

CONFORMED COPY

LOAN NUMBER 3278-CO

(Public Sector Reform Loan)

between

REPUBLIC OF COLOMBIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 28, 1990

LOAN NUMBER 3278-CO

LOAN AGREEMENT

AGREEMENT, dated December 28, 1990, between the REPUBLIC OF COLOMBIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated November 22, 1990 from the Borrower containing a preamble and a set of objectives, policies and actions designed to achieve reform of the Borrower's public sector (hereinafter all called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of urgently needed imports and services required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in three tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports and other activities including the technical assistance program referred to in Section 3.03 of this Agreement, that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."; and

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

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) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986);

(b) "pesos" means the currency of the Borrower;

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

(d) "Performance Plan" means a plan, satisfactory to the Bank, approved by the Borrower, through CONFIS (Consejo Superior de Politica Fiscal), and the respective Decentralized Entity (as hereinafter defined), setting forth the corporate objectives, performance targets and criteria for evaluating public sector management in respect of such Decentralized Entity (as hereinafter defined);

(e) "Decentralized Entity" means any entity or enterprise at the national level, with legal personality, owned or controlled directly or indirectly by the Borrower including public establishments (establecimientos publicos); industrial and commercial enterprises (empresas industriales y comerciales del Estado) and mixed capital enterprises (sociedades de economia mixta);

(f) "First Tranche", "Second Tranche" and "Third Tranche" means the amount of the proceeds of the Loan allocated, from time to time, to the Categories 1, 2, and 3, respectively, of paragraph 1 of Schedule 1 to this Agreement;

(g) "PPES" means the Borrower's performance planning and evaluation system, satisfactory to the Bank, for the public decentralized sector as such system is described in the Program;

(i) "fiscal year" means the Borrower's fiscal year commencing January 1 and ending December 31; and

(j) "Central Bank" means the Borrower's Banco de la Republica.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of three hundred and four million dollars (\$304,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement.

(b) The Borrower shall, for the purposes of the technical assistance program described in Schedule 8 to this Agreement, open and maintain in dollars a special deposit account in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1992, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

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

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

(c) For the purposes of this Section:

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

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

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

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

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

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

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

Section 2.06. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program, and the actions specified in Schedules 4, 5 and 6 to this Agreement and on maintaining the consistency between the Borrower's macroeconomic policy framework and the objectives of the Program.

(b) The Borrower shall furnish to the Bank for its review and comment semiannual reports starting not later than March 31, 1991 through the Closing Date, on the progress achieved in carrying out the Program, and on maintaining the consistency between the Borrower's macroeconomic policy framework and the objectives of the Program, in such detail as the Bank shall reasonably request.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower shall carry out the technical assistance program described in Schedule 8 to this Agreement and shall provide promptly as needed, all facilities, staff, funds and other resources required for the execution thereof.

(b) For purposes of carrying out the technical assistance program referred to in paragraph (a) above the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with the principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

Section 3.04. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(b) The Borrower shall:

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

(ii) furnish to the Bank as soon as available, but in any case not later than (A) five months after the last withdrawal from the Loan Account has been made under each of the First, Second and Third Tranche in respect of the records and accounts reflecting expenditures under Categories 1, 2 and 3, respectively, of Schedule 1 to this Agreement; and (B) four months after the end of each fiscal year in respect of the records and accounts reflecting

expenditures under Category 4 of Schedule 1 to this Agreement, a certified copy of the report of the respective audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the period 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 each of the audits 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 the period covered by the audit, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that: (i) the Borrower shall maintain a macroeconomic policy framework consistent with the objectives of the Program; or (ii) the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. The date March 28, 1991 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:

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

Cable address:

MINHACIENDA

Telex:

44473 MHACCO

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

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

REPUBLIC OF COLOMBIA

By /s/ Antonio Copello Faccini

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ping-Cheung Loh

Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Imported goods to be financed under the First Tranche	100,000,000	100% of foreign expenditures
(2) Imported goods to be financed under the Second Tranche	100,000,000	100% of foreign expenditures
(3) Imported goods to be financed under the Third	100,000,000	100% of foreign expenditures

Tranche

(4) Consultant services, studies and equipment under the Technical Assistance Program described in Schedule 8 to this Agreement	4,000,000	100%
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2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower, and the term "Table" means the table set forth in paragraph 1 of this Schedule.

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

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures, other than expenditures under Category 4 of the Table, in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$60,000,000 may be made on account of payments made for such expenditures before that date but after September 1, 1990.

(d) expenditures for goods procured under contracts costing less than \$10,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance; and

(f) expenditures for goods intended for a military or para-military purpose or for luxury consumption.

4. Withdrawals for expenditures under contracts for the procurement of goods, other than goods to be financed under Category 4 of the Table, estimated to cost less than \$5,000,000 may be permitted by the Bank upon the basis of statements of expenditure under such terms and conditions as the Bank shall specify.

5. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan under Category 2 of the Table unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Program; (b) that the actions described in Schedule 4 to this Agreement and, at least, that all actions described in one of the three Parts of Schedule 6 to this Agreement have been taken in form and substance satisfactory to the Bank; and (c) that the macro-economic policy framework of the Borrower is consistent with the objectives of the Program.

6. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan under Category 3 of the Table unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Program; (b) that the actions described in Schedule 4 and Schedule 5 to this Agreement and the remaining unfulfilled actions described in Schedule 6 to this Agreement have been taken in form and substance satisfactory to the Bank; and (c) that the macro-economic policy framework of the Borrower is consistent with the objectives of the Program.

7. If, after the exchange of views described in paragraphs 5 or 6 above, the Bank shall have given notice to the Borrower that the macro-economic policy framework of the Borrower is not consistent with the objectives of the Program or that the progress achieved in carrying out the Program or actions taken pursuant to Schedules 4, and/or 5, and/or 6 to this Agreement, as the case may be, are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress, in carrying out of the Program, and taken actions satisfactory to the Bank or the macroeconomic policy framework remains not consistent with the objectives of the Program, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 15 and September 15 beginning March 15, 1996 through March 15, 2007	12,665,000
On September 15, 2007	12,705,000

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

Premiums on Prepayment

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

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 3

Procurement

1. Contracts for the procurement of goods, other than goods referred to in Part 3 below, estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid;

such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

(i) a notice in the United Nations publication, Development Business;
or

(ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or

(iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods, other than goods referred to in Part 3 below, estimated to cost the equivalent of less than \$5,000,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided such procedures shall have been found acceptable to the Bank;

(b) by other purchasers, in accordance with established commercial practice;
and

(c) by any purchasers, for the supply of commodities, on the basis of evaluation and comparison of quotations obtained from more than one supplier.

3. Contracts for equipment under the Technical Assistance Program described in Schedule 8 to this Agreement, shall comply with the following procedures:

(a) Contracts for equipment to cost in excess of \$250,000 equivalent shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the Guidelines. In the procurement of equipment in accordance with such procedures, equipment manufactured in Colombia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto;

(b) Contracts for equipment estimated to cost \$250,000 equivalent or less but more than \$25,000 equivalent may be awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least two different countries eligible under the Guidelines in accordance with procedures satisfactory to the Bank; and

(c) Contracts for equipment estimated to cost \$25,000 equivalent or less, may be procured on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines and in accordance with procedures acceptable to the Bank.

4. Without limitation upon the provisions of the Guidelines, in respect of procurement of goods made:

(a) pursuant to Part 1 and Part 3 (a) of this Schedule:

(i) no requirement of local agents for foreign bidders shall be made;

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

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

(iv) bids for goods shall be evaluated on a CIF basis; and
(v) freight costs quoted freely by each bidder shall be used for purposes of bid evaluation.

(b) pursuant to Parts 1, 2 and 3 of this Schedule:

(i) awards shall be made to the lowest evaluated bidders.

5. With respect to each contract referred to in Part 1 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

6. With respect to each contract referred to in Part 2 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

7. Review of invitations to bid and of proposed awards and final contracts referred to in Part 3 of this Schedule:

(a) with respect to: (i) each contract for equipment estimated to cost the equivalent of over \$300,000; and (ii) the first two contracts for equipment awarded under the procedures referred to in Part 3 (b) and (c) of this Schedule, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph 7 (a), the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 7 to the Loan Agreement.

8. The provisions of the preceding paragraph 6 and 7 (b) of this Schedule shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure.

SCHEDULE 4

Actions Referred to in Paragraph 5 (b) of Schedule 1 to this Agreement

1. Performance Plans, consistent with the objectives of the PPES set forth in the Program, have been signed and become effective with respect to four Decentralized Entities which, unless otherwise agreed by the Bank, shall be the following: (a) Puertos de Colombia (hereinafter COLPUERTOS); (b) Instituto Colombiano de Electrificación (ICEL); (c) Corporación Eléctrica del Atlántico (CORELCA); and (d) Instituto de Mercadeo Agrícola (IDEMA). The Bank, at the request of the Borrower, may agree to substitute one or more of the Decentralized Entities referred above provided that the proposed Performance Plan or Plans for the proposed Decentralized Entity or Entities will, in the Bank's opinion, make an equivalent contribution in attaining the objectives of the PPES as set forth in the Program.

2. Performance Plans for the Borrower's: (a) Empresa Colombiana de Petróleos

(ECOPEPETROL); (b) Instituto Colombiano de Hidrologia y Adecuacion de Tierras (HIMAT); (c) Instituto de Credito Territorial (ICT); and (d) Empresa Colombiana de Telecomunicaciones (TELECOM), are being implemented in accordance with their respective objectives, action timetables and other terms or, in the absence of such implementation, remedial action has been adopted.

3. The Borrower shall have brought to the point of sale the Borrower's Banco de los Trabajadores, Banco del Comercio and Banco Tequendama, either individually or in merged form.

4. The Borrower shall have approved a program for the restructuring of COLPUERTOS aimed at adjusting its functions and operations in a manner consistent with the elements of the reform strategy for the ports sector as defined in the Program.

5. The Borrower shall have: (a) eliminated the ceiling imposed on foreign liners for remittance abroad of their freight generated revenues; (b) streamlined the mechanisms to control compliance with cargo reserve quotas (porcentajes de reserva de carga); and (c) reduced all cargo reserve quotas (porcentajes de reserva de carga) for bulk imports to a level of not more than five percent (5%) of total bulk imports.

SCHEDULE 5

Actions referred to in paragraph 6 (b)
of Schedule 1 to this Agreement.

1. Performance Plans, consistent with the objectives of the PPES set forth in the Program, have been signed and become effective with respect to four Decentralized Entities which, unless otherwise agreed by the Bank, shall be the following: (a) Servicio Nacional de Aprendizaje (SENA); (b) Instituto de Seguridad Social (ISS); (c) Interconexion Electrica S.A. (ISA); and (d) Corporacion Regional del Valle del Cauca (CVC). The Bank, at the request of the Borrower, may agree to substitute one or more of the Decentralized Entities referred above provided that the proposed Performance Plan or Plans for the proposed Decentralized Entity or Entities will, in the Bank's opinion, make an equivalent contribution in attaining the objectives of the PPES as set forth in the Program.

2. Performance Plans referred to in paragraphs 1 and 2 of Schedule 4 to this Agreement are being implemented in accordance with their respective objectives, action timetables and other terms or, in the absence of such implementation, remedial action has been adopted.

3. The Borrower shall be operating the PPES in accordance with its objectives including the evaluation of the public sector managers responsible for executing the Performance Plans referred to in paragraph 2 of Schedule 4 to this Agreement and the consistent application of the management incentive scheme defined for the PPES.

4. The Borrower shall have: (i) defined an action plan to reform the institutional and regulatory framework of the shipping sector aimed at improving competition in the sector; and (ii) taken initial actions, in the implementation of such action plan, that substantially reduce the reserve cargo quota (porcentaje de reserva de carga) on general import cargo.

5. The Borrower shall have approved strategies and related plans of action, for the privatization or restructuring with the aim of total or partial divestment, in respect of: (a) the Borrower's Banco de Colombia; and (b) those banks referred to in paragraph 3 of Schedule 4 to this Agreement for which no acceptable bids were received.

6. The program referred to in paragraph 4 of Schedule 4 to this Agreement is being implemented in accordance with its respective objectives and action timetables.

SCHEDULE 6

1. The Borrower shall have restructured its ports sector in a manner consistent with the objectives set forth in the Program, such restructuring to include: (a) a uniform tariff regime for private sector operators; (b) a uniform criteria and methodology to determine the compensation for use of public resources and facilities; (c) the separation of the regulatory and operating functions within the sector; and

(d) a transparent system to grant licenses to port investors and/or operators.

2. The Borrower shall have restructured its low-income housing sector pursuant to the objectives set forth in the Program. Such restructuring shall include: (a) elimination of the role of the Borrower's Instituto de Credito Territorial (hereinafter ICT) as constructor of low-income housing and limitation of ICT's role as financier of low-income housing to the transfer of budget resources, through the financial sector, to private and municipal entities promoting low-income housing projects, such transfer to be made in accordance with the terms set forth in the Program; (b) establishment of an incentive structure promoting private sector and NGO (non-governmental organizations) participation in the sector; (c) elimination of forced investments by the private financial sector as net financing source for ICT and definition of a plan for the payment of ICT's accrued liabilities to the public sector; and (d) establishment of a system to provide direct and targeted subsidies to low income beneficiaries.

3. The Borrower shall have: (a) in respect of agricultural products currently reserved for exclusive import by the Borrower's Instituto de Mercadeo Agrícola (IDEMA), established a transparent and automatic system to allow the private sector to freely import such products; and (b) converted the trade regime for agricultural imports into a tariff-based protection system.

SCHEDULE 7

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Category" means Category (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 Technical Assistance Program described in Schedule 8 to this Agreement and to be financed out of the proceeds of the Loan allocated from time to time to the Eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$400,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the

Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective Eligible Category, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

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

(b) once the total unwithdrawn amount of the Loan allocated to the Eligible Category less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Technical Assistance Program described in Schedule 8 to this Agreement, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the Eligible Category for the Technical Assistance Program described in Schedule 8 to this Agreement shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

SCHEDULE 8

Technical Assistance Program

1. Preparation and Implementation of Performance Plans

(i) Technical assistance for purposes of the preparation of

performance plans for decentralized entities which are subjected to
the PPES and specific sector reform programs;

(ii) A study for the establishment of a management cost accounting system for the Borrower's Empresa Colombiana de Petroleos (ECOPEtrol);

(iii) Technical assistance for the preparation of a restructuring program for the Borrower's Empresa Colombiana de Telecomunicaciones (TELECOM), including the development of a cost accounting system, review of its current tariff structure and the review of its managerial and corporate structure to enable it to operate on a commercial basis; and

(iv) Development of a management information system for the Borrower's Instituto Colombiano de Hidrologia y Adecuacion de Tierra (HIMAT).

2. Public sector's financial management and monitoring

(i) A study of an integrated financial system for public sector operations and development of such system;

(ii) A study on the rationalization of public sector salaries and personnel costs; and

(iii) A study for purposes of identifying, quantifying and analyzing the current levels and beneficiaries of subsidies granted by the Government of Colombia.

3. Preparation and implementation of sector reforms:

(i) Technical Assistance to the Borrower's Ministry of Communications to strengthen its planning and regulatory role in the sector;

(ii) Studies to define the institutional and regulatory framework, including tariff, compensation, and licensing for the ports sector;

(iii) Studies to define the tariff system for the provision of rail infrastructure services and to review the economic and technical justification of the proposed investment program for the rehabilitation of the rail system;

(iv) A study to carry out an overall review of the shipping protection system aimed at assessing the impact of the recent reduction of cargo reserve quotas and develop alternatives to the quota-based protection system; and

(v) A study aimed at defining the technical and economic work required to implement the reforms proposed in the agricultural marketing sector, including the possible establishment of a system of variable tariffs and price bonds and the restructuring of the Borrower's Instituto de Mercadeo Agricola (IDEMA).

4. Definition of privatization/divestment strategies for specific public enterprises:

(i) A study on the restructuring of the Borrower's Empresa Alcalis de Colombia (ALCALIS) to enable its future privatization; and

(ii) A study to define a strategy for the privatization/divestment of the Borrower's Banco de Colombia.



