

CONFORMED COPY

TRUST FUND NUMBER 029532

Japanese Grant Agreement

(Land Reform Project)

between

REPUBLIC OF COLOMBIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

**as Administrator of Grant Funds
provided by JAPAN**

Dated July 25 , 1996

TRUST FUND NUMBER 029532

JAPANESE GRANT AGREEMENT

AGREEMENT, dated July 25, 1996, between Republic of Colombia (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as Administrator (the Administrator) of grant funds provided by JAPAN (Japan).

WHEREAS (A) pursuant to a letter agreement dated July 30, 1990 between Japan and the Bank and International Development Association (the Association), Japan has requested the Bank and the Association, and the Bank and the Association have agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank and the Association, as the case may be, in accordance with the provisions of such letter agreement;

WHEREAS (B) Japan has agreed to make available to the Recipient a grant out of said grant funds (the Grant) to finance the cost of carrying out the technical assistance described in Schedule 2 to this Agreement (the Technical Assistance) on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (18) and (20), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04; and
 - (x) Article XI.
- (b) The General Conditions shall be modified as follows:
- (i) the term "Bank," wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in

Section 5.01 thereof, means the International Bank for Reconstruction and Development acting as Administrator of the Grant pursuant to the letter agreement between Japan and the Bank and the Association referred to in Recital (A) of this Agreement, except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;

- (ii) the term "Borrower," wherever used in the General Conditions, means the Recipient;
- (iii) the term "Loan Agreement," wherever used in the General Conditions, means this Agreement;
- (iv) the term "Loan," wherever used in the General Conditions, means the Grant;
- (v) the term "Loan Account," wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;
- (vi) the term "Project," wherever used in the General Conditions, means the technical assistance described in Schedule 2 to this Agreement; and
- (vii) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in Dollars; provided, however, that if the expenditures to be financed out of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth; and the following terms have the following meaning:

(a) "Dollars" and the sign "\$" mean dollars in the currency of the United States of America;

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

(c) "Administrative Committee" means the committee formed by representatives of: (i) the Recipient's Dirección Nacional de Planeación; (ii) the Recipient's Vice Minister of Rural Development within the Ministry of Agriculture; (iii) the legal entity, if any, referred to in paragraph (a) of Section 3.01 of this Agreement; and (iv) the General Coordinator within the unit mentioned in paragraph (b) of such Section 3.01, and established to provide advice to the aforesaid unit with respect to the Technical Assistance and to other project preparation activities of the Borrower currently financed under the Project Preparation Facility Advance (Proposed Land Reform Project) provided for under the agreement between the Recipient and the Bank -

PPF 282 - dated October 26, 1995 as such agreement has been amended up to March 12, 1996 and as it may be further amended by agreement between the Recipient and the Bank.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount of seven hundred thirty four thousand and five hundred Dollars (\$734,500).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of carrying out the Project and to be financed out of the Grant.

(b) The Recipient may, if so authorized by the Bank and for the purposes of the Project, open and maintain in Dollars a special deposit account in its Banco de la República on terms and conditions satisfactory to the Administrator. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project. For purposes of this Section, the Recipient, through its Departamento Nacional de Planeación and the Vice Ministry of Rural Development of the Recipient's Ministry of Agriculture, may enter into contractual arrangements satisfactory to the Bank with a legal entity acceptable to the Bank, under which arrangements such entity shall, on behalf of the aforesaid administrative subdivisions of the Recipient and following instructions therefrom, execute and deliver each and all necessary contracts for the provision of services under the Project and make the payments required thereunder.

(b) The Recipient shall carry out day to day activities under the Project through the project implementation unit which has been established pursuant to paragraph 3 of Attachment I to the agreement between the Recipient and the Bank mentioned in paragraph (c) of Section 1.02 (c) of this Agreement - PPF 282 and will operate under the advice of the Administrative Committee.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Recipient shall maintain or cause to be maintained separate records and 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 Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

- (i) have or cause to be had the records and accounts referred to in paragraph (a) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;
- (ii) furnish or cause to be furnished to the Administrator as soon as available, but in any case not later than four 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 Administrator shall have reasonably requested; and
- (iii) furnish or cause to be furnished to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain or cause to be retained, until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Administrator'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 IV

Effectiveness; Termination

Section 4.01. This Agreement shall become effective upon its execution by the parties hereto.

Section 4.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE V

Representation

Section 5.01. The Director of the Recipient's Departamento Nacional de Planificación and the Vice Ministro de Desarrollo Rural of the Recipient's Ministry of Agriculture are severally designated as representatives of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Director
Departamento Nacional de Planificación
Calle 26 No. 13-19
Santa Fe de Bogotá
Colombia

Telex:

45634 DNPBO CO or

Vice Ministro de
Desarrollo Rural
Ministerio de Agricultura
Avenida Jiménez 7 - 65, piso 3
Santa Fe de Bogotá
Colombia

Telex:

44470MAGR CO

For the Administrator:

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

United States of America

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

248423 (MCI) and
64145 (MCI)

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

REPUBLIC OF COLOMBIA

By /s/ Juan Carlos Ramirez

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
as Administrator of the Grant

By /s/ Peter Ludwig

Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Grant

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Consultants'	388,800	100%

	services		
(2)	Services other than Consultant services	160,425	100%
(3)	Goods under Part D of the Project	40,500	100%
(4)	Operating Expenditures for the unit referred to in Section 3.01 (b) of this Agreement	71,325	100%
(5)	Unallocated	73,450	
	TOTAL	734,500	

2. For purposes of Category (4) of the table set forth in paragraph 1 of this Schedule, operating expenditures for the unit referred to in Section 3.01 (b) of this Agreement shall include travel expenditures and per-diem, maintenance and running costs for equipment, facility rentals, office supplies, and promotional and training materials.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for the Technical Assistance under contracts not exceeding \$40,000 equivalent, in the case of goods and services other than consultant services, and \$30,000 and \$75,000 equivalent, in the case of individual consultants and consultant firms, respectively, under such terms and conditions as the Administrator shall specify by notice to the Recipient, provided, however, that statements of expenditure will not be used in connection with contracts with consultants which, irrespective of their cost, are subject to prior review by the Bank pursuant to the provisions of paragraph 2 of Section 1 of Schedule 3 to this Agreement.

SCHEDULE 2

Description of Technical Assistance

A technical assistance program to assist in the preparation of a land reform project through the execution of the studies described below, which studies will be aimed at achieving the following goals: (a) shape the scope of activities and the modalities of financing to be provided under the aforesaid project; (b) help define the magnitude of the activities under the aforesaid project which could be financed by external sources; (c) quantify costs and benefits of project activities; and (d) identify the need to support and complement project activities with a series of selected policy reforms and help determine whether the current legal framework is adequate to accommodate the policy reforms required, if any.

Part A: Dynamics of rural land markets in Colombia

The one or more studies under this Part A will: (1) describe the principal characteristic of the rural land markets; (2) quantify the sensitivity of land prices in relation to range of expected changes in demand and supply induced by the activities geared to implement the land reform program under the Recipient's Ley 160 of 1994; and (3) identify the principal factors determining land prices and explaining the actual functioning of rural land markets. The study or studies in question would also look into the variations in the functioning of rural land markets in the several relevant Colombian agro-ecological regions and the relation of such variations with the current structure of production systems in each of such regions. The research methodology would include, inter alia, a survey among landowners, a review of land property registers, interviews with real state agents, selected public officials and other persons involved in activities connected with the land market, including public notaries and auctioneers, and a review of the applicable legal provisions relevant to the different aspects of the activities involved in the land market.

Part B: Farm size and efficiency relationship in Colombian agriculture

The one or more studies under this Part will: (1) evaluate the economic efficiency of small-farmer agricultural production in different agro-ecological regions; and (2) identify and quantify the economic effects of parceling out large estates into smaller units of production. The study or studies in question will require, inter alia, an in-depth analysis of a range of production, efficiency, and cost indicators obtained from a large sample of farms stratified according to area of exploitation and agro-ecological region. Based on the said study or studies' results a range of models will be elaborated to evaluate the likely production, income and employment impact of substituting large estates by smaller production units.

Part C : Diagnosis of complementary investments

The one or more studies under this Part will identify and evaluate the scope and magnitude of complementary investments required by the Colombian land reform program, such as technical and management support services, credit, marketing, on-farm infrastructure and off-farm infrastructure such as road, electrification and water supply and irrigation. Needs of prospective beneficiaries and evaluation of existing supply of services will be assessed.

Part D : Acquisition and utilization of goods (including materials and computer equipment) as required for the carrying out of Parts A through C above.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Services other than Consultant Services

Part A: General

Goods and the aforesaid services shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable. The term "Borrower", wherever used in said Guidelines, means the Recipient or any

procurement agency thereof such as the legal entity provided for under Section 3.01 of this Agreement.

Part B: Procurement Procedures

1. National Competitive Bidding

Goods and services other than consultants' services, estimated to cost the equivalent of \$40,000 or more per contract, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines, as supplemented by the provisions of Part D of this Section I.

2. National Shopping

Goods and services other than Consultants' services, estimated to cost less than \$40,000 equivalent per contract, shall be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: Review by the Bank of Procurement Decisions

1. Prior Review

With respect to each contract for goods or services other than consultant services, estimated to cost the equivalent of \$40,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Part D: Procurement Provisions Concerning National Competitive Bidding

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

2. 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.

3. 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 bidder, 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 corresponding bid, including correction of arithmetic errors.

4. The provisions of paragraph 2.46 of the Guideline shall fully apply and, more specifically, bids shall not be disclosed, without the corresponding bidder's written authorization, 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. Moreover, bidder 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

Section II. Employment of Consultants

1. In order to assist the Recipient in carrying out the Project, the Recipient shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Administrator. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Administrator 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). The term "Borrower" wherever used in said Guidelines means the Borrower or any procurement agencies thereof such as the legal entity referred to in Section 3.01 of this Agreement. For complex time-based assignments, the Recipient 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 Administrator. Where no relevant standard contract documents have been issued by the Bank, the Recipient shall use other standard forms agreed with the Administrator.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$75,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$30,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Administrator; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$75,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$30,000 equivalent or above.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2, 3 and 4 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 amount of the Grant 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 \$200,000 to be withdrawn from the Grant 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 Administrator 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 Recipient shall furnish to the Administrator a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator 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 Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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 Administrator from the Grant 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 Recipient out of the Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall

not be required to make further deposits into the Special Account:

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

(b) if the Recipient shall have failed to furnish to the Administrator within the period of time specified in Section 3.03 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

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

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories minus the total amount of all outstanding special commitments entered into by the Administrator 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 Grant allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator 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 Administrator 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 Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator 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 Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

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

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

