

CONFORMED COPY

LOAN NUMBER 7365-CO

Loan Agreement

(Bogotá Disaster Vulnerability Reduction Project)

between

BOGOTÁ DISTRITO CAPITAL

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated September 5, 2006

LOAN NUMBER 7365-CO

LOAN AGREEMENT

AGREEMENT, dated September 5, 2006, between BOGOTÁ DISTRITO CAPITAL (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received letters from the Republic of Colombia (the Guarantor) respectively dated September 15, 2004 and April 6, 2005, describing therein the strategies and objectives with respect to the Guarantor's program to reduce fiscal vulnerability to national Disasters (the Program) and declaring the Guarantor's commitment to, and the Borrower's acceptance of, the execution of such program specifically in the Borrower's administrative territory;

(B) the Guarantor has requested that the Bank support the execution of its Program through a series of loans over a period of approximately 10 years to be utilized in the implementation of the Program;

(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 which forms part of the Guarantor's Program;

(D) by an agreement of even date herewith between the Guarantor and the Bank (the Guarantee Agreement), the Guarantor has agreed to guarantee the payment obligations of the Borrower in respect of the loan provided for in Article II of this Agreement (the Loan); 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) (the General Conditions), with the modifications set forth below, constitute an integral part of this Agreement.

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

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their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.”

(b) 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”.

(c) 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 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.”

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) “*Bogotá Distrito Capital*” and “the District” mean a territorial entity of the Guarantor’s territory wherein the Guarantor’s capital is located as specified under the Guarantor’s national Constitution and relevant implementing laws and decrees of the Guarantor, including *Decreto Ley* 1421 of 1993;

(b) “CVP” means *Caja de Vivienda Popular*, the District’s social housing fund established and operating pursuant to *Acuerdo Distrital* 20 of 1942 of the Borrower as amended to date, and any successor thereto;

(c) “DABS” means *Departamento Administrativo de Bienestar Social*, the District’s department of social welfare operating pursuant to *Decreto* 334 of 2003 of the Borrower, and any successor thereto;

(d) “DAMA” means *Departamento Técnico Administrativo del Medio Ambiente*, the environmental management agency of the District established and operating pursuant to *Acuerdo* 9 of the Borrower, dated May 9, 1990, as amended to date, and any successor thereto;

(e) “Decree 723” means the Borrower’s Decree, dated October 15, 1999, as amended to date, establishing the Borrower’s regime and system for the prevention of and attention to, emergencies of the Capital District of Bogotá (SDPAE);

(f) “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;

(g) “DPAE” means *Dirección de Prevención y Atención a Emergencias*, the District’s directorate for prevention and emergency assistance, or any successor thereto, which is made responsible for the coordination of all activities related to Disaster risk management;

(h) “Eligible Categories” means Categories (1) through (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(i) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement;

(j) “Executing Entities” means collectively, *inter alia*: CVP, DABS, DAMA, FOPAE/DPAE, SDS, with FFDS acting as its fiduciary agent, SED, SG and SHD, and “Executing Entity” in the singular means any one among them;

(k) “FFDS” means *Fondo Financiero Distrital de Salud*, the District’s health fund established and operating pursuant to *Acuerdo Distrital* of the Borrower, dated December 8, 1990, and any successor thereto;

(l) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(m) “Fiscal Year” and “FY” means the Borrower’s fiscal year commencing January 1 and ending December 31 in the same calendar year;

(n) “FOPAE” means *Fondo de Prevención y Atención de Emergencias*, the District fund for prevention and response to emergencies, established and operating pursuant to *Acuerdo 11* and *Decreto 658* of the Borrower, dated respectively November 17, 1987 and November 28, 1990, and any successor thereto;

(o) “Implementation Agreement” means *Acuerdo Interadministrativo*, each written agreement between SHD and another Executing Entity for purposes of Project implementation;

(p) “Law 400” means a national law of the Guarantor, dated August 19, 1997, which specifies earthquake resistant standards for the retrofitting of key infrastructure in the Guarantor’s territory;

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

(r) “Peso” or “P\$” means the lawful currency of the Guarantor;

(s) “Procurement Plan” means the Borrower’s procurement plan, dated December 23, 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 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(t) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in Part A.5 of Schedule 1 to this Agreement;

(u) “SDPAE” means *Sistema Distrital de Prevención y Atención de Emergencias*, the Borrower’s regime and system for the prevention of, and attention to, emergencies of the District, and any successor thereto;

(v) “SDS” means *Secretaría Distrital de Salud*, the secretariat of health of the District, and any successor thereto;

(w) “SED” means *Secretaría de Educación del Distrito*, the secretariat of education of the District and any successor thereto;

(x) “SG” means *Secretaría de Gobierno*, the District’s government secretariat, and any successor thereto;

(y) “SHD” means *Secretaría de Hacienda Distrital*, the District’s Secretariat of Finance, and any successor thereto;

(z) “SIRE” means *Sistema de Información para la Gestión de Riesgos y Emergencias del Distrito*, the District’s risks and emergencies information management system;

(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 Part B of Schedule 1 to this Agreement;

(cc) “Subsidiary Agreement” means “*Convenio Subsidiario*”, the agreement to be entered into between SHD and FFDS for purposes of the Project; and

(dd) “UCP” means *Unidad Coordinadora del Proyecto*, the Project coordinating unit of SHD.

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 eighty million Dollars (\$80,000,000), 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. 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, works and services required for the Project and to be financed out of the proceeds of the Loan and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

Section 2.03. The Closing Date shall be June 30, 2011 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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. Such fee shall be payable not later than sixty (60) days after the Effective Date.

Section 2.05. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent ($3/4$ of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.

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 February 15 and August 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:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on 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.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through SHD, assisted by the other Executing Entities, with due diligence and efficiency and in conformity with appropriate administrative, public health, financial, managerial, social, environmental and technical standards and practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Operational Manual.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and 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 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. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower 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 for the future operation of the Project; and

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

Section 3.04. (a) The Borrower shall adopt an operational manual, satisfactory in form and substance to the Bank, consisting of different modules setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following:

- (i) the detailed description of project implementation, including: (A) all Project activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and (B) the institutional arrangements in respect thereof, including the allocation of responsibilities among Executing Entities, the terms and conditions for their participation and all related procedures;
- (ii) the Project administrative, accounting, auditing, reporting, financial, disbursement and procurement procedures including all pertinent standard documents and model contracts in relation thereto;
- (iii) the Environmental Framework prepared for the Project and disclosed to the public on July 27, 2005 including: (A) the Resettlement Framework for involuntary resettlements that may take place on account of Project implementation; and (B) the mitigation measures to prevent any adverse impact of Project implementation on the Borrower's cultural property sites;
- (iv) the plan for the training programs and capacity building activities under the Project;
- (v) the plan for the monitoring and supervision of the Project, including environmental aspects in relation thereto; and
- (vi) the performance indicators for the Project.

(b) The Borrower may amend the OM from time to time only with the Bank's prior written consent.

(c) In the event that any provision of the OM shall conflict with any one under this Agreement, the terms of this Agreement shall prevail.

Section 3.05. No later than six (6) months after the Effective Date, the Borrower shall appoint the independent auditors referred to in Section 4.01 of this Agreement, in accordance with the provisions of section III of Schedule 4 to this Agreement.

Section 3.06. No later than March 30, 2006 the Borrower, through SHD, shall, as part of the Subsidiary Agreement between SHD and FFDS, design and thereafter implement a financial management and accounting system, satisfactory in form and substance to the Bank, to manage and consolidate all financial information in relation thereto.

Section 3.07. The Borrower shall:

(a) establish and thereafter maintain at all times during Project implementation, a Project coordinating unit (UCP):

- (i) with staff having at all times during Project implementation, experience, qualifications, terms of reference, functions and resources satisfactory to the Bank, including a Director, a Financial Management Specialist, an Accountant, a Social Specialist and a Procurement Specialist;
- (ii) which shall be responsible for the effective coordination of all fiduciary aspects of the Project, including the procurement, financial management, audit, monitoring and evaluation aspects in relation thereto; and
- (iii) which shall remain under the direct administrative authority of SHD to which it will report periodically, as specified in the OM;

(b) ensure that UCP, through SHD, submits annual Project operational plans and budgets to the Bank for its review and approval;

(c) ensure that: (i) required environmental audits of the Project are carried out as specified in the OM and annual environmental compliance reports are furnished to the Bank's review by April 15 each year; and (ii) all recommendations arising from the

review are thenceforward implemented or caused to be implemented diligently by the Borrower.

Section 3.08. The Borrower shall:

(a) enter into an Implementation Agreement with each Executing Entity under the Project, pursuant to terms and conditions specified in the OM to ensure their respective participation in the Project, including all relevant arrangements for the disbursement of funds in relation thereto;

(b) enter into a Subsidiary Agreement with FFDS, satisfactory to the Bank, therein setting forth all relevant fiduciary arrangements in respect of SDS's participation in the Project, including all modalities for the disbursement of funds to FFDS in relation thereto; and

(c) exercise its rights and carry out its obligations under the Subsidiary Agreement and Implementation Agreements 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, waive or fail to enforce the Subsidiary Agreement or any Implementation Agreement or any provision thereof.

Section 3.09. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank 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, on or about April 15 in each FY, 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 period preceding the date of said 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 period following such date; and

(c) review with the Bank, by June 15 in each FY, or such later date as the Bank shall request, the report 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 the said report and the Bank's views on the matter.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through SHD, shall: (i) maintain a financial management system, including records and accounts, and prepare consolidated financial statements in respect of the Project; and (ii) shall cause each Executing Entity to prepare annual financial statements adequate to reflect their own operations and financial condition and to register separately the operations, resources and expenditures related to the Project, said statements to be used by the Borrower in preparing the consolidated financial statements for the Project, all in accordance with consistently applied accounting standards acceptable to the Bank adequate to reflect the operations, resources and expenditures related to the Project as a whole.

(b) The Borrower shall:

- (i) (A) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Bank) audited; and
- (B) cause each Executing Agency's financial statements to be audited 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 months after the end of each such year (or such 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 reports referred to in Part A.5 of Schedule 1 to this

Agreement (Report-based Disbursements) or 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 reports and statements of expenditure 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.

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:

- (i) cause each Executing Entity to prepare and furnish to the Borrower a FMR for their respective activities under the Project; and
- (ii) thereafter prepare, on a consolidated basis, and furnish to the Bank, a consolidated FMR, in form and substance satisfactory to the Bank, which:
 - (A) 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;
 - (B) 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
 - (C) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(d) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar semester 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 semester; thereafter, each FMR shall be furnished to the Bank not later than 60 days after each subsequent calendar semester, and shall cover such calendar semester.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified:

(a) The national legislation of the Guarantor pertaining to Disaster risk prevention, mitigation or management, including Law No 400, shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Bank, after consultation with the Borrower and the Guarantor, materially and adversely the ability of the Borrower to perform any of its obligations under the Loan Agreement;

(b) Decree 723 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Bank, after consultation with the Borrower, materially and adversely the ability of the Borrower to perform any of its obligations under the Loan Agreement.

Section 5.02. Without prejudice to the Bank's rights and remedies set forth in Section 6.02 of the General Conditions, it is understood that, if any of the events specified in Section 5.01 shall have occurred, the Bank may choose, after consultations with 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 the respective Parts of the Project affected by any such event.

ARTICLE VI

Effective Date; Termination

Section 6.01. Without prejudice to the provisions of the General Conditions, the date specified for purposes of Section 12.04 of the General Conditions is the date 90 days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on September 3, 2007.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary of Finance 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:

Bogotá Distrito Capital
Secretaría de Hacienda
Carrera 30 No. 24-90, Oficina 601
Bogotá, D.C., República de Colombia

Facsimile:

57-1-350-9891

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) 4776391

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.

BOGOTÁ DISTRITO CAPITAL

By /s/ Pedro A. Rodríguez Tobo
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Isabel Guerrero
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) Works, Training Consultant services, including Project audits and Operating costs under Parts B.1 and B.2 of the Project	36,000,000	100%
(2) Works, Training Consultant services, including Project audits and Operating costs under Part B.3 of the Project	38,000,000	100%
(3) Goods, Training Consultant services, including Project audits and Operating costs under Part C of the Project	1,000,000	100%
(4) Goods, Training Consultant services, including Project audits and Operating costs under Part E of the Project	317,000	100%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(5) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09(c) of this Agreement
(6) Unallocated	4,683,000	
TOTAL	<u>80,000,000</u>	

2. For the purposes of this Schedule:

(a) the term "Operating costs" means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, Special Account banking charges, office administration costs, utilities, travel, per diem and supervision costs and salaries of locally contracted employees; and

(b) the term "Training" means the carrying out of training programs and activities under the Project and all associated reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators, the course fees, the training facility rentals, the training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph.

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

(a) payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding \$10,000,000 may be made on account of payments made for expenditures within 12 months before that date but in no case before March 15, 2005;

(b) payments made out of Category 2 in the table of paragraph 1 above, until and unless a Subsidiary Agreement between SHD and FFDS, satisfactory in form and substance to the Bank, has been entered into and has become effective; and

(c) any expenditure under any Category in the table in paragraph 1 above unless the Bank has received payment in full of the front-end fee referred to in Section 2.04 of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditures under such terms and conditions as the Bank shall specify by notice to the Borrower, including for expenditures made under contracts not subject to the Bank's Prior Review pursuant to the terms of Section IV of Schedule 4 to this Agreement.

5. The Borrower may request withdrawals from the Loan Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the Loan Account, the Borrower shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Loan Account; or

(c) 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower and the Guarantor of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower and the Guarantor of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during

the six-month period following such determination, 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

Annex A

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of five million Dollars (\$5,000,000) to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. 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 in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan 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 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.

Annex B
to
SCHEDULE 1

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in reducing its vulnerability to adverse natural events by: (i) strengthening its capacity to manage Disaster risks; and (ii) reducing vulnerability in key sectors.

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: Risk Identification and Monitoring

Strengthening the Borrower's capacity for Disaster preparedness and risk mitigation through the active involvement of FOPAE/DPAE, DABS, CVP and SDS/FFDS selectively in:

1. the identification of natural hazards, the assessments of vulnerability and the analyses of risk; and
2. the monitoring of risk and the acquisition of equipment in relation thereto.

Part B: Risk Reduction

Reinforcing the Borrower's capacity for ensuring the functioning of critical facilities and lifeline infrastructure and the continuity of service in relation thereto, during and after emergencies, through the active participation of SDS, SED, DPAE/FOPAE, and DABS in the preparation, pursuant to Law 400 of the Guarantor, and subsequent implementation, of engineering designs in respect of seismic mitigation and associated preventive maintenance plans for buildings and facilities in:

1. the education sector;
2. the welfare sector;
3. the health sector; and
4. the carrying out of small civil works in respect of landslide and flood mitigation.

Part C: Policy Development and Institutional Strengthening

Enhancing the Borrower's capacity, generally, for Disaster preparedness, response, mitigation and recovery and, specifically, for Project implementation, through:

1. the provision of support for the operation of UCP, including training in safeguard, fiduciary and technical aspects of Project implementation for staff of selected Executing Entities;
2. the building of capacity in disaster prevention, response and rehabilitation, including the acquisition of equipment in relation thereto, for SG and selected staff of SDPAE;
3. the building of capacity of DAMA to enforce environmental regulations by updating the environmental guidelines, training environmental auditors, creating monitoring tools for, and carrying out, said environmental audits; and
4. the strengthening of SIRE and the communication between SDPAE and SNPAD.

Part D: Risk Prevention and Awareness

Raising consciousness and comprehension of risks in order to educate the general public in Disaster preparedness and mitigation, with the participation of DPAAE/FOPAAE, SED, DAMA and CVP selectively in:

1. (i) the elaboration of emergency plans for about 1000 educational institutions; (ii) the carrying out of research programs on risk management; and (iii) the design of curricula on disaster awareness and associated training of professionals of the education sector;
2. the preparation and the implementation of a multifaceted public information campaign on disaster risk;
3. (i) the connection and galvanization of social networks of organizations engaged in environmental activities to encourage and coordinate prevention activities in hazard prone areas; and (ii) the administration of protected land through community participation schemes;

4. the preparation, and the subsequent implementation of, resettlement programs and activities for about 2450 families living in high risk areas, including barring future human settlement in said areas.

Part E: Financial Coverage for Risk Management

Developing a financial strategy to ensure availability of resources needed for Disaster reconstruction or rehabilitation, to be acted on by SHD and DPAE/FOPAE, through:

1. the elaboration of a probabilistic earthquake risk model, the review and optimization of the existing portfolio of insured public properties managed by the Borrower, and the maximization of liquidity factors for Disaster-related emergencies in the Borrower's budget planning; and
2. the promotion of the development of a private catastrophe insurance market.

* * *

The Project is expected to be completed by December 31, 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>
On each February 15 and August 15	
Beginning February 15, 2011 through August 15, 2014	4.25 %
On each February 15 and August 15	
Beginning February 15, 2015 through February 15, 2022	4.13 %
On August 15, 2022	4.05 %

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

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

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the

table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

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

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

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each 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: 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 Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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 and the following additional provision: before issuing any invitation to bid, the Borrower shall use, or cause to be used, standard bidding documents, as approved for bidding under the Project and incorporated in the OM. Any change or departure from the standard bidding document approved by the Bank shall require its prior approval. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Guarantor and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding.

Goods estimated to cost less than \$250,000 equivalent per contract and works estimated to cost less than \$5,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

(a) Before issuing any invitation to bid, the Borrower shall use, or cause to be used, standard bidding documents, as approved for bidding under the Project and incorporated in the OM. Any change or departure from the standard bidding document approved by the Bank shall require its prior approval.

(b) All bidders, irrespective of whether they are foreigners or citizens of the Guarantor's territory, will be treated equally and, particularly, no preference will be granted to any bidder or group of bidders for bid evaluation purposes. Bidders shall be allowed to submit their bids by hand or through the post office or private mailing services. There shall not be any requirement for any bidder to show evidence of the bidder's registration in any public registry, chamber of commerce or similar entity, whether in the Guarantor's territory or elsewhere, or to appoint a representative domiciled in Guarantor's territory, unless and until such bidder is awarded the corresponding contract.

(c) Bids shall be opened in a public meeting to which bidders and their representatives shall be allowed to attend if they so wish. Date, time and place for the opening meeting shall be set forth in the bidding documents. Bid opening shall coincide with, or take place promptly after, the final date and time of the period for bid submission stipulated in the bidding documents.

(d) Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder who meets appropriate technical and financial standards of capability and whose bid has been determined to be the lowest evaluated bid. Such determination shall be made exclusively on the basis of the specifications, conditions and evaluation criteria stipulated in the bidding documents. If any factor additional to the amount or amounts of each bid is to be considered in bid evaluation, such factor or factors and the quantified manner 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.

(e) The provisions of paragraph 2.46 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 and works estimated to cost less than \$50,000 equivalent per contract respectively, may be procured under contracts awarded on the basis of Shopping and the following additional provisions:

(a) The Borrower shall obtain and compare at least three quotations to establish reasonableness of price. Comparison of two quotations is justified only when there is evidence, satisfactory to the Bank, that there are only two reliable sources of supply (national or foreign as the case may be). For international shopping, the Borrower shall request quotations of suppliers from at least two different countries, including the country of the Guarantor. Quotation for foreign goods located in the Guarantor's country and offered by a firm located in the Guarantor's country, are considered as quoted from abroad for purposes of satisfying the "two different countries" rule.

(b) The Borrower shall verify that the firms invited to quote are reputable, well established, and are suppliers of the goods or services being purchased as part of their normal business.

(c) The Borrower shall request quotations by letter, fax, telex, electronic messaging, etc., (with proof of receipt and record keeping). Since quotation requests must be sent to reputable and well-established suppliers only, the requests should not be open to any other supplier and should not be made public. Suppliers shall submit their quotations in writing, (i.e., by fax, telex, letter, or electronic messaging with copies to be kept for the records). No bid security is required. There is no requirement for strict time and date for submission of quotations and for public opening, but normally requests for quotes indicate the expected date of submission of quotes, within one or two weeks of the initial request.

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-based Selection. 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-based Selection 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 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 Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

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

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

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.

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