

CONFORMED COPY

LOAN NUMBER 7155-CO

Loan Agreement

(Higher Education-Improving Access Project)

between

REPUBLIC OF COLOMBIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated April 16, 2003

LOAN NUMBER 7155-CO

LOAN AGREEMENT

AGREEMENT, dated April 16, 2003 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

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) "Annual Action Plan" means any of the plans referred to in Section 3.05 (a) and/or (c) of this Agreement;

(b) "COLCIENCIAS" means *Instituto Colombiano para el Desarrollo de la Ciencia y la Tecnología*, the Colombian Institute for the Development of Science and Technology created by Decree Number 2869, dated November 20, 1968;

(c) "Doctoral Program Grant Agreement" means any of the agreements referred to in Section 3.06 (b) of this Agreement;

(d) “Doctoral Program Grant” means the financial support to be awarded by COLCIENCIAS to an Eligible Tertiary Institution under the relevant Doctoral Program Grant Agreement and included in Part B of the Project;

(e) “Doctoral Program Subproject” means a set of investments to be carried out by an Eligible Tertiary Institution under a Doctoral Program Grant Agreement and included in Part B of the Project;

(f) “Eligible Student” means a Tertiary Education (as hereinafter defined) student who is eligible to benefit from the grants and/ or loans referred to in Part A of the Project in accordance with the criteria set forth in the Operational Manual (as hereinafter defined);

(g) “Eligible Tertiary Institution” means an institution which provides Tertiary Education (as hereinafter defined) and meets the eligibility criteria set forth in the Operational Manual (as hereinafter defined);

(h) “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(i) “FY” means the Borrower’s fiscal year commencing on January 1 and ending on December 31;

(j) “Higher Education Law” means law number 30 of the Borrower dated December 28, 1992, duly published in the Borrower’s Official Gazette on December 29, 1992, which established, *inter alia*, the Borrower’s higher education system and its role, functions and responsibilities in the higher education sector;

(k) “ICETEX” means *Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior*, the Colombian Institute for Educational Credits and Technical Studies Abroad, created by Decree Number 2586, dated August 3, 1950;

(l) “Implementation Letter” means the letter of even date herewith from the Borrower to the Bank setting forth the Project monitoring indicators;

(m) “MEN” means the Borrower’s Ministry of Education or any successor thereto;

(n) “Model Forms” means the set of model draft agreements satisfactory to the Bank, including standard drafts of Doctoral Program Grant Agreements, Tertiary Education Grant Agreements (as hereinafter defined) and Tertiary Education Loan

Agreements (as hereinafter defined) set forth in the Operational Manual (as hereinafter defined);

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

(p) “PCU” means the unit referred to in Section 3.07 (a) of this Agreement;

(q) “Peso” or “P\$” means the lawful currency of the Borrower;

(r) “Project Preparation Advance” means the project preparation advance granted by the Bank to the Borrower pursuant to the letter agreement number P-389-CO signed on behalf of the Bank on November 7, 2001 and on behalf of the Borrower on December 28, 2001;

(s) “Special Account” means the account referred to in Section 2.02 (c) of this Agreement;

(t) “Subsidiary Agreement” means the agreement to be entered into between the Borrower, ICETEX, COLCIENCIAS and MEN pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time;

(u) “Tertiary Education” means the education services provided in the Borrower’s territory pursuant to the provisions of the Higher Education Law;

(v) “Tertiary Education Grant Agreement” means any of the agreements referred to in Section 3.06 (a) (i) of this Agreement;

(w) “Tertiary Education Grant” means any of the grants to be awarded by ICETEX to an Eligible Student under the relevant Tertiary Education Grant Agreement and included in Part A.1 of the Project;

(x) “Tertiary Education Loan Agreement” means any of the agreements referred to in Section 3.06 (a) (ii) of this Agreement; and

(y) “Tertiary Education Loan” means any of the loans to be provided by ICETEX to an Eligible Student under the relevant Tertiary Education Loan Agreement and included in Part A.2 of the Project.

Section 1.03 Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to ICETEX , COLCIENCIAS and/or MEN.

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 two hundred million Dollars (\$200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (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 costs of Tertiary Education Loans, Tertiary Education Grants, goods, works and services required for the Project and to be financed out of the proceeds of the Loan, and in respect of interest and other charges in respect of the Loan, the front-end fee referred to in Section 2.04 of this Agreement and in respect of payments regarding the Project Preparation Advance in accordance with Section 2.02 (b) of this Agreement.

(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.

(c) The Borrower may, upon previous approval by the Bank, for the purposes of the Project, open and maintain in Dollars a separate special deposit account (the Special 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 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2008 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 percent (1%) of the amount of the Loan. The Borrower agrees that on or

promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

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: (i) 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 of the General Conditions to but not including the fourth anniversary of such date; and (ii) 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, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on 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:

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; and

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.

(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.

Section 2.10 Without limitation upon the provisions of paragraph (a) of Section 2.09 of this Agreement and unless otherwise notified by the Borrower to the Bank 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.

Section 2.11. The Deputy Director for Operations at the General Directorate of Public Credit of the Borrower's Ministry of Finance and Public Credit or any person or persons whom he or she shall designate in writing are designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, as set forth in Schedule 2 to this Agreement, and, to this end, shall: (i) cause ICETEX to carry out Parts A, and D of the Project with due diligence and efficiency and in conformity with appropriate administrative, educational, financial, managerial, and social practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ICETEX to carry out Parts A and D of the Project and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of such Parts of the Project by ICETEX; (ii) cause COLCIENCIAS to carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, educational, engineering, environmental, financial, managerial, social, and technical practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable COLCIENCIAS to carry out Part B of the Project and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of such Part of the Project by COLCIENCIAS; and (iii) carry out Part C of the Project, through MEN, with due diligence and efficiency and in conformity with appropriate administrative, compensation, educational, financial, managerial, social, and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part C of the Project;

(b) The Borrower shall enter into an agreement with ICETEX, COLCIENCIAS and with MEN, (the Subsidiary Agreement) satisfactory to the Bank, providing, inter alia, for:

- (i) in the case of ICETEX:

- (A) the transfer, on a grant basis, to ICETEX of the portion of the proceeds of the Loan allocated to Parts A and D of the Project;
 - (B) the obligation of ICETEX to carry out Parts A and D of the Project and to comply with all the other applicable provisions of this Agreement, including, *inter alia*, those set forth in Sections 3.02, 3.03, 3.04, 3.05, 3.06, 3.07, 3.08, 3.10, 4.01 and 4.02; and
 - (C) the obligation of the Borrower, COLCIENCIAS and MEN to provide ICETEX promptly with whatever information ICETEX needs to comply with its obligations referred to in Sections 4.01 and 4.02 of this Agreement;
- (ii) in the case of COLCIENCIAS:
- (A) the transfer, on a grant basis, to COLCIENCIAS of the portion of the proceeds of the Loan allocated to Part B of the Project;
 - (B) the obligation of COLCIENCIAS to carry out Part B of the Project and to comply with all the other applicable provisions of this Agreement, including, *inter alia*, those set forth in Sections 3.02, 3.03, 3.04, 3.06 and 3.08; and
 - (C) the obligation of COLCIENCIAS to provide ICETEX promptly with whatever information, regarding Part B of the Project, ICETEX needs to comply with its obligations referred to in Sections 4.01 and 4.02 of this Agreement; and
- (iii) in the case of MEN:
- (A) the obligation to carry out Part C of the Project and to comply with all the other applicable provisions of this Agreement, including, *inter alia*, those set forth in Sections 3.02, 3.03, 3.04, 3.08; and

(B) the obligation of MEN to provide ICETEX promptly with whatever information, regarding Part C of the Project, ICETEX needs to comply with its obligations referred to in Sections 4.01 and 4.02 of this Agreement.

(c) The Borrower shall exercise its rights and comply with its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Bank and the Borrower and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce the Subsidiary Agreement or any part thereof.

(d) In case of any conflict between the terms of the Subsidiary Agreement and those of this agreement, the terms of this Agreement shall prevail.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, and maintenance, respectively) in respect of Parts A, D, B and C of the Project shall be carried out by ICETEX, COLCIENCIAS and MEN.

Section 3.04. (a) The Borrower shall cause ICETEX and COLCIENCIAS to carry out their Parts of the Project, and shall carry out its Part of the Project through MEN in accordance with a manual (the Operational Manual), acceptable to the Bank, said manual to include, *inter alia*:

- (i) an institutional implementation plan of ICETEX, COLCIENCIAS and MEN for the management of the Project (including, *inter alia*, allocation of responsibilities among staff, yearly planning of activities and budget and time allocation for those activities);
- (ii) the procurement and financial management guidelines to be followed during Project implementation by the Borrower and/or ICETEX, COLCIENCIAS and MEN;
- (iii) the guidelines for the preparation of the Annual Action Plans;

- (iv) the criteria and procedures for:
 - (A) the selection of Eligible Tertiary Institutions to receive Doctoral Program Grants and Eligible Students to receive Tertiary Education Grants and Tertiary Education Loans;
 - (B) the preparation, review, approval and implementation of Doctoral Program Subprojects (including, *inter alia*, the appropriate environmental requirements and a suggested list of possible activities, acceptable to the Bank, to be carried out under Doctoral Program Subprojects),
 - (C) the processing, review and approval of financial aid (Tertiary Education Grants and Tertiary Education Loans) to Eligible Students;
 - (D) the financial management procedures applicable to Doctoral Program Grants, Tertiary Education Grants and Tertiary Education Loans, respectively (including, *inter alia*, the guidelines and timing for the audits referred to in Section 3.08 (e) of this Agreement); and
 - (E) the procurement and contracting procedures applicable to consultants' services, goods and works procured by Eligible Tertiary Institutions under Doctoral Program Subprojects; and
- (v) the Model Forms for Doctoral Program Grant Agreements, Tertiary Education Grant Agreements, and Tertiary Education Loan Agreements.

(b) Except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.

(c) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.05. The Borrower shall cause ICETEX to:

(a) not later than January 31 of each year during Project implementation, starting in year 2003, furnish to the Bank, for its approval, an annual action plan (the Annual Action Plan), each said plan to include, *inter alia*:

- (i) the Project activities to be carried out by ICETEX, COLCIENCIAS and MEN with the assistance of the corresponding Eligible Tertiary Institutions, during the twelve months immediately following the presentation of each said plan;
- (ii) the procurement plan, disbursement schedule and chart of accounts for each said twelve month period; and
- (iii) the amount of counterpart funds needed and to be provided by the Borrower to carry out the Project during said calendar year;

(b) thereafter implement, or cause to be implemented, each said Annual Action Plan, approved by the Bank, in accordance with its terms; and

(c) carry out, or cause to be carried out, the Annual Action Plan for the year 2003 as approved by the Bank prior to the date of this Agreement.

Section 3.06. Upon approval of the corresponding Annual Action Plan by the Bank, the Borrower shall:

(a) cause ICETEX to enter into: (i) an agreement or amend an existing agreement (the Tertiary Education Grant Agreement); and (ii) an agreement or amend an existing agreement (the Tertiary Education Loan Agreement) with each Eligible Student, all on terms and conditions satisfactory to the Bank.

(b) cause COLCIENCIAS to enter into an agreement or amend an existing agreement (the Doctoral Program Grant Agreement) with each relevant Eligible Tertiary Institution;

(c) cause ICETEX and COLCIENCIAS to (i) exercise their rights and carry out their obligations under each Doctoral Program Grant Agreement, Tertiary Education Grant Agreement, and Tertiary Education Loan Agreement, in such a manner as to protect the interests of the Bank, the Borrower, COLCIENCIAS and ICETEX and to accomplish the purposes of the Loan; and (ii) except as the Bank shall otherwise agree, the Borrower shall not and shall not allow COLCIENCIAS and ICETEX to assign, amend, abrogate, terminate, waive or fail to enforce any Doctoral Program Grant

Agreement (or any provision thereof), any Tertiary Education Grant Agreement (or any provision thereof), or any Tertiary Education Loan Agreement (or any provision thereof).

(d) In case of any conflict between: (i) the terms of any Doctoral Program Grant Agreement, any Tertiary Education Grant Agreement or any Tertiary Education Loan Agreement, and (ii) the terms of this Agreement, the terms of this Agreement shall prevail.

Section 3.07. (a) The Borrower shall cause ICETEX to operate and maintain in ICETEX, at all times during Project implementation, a Project coordination unit (the PCU) with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of the PCU to assist the Borrower in the coordination, monitoring and supervision of the Project.

(b) The Borrower shall cause ICETEX to ensure that the PCU is, at all times during Project implementation, headed by an executive director and staffed with an accountant, an administrative director, a financial director, a procurement specialist and other professional and administrative staff, all hired through competitive processes, in numbers and with qualifications and experience acceptable to the Bank.

(c) The Borrower shall cause ICETEX not to introduce changes in the number of positions of the PCU or in the professional skills required for occupying such positions, without the consent of the Bank.

Section 3.08. The Borrower shall:

(a) maintain, through MEN, and cause ICETEX and COLCIENCIAS to maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Implementation Letter and the data produced by the monitoring and evaluation program referred to in Part D.5 of the Project, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, through MEN, and cause ICETEX and COLCIENCIAS to prepare under terms of reference satisfactory to the Bank, and furnish to the Bank, each October 31 and April 30 during Project implementation, starting with the report due not later than October 31, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the calendar semester preceding the date of presentation of the report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the following calendar semester;

(c) through the Borrower's National Planning Office (*Departamento Nacional de Planeación*), review with the Bank, by October 31 of each year of Project implementation, or such later date as the Bank shall agree, starting in year 2003, the pertinent reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said reports and the Bank's views on the matter;

(d) carry out an in-depth review (the Mid-Term Review) jointly with ICETEX, COLCIENCIAS, MEN and the Bank, by December 31, 2005 or such later date as the Bank shall agree, on the progress achieved in the implementation of the Project; and

(e) cause ICETEX to employ independent auditors, under terms of reference satisfactory to the Bank, to monitor –on an annual basis- the eligibility of both Eligible Students and Eligible Tertiary Institutions and compliance with the requirements of the Operational Manual and of this Agreement in respect of Tertiary Education Grants, Tertiary Education Loans, and Doctoral Program Grants.

Section 3.09. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower, shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months 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.

Section 3.10. In the event that the number of Tertiary Education Loans in arrears for more than ninety days exceeds 10% of ICETEX's outstanding loan portfolio, under the Project, as of September 30 of each year, starting in September 2003, the Borrower shall cause ICETEX:

(a) to furnish to the Bank, not later than November 30 of that year, starting in 2003, an action plan satisfactory to the Bank, to limit the number of its loans in arrears for more than ninety days to 10% or less of its outstanding loan portfolio; and

(b) to carry out such action plan immediately thereafter, until at least the completion of the Project, in a manner satisfactory to the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause ICETEX to maintain within the PCU a financial management system, 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 shall cause ICETEX through the PCU to:
- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section, ICETEX's own financial statements, and the records and accounts for the Special Account for each of the Borrower's FYs 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 four (4) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraphs (a), and (b) (i) of this Section for such year as so audited; and (B) an opinion on such financial 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 statements of expenditure, the Borrower shall cause ICETEX to:

- (i) maintain or cause to be maintained, in accordance with paragraphs (a), and (b) (i) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain or cause to be retained, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records

(contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's, ICETEX's COLCIENCIAS' and MEN's progress reporting obligations set out in Section 3.08 of this Agreement, the Borrower shall cause ICETEX to prepare and furnish to the Bank, through the PCU, a financial monitoring report (FMR), in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation ; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

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

(a) The Higher Education Law or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner as to affect materially and adversely, in the opinion of the Bank, the ability of ICETEX, COLCIENCIAS and/or MEN to carry out their components of the Project.

(b) As a result of events which have occurred after the date of this Agreement, a situation has arisen which shall make it improbable that either ICETEX, COLCIENCIAS or MEN will be able to perform its obligations under the Subsidiary Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Operational Manual has been issued by the Borrower and approved by the Bank;

(b) the independent auditors referred to in Sections 4.01 (b) (i) and 3.08 (e) of this Agreement have been contracted by ICETEX;

(c) the PCU has been fully staffed and is operational as provided in Section 3.07 of this Agreement;

(d) the financial management system for the Project has been established as provided in Section 4.01 (a) of this Agreement;

(e) the Borrower has furnished to the Bank a proposed plan, satisfactory to the Bank, for the selection of consultants under the Project; and

(f) the Subsidiary Agreement has been signed by the respective parties to such agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely that the agreement referred to in Section 6.01 (f) of this Agreement has been executed in accordance with the Borrower's legislation, has been duly authorized or ratified by, and is legally binding upon the respective parties to such agreement, in accordance with its terms.

Section 6.03. The date July 16, 2003 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.11 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance and Public Credit
Palacio de los Ministerios
Plaza San Agustín
Carrera 7a., Número 6-45, Piso 3
Bogotá, D.C.
Colombia

Cable address:	Telex:	Facsimile:
MINHACIENDA	43289 MHAC	(571) 350-9344

For the Bank:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

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

REPUBLIC OF COLOMBIA

/s/ Bernardo Ortiz

By

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

/s/ John Redwood

By

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods (except as covered in Categories (4) and (5) below)	2,048,500	100% of foreign expenditures, 100 % of local expenditures (ex-factory cost); and 84% of local expenditures
(2) Consultants' services including audits (except as covered in Category 4 below)	4,365,500	73%
(3) Tertiary Education Loans and Grants under Parts A.1 and and A.2 of the Project	183,900,000	85% of amounts disbursed by ICETEX to Eligible Students until withdrawals for this Category have reached an aggregate amount of \$87,450,000 and 65% thereafter
(4) Goods, works and Consultants' services for Doctoral Program Subprojects under Part B of the Project	6,000,000	60%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(5) Operating Costs	1,100,000	50%
(6) Refunding of Project Preparation Advance	86,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7) Front- end Fee	2,000,000	Amount due under Section 2.04 of this Agreement
(8) Unallocated	500,000	
TOTAL	<u>200,000,000</u>	

2. For the purposes of this Schedule:

(a) 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;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

(c) the term “Operating Costs” means reasonable Borrower expenditures, which would not have been incurred absent the Project, to finance consumable items and utilities.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the amount of \$20,000,000, may be made in respect of Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of this Schedule on account of payments made within twelve months prior to the date of this Agreement, but not earlier than November 8, 2002.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditures for expenditures: (a) under contracts for goods; (b) under contracts for works; (c) under contracts for the employment of consulting firms; (d)

under contracts for the employment of individual consultants; (e) for Tertiary Education Loans; and (f) for Tertiary Education Grants; 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.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the quality and equity of the Borrower's Tertiary Education system.

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: Improve Equity in Access to Tertiary Education

1. Provision of grants to Eligible Students to finance their enrollment and tuition in Eligible Tertiary Institutions to pursue Tertiary Education.
2. Provision of loans to Eligible Students to finance their enrollment and tuition in Eligible Tertiary Institutions to pursue Tertiary Education and/ or doctoral studies.
3. Design and implementation of a program to monitor and evaluate the activities referred to in Parts A.1 and A.2 above.

Part B: Support for Doctoral Program

Carrying out of investments for purposes of, *inter alia*: (1) financing small infrastructure rehabilitation in research laboratories at Eligible Tertiary Institutions; (2) purchasing laboratory equipment, software, hardware, books and information materials for Eligible Tertiary Institutions; (3) the processing, review and approval of Tertiary Education Loans to be provided to Eligible Students in accordance with the eligibility criteria set forth in the Operational Manual; and (4) providing stipends to researchers visiting Eligible Tertiary Institutions.

Part C: Institutional Strengthening

1. Design and implementation of a labor market monitoring program to obtain and provide information about the performance of graduates of Tertiary Education in the Borrower's labor market.
2. Strengthening of the managerial capacity of MEN to improve the administrative framework for Tertiary Education, through, *inter alia*: (a) provision of technical

assistance to develop instruments to measure management efficiency, cost effectiveness and a quality assurance system; (b) training in procurement advisory services and financial management; (c) fellowships, study tours and attendance at international conferences for the professional development of MEN officers; and (d) provision of computers and office equipment.

3. Provision of technical assistance to improve the Borrower's national Tertiary Education information system.

Part D: Project Management, Monitoring and Evaluation

Provision of support for overall Project coordination, evaluation, supervision and implementation, including, *inter alia*:

(1) the strengthening of the capacity of the PCU to comply with its responsibilities referred to in Section 3.07 (a) of this Agreement;

(2) the carrying out of audits under Section 4.01 of this Agreement;

(3) the carrying out of audits under Section 3.08 (e) of this Agreement;

(4) the carrying out of Project studies, including, *inter alia*, performance reviews and impact evaluations; and

(5) the design and implementation of a program to monitor and evaluate the carrying out of the Project.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Amortization Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each May 15 and November 15 Beginning on May 15, 2010 through November 15, 2010	7.50%
On May 15, 2011 through November 15, 2012	0%
On May 15, 2013 through November 15, 2013	12.50%
On May 15, 2014 through November 15, 2015	15.00%

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

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

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

Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

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

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

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

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

Part B: International Competitive Bidding

1. Except as otherwise 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 following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of Part B:

(a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$ 250,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

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. National Competitive Bidding

(a) Goods estimated to cost less than \$ 250,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) Procurement of goods and works under this Part shall be carried out using standard bidding documents acceptable to the Bank.

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

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

(f) Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder who meets appropriate technical and financial standards of capability and whose bid has been determined to be the lowest evaluated bid. Such determination shall be made exclusively on the basis of the specifications, conditions and evaluation criteria stipulated in the bidding documents. If any factor additional to the amount or amounts of each bid is to be considered in bid evaluation, such factor or factors and the quantified manner on which they will be applied for purposes of determining the lowest evaluated bid shall be precisely stipulated in the bidding documents. For purposes of bid evaluation and comparison, the only bid amount or amounts to be used as a factor shall be the bid amount or amounts as quoted in the corresponding bid, including correction of arithmetic errors.

(g) The provisions of paragraph 2.46 of the Guidelines shall fully apply and, more specifically, bids shall not be disclosed to persons other than the persons officially charged with the task of comparing and/or evaluating the bids while they are performing their official duties, without the corresponding bidder's written authorization. Moreover, bidders shall not be required to provide such authorization as a condition to be entitled to bid. This confidentiality requirement shall apply until the award of contract is notified to the successful bidder. Thereafter, confidentiality of the bids shall be limited to those bid portions for which confidentiality has been specifically requested by the bidder in question.

2. Shopping

Goods estimated to cost less than \$ 50,000 equivalent per contract may be procured under contracts awarded on the basis of international or national shopping procedures, at the Borrower's option, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, may be procured 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, the 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.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be 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 shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank and with the provisions of said paragraph 1.

Prior Review

With respect to: (i) each contract for goods and works to be awarded under Part B.1 of this Section, (ii) each contract for goods to be awarded under Part C.1 (a) of this Section, estimated to cost an equivalent of \$100,000 or more; (iii) first two contracts for goods under Part C.2 of this Section; and (iv) the first two contracts for works under Part C.3 of this Section, estimated to cost an equivalent of \$25,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

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 Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Section I 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of this Section.

Part B: Quality- and Cost-based Selection

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications:

Consultants' services for the improvement of the Borrower's national Tertiary Education information system under Part C.3 the Project, estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Consultants' services for the design and implementation of a labor market monitoring program, and for a monitoring and evaluation program under Parts C.1 and D.5 of the Project, respectively, estimated to cost less than \$80,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

Services of individual consultants for the development of instruments to measure management efficiency, cost effectiveness and a quality assurance system under Part C.2 (a) of the Project, and training in procurement advisory services and financial management under Part C.2 (b) of the Project, estimated to cost less than \$30,000 equivalent, for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines: (a) shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines; or (b) may be procured on a sole source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Bank.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank, for its review and approval as provided in Section 6.01 (e) of this Agreement, prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every six (6) months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$80,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 or more, the report on the comparison of the qualifications and experience of the candidates, or the qualifications and experience of the candidate in the case of the sole-source selection, as well as the 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. The provisions of paragraph 3 of Appendix I to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

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

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1), (2), (3), (4), and (5) 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 Tertiary Education Loans, Tertiary Education Grants, goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means the amount of \$12,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$5,000,000 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 \$15,000,000.
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 deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

- (b) 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 the records and accounts for the Special Account;

- (c) 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 the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

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

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