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CONFORMED COPY

LOAN NUMBER 7097-CO

Loan Agreement

(Productive Partnerships Support Project)

between

REPUBLIC OF COLOMBIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated April 3, 2002

LOAN NUMBER 7097-CO

LOAN AGREEMENT

AGREEMENT, dated April 3, 2002, between 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 project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

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WHEREAS the Bank has agreed, on the basis, inter alia

,

of

the foregoing, to extend the

loan provided for in Article II of this Agreement (the Loan) to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank, dated September 1, 1999 (the General Conditions), constitute an integral part of this 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)

"Administrative Manual" means the manual referred to in Section 3.01 (b) (i) of this Agreement;

(b)

"Agribusiness Firm" means any private entity with legal personality, which is eligible to participate in the Project in accordance with the criteria and procedures set forth in the Productive Partnerships Subprojects Manual (as hereinafter defined);

(c)

"Annual Operating Plan" means the plan referred to in Section 3.09 (a) of this Agreement;

(d)

"Cost-Sharing Transfer" means the non-reimbursable transfer of funds, as defined in the Modular Incentive Decree (as hereinafter defined), made by the Borrower out of the proceeds of the Loan, through a Trust Company (as hereinafter defined), to Eligible Participants (as hereinafter defined) for purposes of financing eligible expenditures incurred in the execution of a Productive Partnership Subproject (as hereinafter defined);

(e)

"Cooperating Agency" means any legal entity with procurement and administrative experience, with qualifications and a financial management system acceptable to the Bank;

(f)

“Cooperating Agency Agreement” means the agreement between the Borrower and the Cooperating Agency, referred to in Section 3.03 of this Agreement;

(g)

“DNP” means

Departamento Nacional de Planeación

,  
the Borrower’s National

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Planning Department;

(h)

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

(i)

“Eligible Expenditures” means the expenditures referred to in Section 2.02 of this Agreement, to the extent they fall under category (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(j)

“Eligible Participants” means any member of any participant Producer Organization (as hereinafter defined) which may be considered eligible, pursuant to the criteria set forth in the Productive Partnership Subprojects Manual, to benefit from a Cost-Sharing Transfer;

(k)

“MADR” means the Borrower’s Ministry of Agriculture and Rural Development

(

Ministerio de Agricultura y Desarrollo Rural

);

(l)

“Modular Incentive Decree” means the Presidential Decree to be enacted by the Borrower establishing and defining the Cost Sharing Transfer scheme;

(m)

“National Technical Committee” means the committee referred to in Section 3.08 of this Agreement;

(n)

“Operational Manuals” means collectively the Administrative Manual and the Productive Partnerships Subproject Manual (as hereinafter defined);

(o)

“PCG” means the Project coordination group, the unit referred to in Section 3.04 of this Agreement;

(p)

“Producer Organization” means any small farmer organization, with legal personality, including, inter alia

,  
traditional community organizations (

Comunidades

Campesinas, Cooperativas Agrarias, Grupos Campesinos, etc.

), irrigation user groups, and

cooperatives;

(q)

“Productive Partnership” means

any collaborative arrangement between a

Producer Organization and an Agribusiness Firm for the generation of income and employment opportunities in a particular value chain, which arrangement aims to reduce the technical, commercial, financial and social risks associated with such transactions;

(r)

“Productive Partnerships Subproject Manual” means the manual referred to in

Section 3.01(b) (ii) of this Agreement;

(s)

“Productive Partnership Subprojects” means any of the subprojects approved in accordance with the criteria and procedures set forth in the Productive Partnerships Subproject Manual, referred to in Part B.1 of the Project;

Manual, referred to in Part B.1 of the Project;

(t)

“Productive Partnership Subproject Agreement” means any of the agreements referred to in Section 3.06 (a) of this Agreement;

(u)

“Project Management Report” means any of the reports prepared in accordance with Section 4.02 of this Agreement;

(v)

“Project Preparation Advance” means the project preparation advance granted by the Bank to the Borrower pursuant to the letter of agreement signed on behalf of the Bank and the Borrower on October 26, 1995;

(w)

“Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(x)

“Technical Assistance Agreement” means the agreement referred to in Section 3.05 (a) of this Agreement;

(y)

“Technical Assistance Provider” means any entity in the public or private sector which is eligible, in accordance with the criteria and procedures set forth in the Operational Manuals, to carrying out the assistance and training under Parts A.3 and A.4 of the Project, and which may include non-governmental organizations, consulting firms and universities;

(z)

“Trust Account” means the account referred to in Section 3.06 (c) of this Agreement;

(aa)

“Trust Company” means any financial institution, that in accordance with the Borrower’s Presidential Decree No. 663 of 1993, is authorized to perform fiduciary functions involving public funds, to be selected by the Borrower for entering into a Trust Company Agreement (as hereinafter defined); and

(bb)

“Trust Company Agreement” means any of the agreements referred to in Section 3.06 (b) of this Agreement.

## 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 thirty two million Dollars (\$32,000,000), 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.

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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 works, goods, incremental operating costs and consultants' services required for the Project and to be financed out of the proceeds of the Loan.

(b)

Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be September 30, 2007 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one per cent (1%) of the amount of the Loan. Such fee shall be payable not later than sixty (60) days after the Effective Date.

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

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to 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 May 15 and November 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;

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(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)

Without limitation upon the provisions of paragraph (a) of this Section, the Borrower and the Bank hereby agree that unless otherwise notified by the Borrower in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

#### ARTICLE III

##### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project, and, to this end, shall carry out the Project, through MADR, with due diligence and efficiency and in conformity with appropriate administrative, financial, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b)

Without limitation to the provisions of paragraph (a) above, the Borrower, through MADR, shall carry out the Project in accordance with:

(i)

an Administrative Manual, satisfactory to the Bank, containing the detailed procedures for the implementation of the Project, including, inter alia

:

(A) the organization, terms of reference and staffing of the PCG; (B) the institutional organization and flow of funds; (C) the financial management procedures; and (E) the indicators and targets for Project supervision, monitoring and evaluation;

(ii)

a Productive Partnership Subprojects Manual, satisfactory to the Bank, which shall contain, inter alia

:

(A) the detailed rules and procedures for the financing mechanism of the Productive Partnership Subprojects, Page 7

including procedures for either: (I) reimbursement for expenditures incurred with respect to said Subprojects; or (II) direct payment to suppliers and contractors providing goods, works or services for said Subprojects; or (III) deposit in the respective Trust Account of each Eligible Participant of the amounts required to maintain in that account funds sufficient to cover no more than those Eligible Expenditures expected to be incurred by said Eligible Participants under the Project during the thirty consecutive calendar days immediately after said deposit; (B) the eligibility rules and selection procedures for selecting Technical Assistance Providers; (C) detailed social, economic, financial, technical and environmental criteria for screening and selecting Productive Partnership Subprojects; (D) detailed criteria for the definition of Eligible Participants, including procedures, activities and monitoring indicators to ensure adequate and culturally appropriate access by Afro-Colombians, displaced and indigenous peoples in the planning, preparation and implementation of Productive Partnerships Subprojects; (E) mandatory safeguards and mitigation actions for any such Subprojects, which could possibly have a negative environmental impact such as, in particular, through use of any pesticides, increase in deforestation, pollution of groundwater, negative impacts on endangered species, increased pesticide level in food, increased soil erosion, impacts on parks and protected areas, and encroachment on natural habitats; and (F) procedures for monitoring and evaluation; and

(iii)

an implementation plan, satisfactory to the Bank, said plan to include, inter alia

, a detailed description of Project components and activities.

(c)

Except as the Bank shall otherwise agree, the Borrower, through MADR, shall not amend, waive or fail to enforce the Operational Manuals, or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the Operational Manuals, the provisions of this Agreement shall prevail.

Section 3.02. Except as the Bank shall otherwise agree, procurement of 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.

Section 3.03.

(a) The Borrower, through MADR, shall enter into an agreement with a Cooperating Agency, under terms and conditions satisfactory to the Bank (the Cooperating Agency Agreement), whereby: (i) the Borrower will authorize the Cooperating Agency to undertake, on behalf of the Borrower, and the Cooperating Agency will so undertake, the procurement of goods, works and services under the Project (except for those under Part B.1 of the Project) in accordance with the procedures set forth or referred to in this Loan Agreement, and with the bidding documents and requests for proposals prepared by the Borrower; (ii) the Cooperating Agency will undertake to keep separate records and accounts in respect of such goods, works and services, and to assist the Borrower in all other aspects of the carrying out of the Project and in complying with the Borrower's obligations under this Loan Agreement (inter alia

, the Cooperating Agency will undertake, with respect to all Parts of the Project except Part B.1, to comply with all provisions of Article IV of this Loan Agreement as if the Cooperating Agency were the Borrower); (iii) the Borrower may transfer directly to the Cooperating Agency the proceeds of the Loan as required for the Cooperating Agency to effect the payments for goods, works and services under the Project; and (iv) the Borrower will undertake to transfer to the Cooperating Agency the counterpart (i.e., non-Loan funds as required for the Cooperating Agency to effect the payments for goods, works and services under the Project).

(b) The Borrower, through MADR, shall exercise its rights, and comply with its obligations, under the Cooperating Agency Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce such agreement or any provision thereof.

Section 3.04. The Borrower shall maintain, at all times during the execution of the Project, a unit (the PCG) within MADR responsible for the management, coordination, supervision and monitoring of the Project, such unit to have a structure and functions satisfactory to the Bank, with staff in adequate numbers and with functions, responsibilities, qualifications and experience satisfactory to the Bank, including a Director, procurement and financial management specialist, agribusiness specialist and an environmental specialist.

Section 3.05.

For the purposes of carrying out Part A.3 of the Project, the Borrower, through MADR, shall:

(a) after the Eligible Participants have selected among eligible Technical Assistance Providers, enter into an agreement (the Technical Assistance Agreement) with each selected Technical Assistance Provider, in accordance with the terms and conditions set forth in the Operational Manuals; and

(b) exercise its rights under any Technical Assistance Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, shall not assign, amend, abrogate, waive or fail to enforce any Technical Assistance Agreement or any provision thereof.

Section 3.06.

For the purposes of carrying out Part B.1 of the Project, the Borrower, through MADR, shall:

(a) after having selected a Productive Partnership Subproject, enter into a tripartite agreement (the Productive Partnership Subproject Agreement) with a Producer Organization and an Agribusiness Firm, in accordance with the terms and conditions set forth in the Productive Partnerships Subprojects Manual;

(b) enter into an agreement (the Trust Company Agreement) with a Trust Company,

on terms and conditions acceptable to the Bank and in accordance with the provisions set forth in the Productive Partnerships Subprojects Manual;

(c)

cause the Trust Company to open and maintain a separate trust account for each  
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Producer Organization for the purposes of making Cost-Sharing Transfers, in accordance with the provisions of the Trust Company Agreement and the Productive Partnerships Subprojects Manual;

(d)

exercise its rights under any Productive Partnership Subproject Agreement or any Trust Company Agreement, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, shall not assign, amend, abrogate, waive or fail to enforce any Trust Company Agreement or Productive Partnership Subproject, or any provision thereof; and

(e)

ensure that Cost-Sharing Transfers for each Productive Partnership Subproject amount to no more than 40% of the total cost of said Productive Partnership Subproject, and that each Cost-Sharing Transfer cost no more than \$500,000 equivalent, unless the Bank otherwise agrees on a case by case basis.

Section 3.07 (a) The Borrower, through MADR, shall ensure that no Productive Partnership Subproject under Part B.1 of the Project may involve any of the activities set forth in Schedule 5 to this Agreement.

(b)

The Borrower, through MADR, shall ensure that financing of a Productive Partnership Subproject under Part B.1 of the Project be made solely to finance a legally permissible and productive purpose (e.g., the creation and expansion of the Eligible Participants' business and incremental operating costs generated by such creation or expansion) and not to finance mere consumption or transfers of ownership; consequently, Loan proceeds cannot be used to finance, for example, debts and liabilities (acquired prior to the signature of the Productive Partnership Subproject Agreement), the purchase of land, food, securities, inventory for resale, or existing real state, or the cost of operating expenses that would have been incurred even absent the expansion, but it can be used to finance, for example, construction of a workshop, purchase of store fixtures or purchase and/or leasing of machinery, tools and materials to be used by the Eligible Participant in a manufacturing process).

Section 3.08. No later than three months after the Effective Date, the Borrower, through MADR, shall create and thereafter maintain an inter-institutional technical committee (the National Technical Committee), composed of representatives of the Borrower's agencies and ministries, with the responsibility of providing technical guidance and supervising the monitoring and evaluation of the Project.

Section 3.09. The Borrower, through MADR, shall:

(a)

by no later than November 15 of each year, until completion of the Project, furnish to the Bank for its approval, an operating plan (the Annual Operating Plan) for the implementation of the Project during the subsequent twelve months, such plan to include, inter alia

:

(i) the main activities to be carried out under the Project; (ii) the objectives and expected outputs of such activities; (iii) the corresponding cost estimates and budgets, including counterpart funds; (iv) relevant institutional arrangements and responsibilities; and (v) a

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procurement plan;

(b)

maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis the implementation of the Project and the achievement of the objectives thereof, all in a manner satisfactory to the Bank and taking into account the indicators set forth in

the Operational Manuals and the data produced by the monitoring and evaluation system under Part C.2 of the Project;

(c)

furnish to the Bank and DNP, not later than January 31 and July 31 of each year during the execution of the Project, a report, of such scope and in such detail as the Bank shall request, and based on the monitoring and evaluation carried out pursuant to paragraph (b) of this Section, on the progress of the Project during the six-month period preceding the date of such report;

(d)

conduct a mid-term review with the Bank and DNP, on about the thirtieth month after the Effective Date, or such later date as the Bank shall request, of the progress of the Project, based on the reports referred to in paragraph (c) of this Section;

(e)

not later than three months after the mid-term review referred above, furnish to the Bank an action plan including 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 reports and review referred to in paragraph (d) above; and

(f)

upon

the Bank's approval, the Borrower shall carry out the action plan referred to in paragraph (e) above in accordance with its terms.

Section 3.10. No later than three months after the Effective Date, the Borrower, through MADR, shall employ the independent auditors referred to in Section 4.01 (b) (i) of this Agreement, under terms and conditions satisfactory to the Bank.

Section 3.11. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower, through MADR, shall:

(a)

prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the sustainability of the Project; and

(b)

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

#### ARTICLE IV

##### Page 11

##### Financial Covenants

Section 4.01. (a) The Borrower, through MADR, shall establish and maintain a financial management system in the PCG, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b)

The Borrower, through MADR, shall:

(i)

have the records, accounts and financial statements referred to in paragraph (a) of this Section and those for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, 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 Project Management Reports or statements of expenditure, the Borrower, through MADR, shall:

(i)

maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 Project Management Reports or statements of expenditure submitted during such year, together with the procedures and internal controls  
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involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02.

(a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower, through MADR, shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than March 31, 2003, or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

(i)

(A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Loan for the Project during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan for the Project during the six-month period following the period covered by said report;

(ii)

(A) describes physical progress in implementation of the Project, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets for the Project; and

(iii)

sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b)

Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower, through MADR, shall prepare, in accordance with guidelines acceptable

to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period for the Project.

#### ARTICLE V

Effectiveness; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement, within the meaning of Section 12.01 (c) of the General Conditions:

(a)

the Administrative Manual has been adopted by the National Technical Committee;

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(b)

the plan referred to in Section 3.01 (b) (iii) of this Agreement, for the first year of the Project, has been approved by the Bank;

(c)

the Cooperating Agency Agreement has become effective; and

(d)

the PCG has been fully staffed in accordance with the provisions of Section 3.04 of this Agreement.

Section 5.02. The date July 2, 2002 is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Public Credit

Palacio de los Ministerios

Plaza San Agustín

Carrera 7A, No. 6-45, Piso 3

Bogotá, Colombia

Cable address:

Telex:

Facsimile:

MINHACIENDA

43289 MHAC CO

(571) 3509344

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With copies to:

Ministry of Agriculture and Rural Development

Avenida Jiménez No. 7-65, Piso 3

Bogotá, Colombia

Facsimile:

(57-1) 243-4785

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

248423 (MCI) or  
(202) 477-6391  
Washington, D.C.  
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 in Bogotá, Colombia, as of the day and year first above written.

REPUBLIC OF COLOMBIA

By /s/ Juan Manuel Santos

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Alberto Chueca Mora

Acting Regional Vice President

Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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A.

General

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:

Amount of the  
Loan Allocated  
% of Expenditures

Category  
(Expressed in Dollars)  
to be Financed

(1)

Works (except as covered by  
5,000

85%

Categories (4) or (5) below)

(2)

Goods (except as covered by  
20,000

85%

Categories (4) or (5) below)

(3)

Consultants' services and  
6,300,000

100%

training (except as covered  
by Category (4) below, and  
including audits, Trust  
Company as excluding any  
fees charged by the Cooperating  
Agency unless such agency was  
selected using a competitive  
selection method as set forth  
in Schedule 4 to this Agreement)

(4)

Goods, works and services

22,000,000

100% of  
financed by Cost-Sharing  
Cost-Sharing  
Transfers (Part B.1 of the  
Transfer amounts  
Project)  
disbursed by the  
Borrower through  
a  
Trust Company.  
(5)  
Incremental Operating Costs  
200,000  
85%  
(6)  
Refunding of Project  
2,190,000  
Amount due  
Preparation Advance  
pursuant to  
Section 202. (b)  
of this Agreement  
(7)  
Unallocated  
1,285,000  
TOTAL  
32,000,000  
2.

For the purposes of this Schedule:

(a)  
the term "training" includes reasonable expenditures for training materials,  
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training fees, training facilities and rentals, and reasonable travel, room, board, and  
per diem

expenditures incurred by trainees; and

(b)  
the term "Incremental Operating Costs" includes reasonable expenditures  
incurred by the Borrower for the management of the Project, such as travel costs,  
per diem  
and  
expenses related to workshops organized by the Borrower, rentals, utilities, maintenance of  
facilities, consumable materials and supplies (which expenditures would not have been incurred  
absent the Project).

3.

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

(a)  
any expenditure under any of the Categories in the table in paragraph 1 above  
(except for category (6)), unless and until the Borrower shall have paid to the Bank in full the  
front-end fee referred to in Section 2.04 of this Agreement;

(b)  
payments made for expenditures prior to the date of this Agreement, except  
withdrawals, in an aggregate amount not exceeding the amount of \$3,000,000 may be made on  
account of payments made for expenditures incurred within twelve months prior to the date of  
this Agreement, but in no case earlier than April 2, 2001; and

(c) payments made for expenditures under Category (4) of the table in paragraph 1 above, unless: (i) the manual referred to in Section 3.01 (b) (ii) of this Agreement has been approved by the Bank and adopted by the Borrower; (ii) the financial management system referred to in Section 4.01 (a) of this Agreement has been established to the satisfaction of the Bank; and (iii) that the Modular Incentive Decree has been enacted.

4.

The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditures for expenditures under contracts that are not subject to prior review by the Bank pursuant to Section I, Part D.2, and Section II, Part D.2 of Schedule 4 to this Agreement.

B.

Special Account

1.

The Borrower shall open and maintain in Dollars a special deposit account in the Borrower's central bank on terms and conditions satisfactory to the Bank.

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)

until the Bank shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in  
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accordance with the provisions of Annex A to this Schedule 1; and

(b)

upon receipt by the Bank of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further 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 determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b)

if the Bank determines at any time that all further withdrawals 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: (i) the records and accounts for the Special Account; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

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 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 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.

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(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 subparagraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawals or for cancellation in accordance with the provisions of the Loan Agreement.

Annex A

to

SCHEDULE 1

Operation of the Special Account

When Withdrawals Are Not Made

On the Basis of Project Management Reports

1.

For the purposes of this Annex, the term "Authorized Allocation" means the amount of \$2,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$750,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of \$5,000,000.

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 the Eligible Category.

3.

The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan under the Eligible Category minus the total amount of all outstanding special commitments under the Eligible Category 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 under the Eligible Category 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 the Special Account

When Withdrawals Are Made

On the Basis of Project Management Reports

1.

Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account under the Eligible Category 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 the Eligible Category.

2.

Each application for withdrawal from the Loan Account under the Eligible Category for deposit into the Special Account shall be supported by a Project Management Report.

3.

Upon receipt of each application for withdrawal of an amount of the Loan under the Eligible Category, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account under the Eligible Category 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 Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the amount of \$6,000,000.

#### SCHEDULE 2

Description of the Project

The objective of the Project is to generate income, create employment and promote social cohesion of poor rural communities in an economic and environmental sustainable manner

through the development and implementation of a demand-driven, Productive Partnership

scheme with the private sector.

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

: Support the Preparation of Productive Partnerships

1.

Carrying out of an information campaign to inform Productive Partnership participants and other relevant stakeholders about the scope and rules of the Project, such campaign to

include,  
inter alia  
:

(a) the publication of brochures; (b) organization of workshops for rural municipalities, producer organizations, chambers of commerce, as well as another members of the value chain; and (c) development and operation of a Productive Partnership website.

2.

Identification of expressions of interest from potential Productive Partnership participants and subsequent evaluation of such expressions of interest for future inclusion in the Project, as provided in the Productive Partnership Operational Manual.

3.

Provision of technical assistance to support Producer Organizations and Agribusiness Firms in the preparation and

ex-ante

evaluation of Productive Partnership proposals.

4.

Provision of specialized training to Eligible Participants with respect to farm management, administration and accounting, sustainable natural resource management, product or service quality control, and conflict resolution.

5.

Provision of technical assistance for the preparation of strategic thematic studies aimed to ensure the success of the Productive Partnership program.

Part B

: Support the Implementation of Productive Partnerships

1.

Provision of Cost-Sharing Transfers to Eligible Participants, for the purposes of carrying out approved Productive Partnership Subprojects.

2.

Provision of technical assistance and training to Eligible Participants to ensure the appropriate implementation of Productive Partnership Subprojects.

Part C

: Project Management

1.

Strengthening of the capacity of the PCG to manage and coordinate the implementation of the Project, through the provision of specialized technical assistance and staff, the acquisition and use of appropriate office equipment and information systems, and the provision of communication services, training and incremental operating costs.

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2.

Establishment and operation of a monitoring and evaluation system to assess the Project's success in achieving the expected outcomes and impacts (including access to the Cost-Sharing Transfers by afro-Colombians, displaced and indigenous population groups) and to verify compliance with the conditions of the provision of Cost-Sharing transfers.

\*\*\*

The Project is expected to be completed by March 31, 2007.

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.

Installment Share

Payment Date

(Expressed as a %)

On each May 15 and November 15

Beginning November 15, 2010 through May 15, 2015

10%

2.

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

(a)

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

(b)

Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to Page 22

deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3.

(a)

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

(b)

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

4.

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

5.

If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Procurement

Section I

## Procurement of Goods and Works

### Part A

#### : General

Goods and Works 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 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines), and the following provisions of Section I of this Schedule.

### Part B

#### : International Competitive Bidding

#### Page 23

1.

Except as provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2.

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto, shall apply to goods manufactured in the territory of the Borrower.

### Part C

#### : Other Procurement Procedures

1.

#### Shopping

Goods estimated to cost \$50,000 equivalent per contract or less may 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.

2.

#### Procurement under Subprojects

Goods and works to be procured by Eligible Participants for Productive Partnership Subprojects shall be procured in accordance with the procedures specified in the Productive Partnerships Subproject Manual, which shall provide that: (a) works shall be procured: (i) whenever possible under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully; or (ii) through community participation procedures, acceptable to the Bank, as set forth in paragraph 3.15 of the Guidelines; and (b) goods shall be procured in accordance with the procedures referred to in paragraph C.1 above or if such procedures are not feasible under a specific Productive Partnership Subproject, through direct contracting procedures in accordance with the provisions of paragraph 3.7 of the Guidelines.

### Part D

#### : Review by the Bank of Procurement Decisions

1.

#### Procurement Planning

Prior to the issuance of any invitation to bid for contracts during any calendar year of Project implementation, the proposed procurement plan for the Project for such year shall be included in the Annual Operating Plan and furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works during any such year shall be undertaken in accordance with the corresponding procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

#### Page 24

2.

#### Prior Review

(a)

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to the contracts for goods and works to be awarded pursuant to the provisions of: (i) Part B of this Section I, regardless the amount of the contract; and (ii) Part C.2 of this Section I, when the estimated amount of the contract will exceed the equivalent of \$300,000.

(b)

With respect to the first contract to be procured in accordance with the procedures referred to in Part C.1 above, the following procedures shall apply:

(i)

prior to the selection of the supplier, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;

(ii)

prior to the execution of the contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and

(iii)

the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3.

Post Review

The procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply to the review by the Bank of any contract not governed by the provisions of paragraph 2 above.

Section II

Employment of Consultants

Part A

: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines), and the following provisions of Section II of this Schedule.

Part B

: Quality- and Cost-based Selection

1

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2.

The short-list of consultants for services to be procured in accordance with the

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procedures referred to in paragraph 1 above, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C

: Other Procedures for the Selection of Consultants

1.

Selection Based on Consultants' Qualifications

Consultants' services estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount equivalent to \$4,000,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2.

Selection Under a Fixed Budget

Services estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, up to an aggregate amount of \$1,600,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant

## Guidelines

3.

### Least-cost Selection

Auditing services, logistics, organization of workshops, publicity, and other services of similar standard or routine nature, estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount of \$2,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4.

### Consultant Services under Subprojects

Services to assist in the carrying out of Productive Partnership Subprojects shall be procured by Eligible Participants in accordance with the procedures specified in the Productive Partnership Subproject Manual, which shall provide that such services shall be procured: (a) in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines; or (b) in accordance with commercial practices acceptable to the Bank.

5.

### Individual Consultants

Consultants' services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

## Part D

: Review by the Bank of the Selection of Consultants

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1.

### Selection Planning

Prior to the issuance to consultants of any requests for proposals during any calendar year of Project implementation, the proposed plan for the selection of consultants under the Project for such year shall be included in the Annual Operating Plan and furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services during any such year shall be undertaken in accordance with the corresponding selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2.

### Prior Review

(a)

With respect to the first contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b)

With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraph 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultants Guidelines shall apply.

(c)

With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3.

### 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 Consultant Guidelines shall apply, provided, however, that the terms of reference for the employment of individual consultants and firms estimated to cost more than \$20,000 equivalent per contract, but less than \$50,000 equivalent, shall be

furnished to the Bank for its prior review and approval.

## SCHEDULE 5

### Subprojects Negative List

1.

Dam construction, reconstruction, rehabilitation or strengthening, with the exception of irrigation dams or rural electrification dams no more than three (3) meters in height, with a reservoir size of no more than ten (10) hectares.

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2.

Activities negatively affecting natural protected areas recognized by national, departmental or municipal governments (or buffer zones thereof), other than as required to mitigate damage caused by a natural disaster.

3.

Land reclamation (

i.e.

, drainage of wetlands or filling of water bodies to create land).

4.

Land clearance and leveling (when affecting critical natural habitats and natural land contours, natural habitats for this purpose being those water or land areas where most of the original plant and animal species are still present).

5.

Hazardous waste management and disposal, as well as manufacture, transport and use of pesticides and other hazardous and/or toxic materials (except small amounts of solvents, degreasing materials, paints, fuels and the like used during construction).

6.

Use of pesticides that are eligible to be financed are limited to those that are approved by the Colombian Agriculture Institute (

Instituto Colombiano de Agricultura

), are not prohibited by

Colombian Law, are not in the World Health Organization lists (i.e., are not formulated products within classes IA and IB, or are formulations of products in Class II of WHO Guidelines), and are not known threats to wildlife or public health.

7.

River training (

i.e.

,

realignment, contraction or deepening of an existing river channel, or excavation of a new river channel).

8.

Activities involving industrial plants (large-scale) and industrial estates, except activities involving agro-industrial plants.

9.

New road construction or major upgrading or realignment of roads (major means: changing the road category, such as from seasonal to all-weather or secondary to primary; adding new lanes; or changing road surface).

10.

New irrigation, drainage and flood control works which have a command area greater than 200 hectares.

11.

(a)

Activities which, when being carried out, would affect, or involve the use of, water of rivers or of other bodies of water (or their tributaries) which flow through or are bordered by countries other than Colombia, in such a manner as to in any way adversely change the quality or quantity of water flowing to or bordering said countries; and (b) activities involving the installation or construction of facilities which, when operated after their construction or installation, would affect, or involve the use of, water of rivers or of other bodies

of water (or their tributaries) which flow through or are bordered by countries other than Colombia, in such a manner as to in any way adversely change the quality or quantity of water flowing to or bordering said countries (unless such bordering countries have formally expressed in writing to the Bank and to the Borrower their no-objection to the activities referred to in (a) or (b) herein).

12.

Activities relating to forestry production that negatively effect existent primary forests.

13.

Development of new, or expansion of existing, ports and harbors.

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14.

Mariculture or large-scale aquaculture activities, or aquaculture which would introduce aggressive non-native species to any natural water bodies where they are not already long-established.

15.

River basin development activities.

16.

Development of new, or expansion of existing, thermal power and hydropower facilities, except for small rural electrification projects.

17.

Infrastructure works estimated to cost over \$300,000 equivalent or greater than 20% of the Productive Partnership Subproject's budget.

18.

Activities of any type classifiable as category A for environmental purposes pursuant to Annex B of the Bank's December 1998 policy document entitled Good Practices (GP) 4.01.

19.

Conversion or degradation of critical natural habitats (as defined in the Bank's September 1995 Operational Policy (OP) 4.04, Annex A, on natural habitats).

20.

Any civil works which would adversely affect significant cultural property, including archeological and historical sites.

21.

Activities relating to, or in preparation for, exploitation of any plant or animal species listed in the Convention of International Trade in Endangered Species of Fauna and Flora (CITES), except that such activities may be carried out as part of a Productive Partnership Subproject if the individual plant or animal specimens in question: (i) are of a species not listed in CITES Appendix I or qualify as part of CITES Appendix II pursuant to CITES Article VII (4); (ii) qualify for the issuance of certificates pursuant to CITES Article VII (5) and are bred or propagated from parent specimens that also qualify for the issuance of such certificates; and (iii) are to be placed in trade or otherwise disposed of in a manner consistent with the terms of CITES.

22.

Provision of welfare or other social assistance.