Borrower, and who will provide advice to the Temporary Project Execution Entity and the Coordinating Unit on queries and conflicts which may arise during the carrying out of the Project, and who will review, not less than annually, all aspects and activities of the Project, help coordinate responsibilities and strategies, both with respect to other environmental projects being carried out in Colombia contemporaneously with the Project and between institutions providing financial assistance therefor, and recommend adjustments to the Project and with regard to progress thereof, if and when warranted.

* * *

The Project is expected to be completed by December 31, 1998.

Annex to Schedule 2

Distribution of Tasks of Implementing Agencies and Part D.1 Subagencies

Parts A.2 (b) (iv): and (v)	CORPONARINO will be the Implementing Agency, assisted by the Universidad Nacional de Medellin in the case of Part A.2 (b) (v).
Part A.2 (b) (vi):	CODECHOCO will be the Implementing Agency.
Part A.2 (b) (vii):	INDERENA will be the Implementing Agency.
Part A.2 (c):	INCORA will be the Implementing Agency.
Part A.2 (d):	INCORA will be the Implementing Agency, with the assistance of other entities as determined by the Temporary Project Execution Entity.
Part A.2 (f):	FOSES will be the Implementing Agency.
Part B:	CORPONARINO will be the Implementing Agency for each Part B Approved Subproject to be executed in the Narino Department, CRC and CVC will be the Implementing Agencies for each Part B Approved

Subproject executed in the Departments of Cauca and Valle del Cauca, respectively, CORNARE will be the Implementing Agency for each Part B Approved Subproject executed in the portion of the Antioquia Department that falls within its jurisdiction, CORPOURABA will be the Implementing Agency of Part B Approved Subprojects executed in the portion of the Department of Antioquia that falls within its jurisdiction but only to the extent it obtains the assistance of the Department of Antioquia acting through its Agriculture Secretariat, and such Department, acting as indicated, will be the Implementing Agency for each Approved Part B Subproject executed in the remaining portions of such department.

Part C: CVC, exclusively in respect of the Eastern part of the Farallones de Cali National Park, and the National Park Service, will be the Implementing Agencies.

Part D.1: ICFES will be the Implementing Agency. For that purpose, ICFES, under the terms and conditions provided for in the corresponding Implementing Agreement, will enter into a Part D.1 Subagency Agreement with each of the training institutions selected by the Temporary Project Execution Entity and ICFES which are acceptable to the Bank (each of them referred to as the Part D.1 Subagency).

Part D.2: SENA will be the Implementing Agency.

Part D.3 (a): FEDECAFE will be the Implementing Agency.

Part D.3 (b): FEDECAFE will be the Implementing Agency.

Part D.3 (c): ACOFORE will be the Implementing Agency.

Part D.3 (d): CONIF will be the Implementing Agency.

Part D.3 (e): FEDECAFE will be the Implementing Agency.

Part D.3 (f): CONIF will be the Implementing Agency.

Part D.3 (g): The Timber Company will be the Implementing Agency.

Part D.3 (h): CORPONARINO will be the Implementing Agency.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
May 1, 1999	730,000
November 1, 1999	755,000
May 1, 2000	785,000
November 1, 2000	815,000
May 1, 2001	845,000
November 1, 2001	875,000
May 1, 2002	910,000
November 1, 2002	940,000
May 1, 2003	975,000
November 1, 2003	1,010,000
May 1, 2004	1,050,000

November 1, 2004	1,090,000
May 1, 2005	1,130,000
November 1, 2005	1,170,000
May 1, 2006	1,215,000
November 1, 2006	1,260,000
May 1, 2007	1,305,000
November 1, 2007	1,355,000
May 1, 2008	1,405,000
November 1, 2008	1,460,000
May 1, 2009	1,510,000
November 1, 2009	1,570,000
May 1, 2010	1,625,000
November 1, 2010	1,685,000
May 1, 2011	1,750,000
November 1, 2011	1,815,000
May 1, 2012	1,880,000
November 1, 2012	1,950,000
May 1, 2013	2,025,000
November 1, 2013	2,110,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Colombia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Each contract for vehicles (such as field vehicles, motorcycles, tractors and boats), equipment (such as radios, electric plants and pumps) and materials (such as operating and maintenance supplies) estimated to cost less than the equivalent of \$200,000, and each contract for civil works not to be awarded pursuant to the provisions of Part A above may, subject to the provisions of paragraph 2 below, be awarded on the basis of competitive bidding locally advertised, in accordance with procedures satisfactory to the Bank and, only in respect of goods, to the extent the aggregate of the contracts so awarded shall not exceed the equivalent of \$9,900,000.

2. Each contract for vehicles, equipment and supplies or for civil works, estimated to cost less than the equivalent of US\$100,000, may be procured after soliciting price quotations from not less than three reputable suppliers, or local contractors, as the case may be, and awarding the contract to the one quoting the lowest price, to the extent that the aggregate contracts so awarded does not exceed from the equivalent of \$13,100,000 in the case of goods, and \$2,100,000, in the case of civil works.

Part D: Other Procurement Provisions

1. Without limitation upon the provision of the Guidelines, in respect of procurement of goods and works under Part A of this Schedule, and, only in respect of (f) below, under Parts A and C thereof:

(a) no requirements shall be made of local agents for foreign bidders or for certification by Colombian consular authorities of translation into Spanish of support documentation in cases where the bidder assumes the responsibility for errors of the translation in question;

(b) no prior registration of foreign bidders shall be required;

(c) no provision regarding minimum number of bidders shall be applied;

(d) bids of goods shall be evaluated on a cost, insurance, freight (c.i.f.) basis;

(e) freight costs quoted by each bidder shall be used for purposes of bid

evaluation; and

(f) awards shall be made to the lowest evaluated bidders, and no bidder shall be disqualified because the price of the corresponding bid falls above or below a predetermined given value unless otherwise agreed with the Bank, or out of a post-bid-presentation-determined price band.

2. Without prejudice to the provisions of Part A.1 (b) of this Schedule, and unless otherwise agreed between the Borrower and the Bank, the Borrower shall invite bids in regard to the procurement of goods or works for the Project under Part C.1 of this Schedule exclusively on the basis of standard documents agreed with the Bank from time to time and shall inform the Bank on any proposed departure from said documents before any such tender is made public.

Part E: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract awarded pursuant to the provisions of Part A of this Schedule, and each contract for goods and for works to be awarded under Part C.1 of this Schedule, estimated to cost the equivalent of \$150,000 or more, and \$250,000 or more, respectively, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower in respect of all Parts of the Project, the Borrower shall employ, or cause each Implementing Agency to employ, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably

determined by the Bank or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) 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 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 an amount equivalent to \$2,000,000 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 a deposit or deposits 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 in 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the

Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, 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.

