

CONFORMED COPY

LOAN NUMBER 7016-CO

Loan Agreement

(Sierra Nevada Sustainable Development Project)

between

REPUBLIC OF COLOMBIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 23, 2000

LOAN NUMBER 7016-CO

LOAN AGREEMENT

AGREEMENT, dated May 23, 2000, between REPUBLIC OF COLOMBIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) 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;

(B) the Borrower, through its National Planning Department (DNP) will cause the Project will to be carried out by Fundación Pro-Sierra Nevada de Santa Marta, a Colombian non-governmental organization pursuant to its articles of association approved on July 24, 1986 (the Foundation); and

(C) the Bank has agreed, on the basis, inter alia, of the foregoing, to extend to the Borrower the loan provided for in Article II of this Agreement (the Loan), 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, with the modification set forth below (the General Conditions) constitute an integral part of this Agreement.

Paragraph (c) of Section 9.07 is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Bank and the Borrower, the Borrower, through its National Planning Department shall furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the Project, its cost, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement, the accomplishment of the purposes of the Loan, and the lessons learned from the execution of the Project."

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) "DNP" means the Borrower's National Planning Department (Departamento Nacional de Planeación);

(b) "Eligible Categories" means categories (1) through (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(c) "Eligible Expenditures" means the expenditures for goods and services referred to in Section 2.02 of this Agreement;

(d) "Foundation's Account" means the account referred to in Part B.1 of Schedule 1 to this Agreement;

(e) "Fund" means the separate fund to be created within the Foundation for purposes of financing Subprojects through GrantsTransfers;

(f) "Fund Operational Manual" means the manual referred to in Section 3.01 (c) (iv) of this Agreement;

(g) "Grants" means the grants referred to in Part C.1 (d) of this Agreement;

(h) "Indigenous Peoples Strategy" means the strategy, referred to in the Foundation's letter sent by DNP and the Foundation to the Bank, dated on March 29, 2000, for the carrying out of the Project with due observance of the rights of the indigenous peoples living in the Sierra Nevada, which includes recognition of, and support to, traditional social organization and cultural values, recognition of land and natural resource use rights, and a continuous process of consultation between the Foundation and indigenous authorities with respect to specific activities to be carried out in the development of such strategy;

(i) "Pilot Regions" means the regions in the Sierra Nevada which are referred to in the Foundation's letter sent by DNP and the Foundation to the Bank, dated on March 29, 2000;

(j) "Procedures and Policies Manual" means the manual, issued by the Foundation in 1992, containing the internal procedures and policies applicable to the operations of the Foundation, as such Manual will be amended pursuant to this Agreement;

(k) "Project Management Report" means any of the reports prepared in accordance with Section 4.02 of this Agreement;

(l) "Sierra Nevada" means the Sierra Nevada de Santa Marta eco-region defined in the Plan de Desarrollo Sostenible de la Sierra Nevada de Santa Marta: Estrategia de Conservación, published by the Foundation in February 1997;

(m) "Subproject" means any of the projects referred to in Part C.1 (d) of the Project;

(n) "Subsidiary Agreement" means the agreement referred to in Section 3.01 (b) of this Agreement;

(o) "Transfer" means any of the non-reimbursable transfers of funds referred

to in Part C.1 (d) of this Agreement; and

(p) "Voluntary Resettlement Guidelines" means the guidelines, set forth in the Foundation's letter sent by DNP and the Foundation to the Bank, dated on March 29, 2000, containing the principles and procedures applicable to the voluntary resettlement of population referred to in Part C.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 the Foundation.

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 five million Dollars (\$5,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan [and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions].

Section 2.03. The Closing Date shall be December 15, 2005 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (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 (b) 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, at a rate for each Interest Period equal to the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: 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; a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

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

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

ARTICLE III

Execution of the Project

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

(b) The Borrower, through DNP, shall:

(i) enter into an agreement, under terms and conditions satisfactory to the Bank (the Subsidiary Agreement) with the Foundation whereby (A) the Foundation will undertake to carry out the Project as set forth or referred to in this Agreement, and to comply with the other obligations to be undertaken by the Foundation pursuant to this Loan Agreement, and (B) the Borrower will undertake to transfer to the Foundation the proceeds of the Loan and the counterpart funds as required for the Foundation to carry out the Project; and

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

(c) Without limitation to the provisions of paragraph (a) above, the Borrower, through DNP, shall cause the Foundation to:

(i) carry out the Project in accordance with the annual operating plans referred to in Section 3.03 of this Agreement or the Project Management Reports, as the case may be;

(ii) carry out the Project in accordance with the Indigenous Peoples Strategy;

(iii) carry out any voluntary resettlement activity under Part C.1 (d) of the Project in accordance with the Voluntary Resettlement Guidelines;

(iv) carry out Part C.1 (d) of the Project in accordance with the provisions of an operational manual, satisfactory to the Bank (the Fund Operational Manual), which shall contain the criteria for

eligibility and selection of Subprojects and recipients of Grants/Transfers, the procurement, financial management, environmental and other procedures applicable to Subprojects, and the model of the contracts for provision of Grants/Transfers;

(v) to maintain a general coordinator and a technical committee, satisfactory to the Bank, responsible for the operation of the Fund, the appraisal and supervision of Subprojects and approval of Grants/Transfers; and

(vi) carry out its operations and the Project in accordance with the provisions of the Procedures and Policies Manual; and

(vii) not later than three months from the Effective Date, employ and thereafter maintain, during the execution of the Project, persons with terms of reference, qualifications and experience satisfactory to the Bank for the positions of Project coordinator, chief of the monitoring and evaluation unit, and administrative and financial director.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods 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 Borrower, through DNP, shall cause the Foundation to furnish to the Bank, not later than November 1 of each year during the execution of the Project until the Foundation starts to produce Project Management Reports, an annual operating plan, satisfactory to the Bank, for the carrying out of the Project in the immediately subsequent year.

Section 3.04. The Borrower shall not cause, and shall not allow the Foundation to cause, during the execution of the Project, any involuntary resettlement of population living in the national parks and indigenous reserves in the Sierra Nevada.

Section 3.05. The Borrower, through DNP, shall cause the Foundation to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators (as such indicators may be modified from time to time with the agreement of the Bank) set forth in the letter sent by DNP and the Foundation to the Bank on March 29, 2000, the carrying out of the Project and the achievement of the objectives thereof; and

(b) employ, in accordance with the applicable provisions of Section II of Schedule 4 to this Agreement, the services of an external evaluator in a timely fashion so as to enable such evaluator to submit to the Bank, not later than April 1, 2002 and April 1, 2004, reports evaluating the progress of the Project and the achievement of its objectives.

Section 3.06. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower, through DNP, shall cause the Foundation to: (a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continued achievement of the objectives of the Project; and (b) afford the Bank a reasonable opportunity to exchange views with the Borrower and the Foundation on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through DNP, shall cause the Foundation to maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Bank, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) The Borrower, through DNP, shall cause the Foundation to:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), including the records and accounts for the Foundation's Account, for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements and 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, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

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

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

(ii) retain or cause the Foundation to retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower, through DNP, shall cause the Foundation to carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 (including the updating of the Procedures and Policies Manual) in order to enable the Foundation, not later than April 30, 2001, or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

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

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

targets; and

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

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower, through DNP, shall cause the Foundation to prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that the Foundation shall have failed to perform any of its obligations under the Subsidiary Agreement.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following event is specified as additional conditions to the effectiveness of this Agreement, within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Subsidiary Agreement has become effective; and

(b) the procurement section of the Procedures and Policies Manual has been amended in a manner satisfactory to the Bank.

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 Subsidiary Agreement has become effective and is legally binding upon its parties in accordance with its terms.

Section 6.03. The date August 23, 2000 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Public Credit
Palacio de los Ministerios
Plaza San Agustín
Carrera 7A, No. 6-45, Piso 3
Santa Fé de Bogotá
Colombia

Cable address:

Telex:

Facsimile:

MINHACIENDA

43289 MHAC CO

(571) 350-9344

With copies to:

Departamento Nacional de Planeación
Calle 26, No. 13-19, Piso 14
Santa Fé de Bogotá
Colombia

Facsimile:

(571) 2826939

For the Bank:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD

248423 (MCI) or

(202) 477-6391

Washington, D.C.

64145 (MCI)

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

REPUBLIC OF COLOMBIA

By /s/ Luis Alberto Moreno

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ David de Ferranti

Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

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

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Works (other than under sSubprojects)	200,000	85%
(2) Goods (other than under Subprojects)	300,000	85%

(3)	Consultants' services (including auditor's services) and training	2,550,000	90%
(4)	Operating costs	700,000	85%
(5)	Grants Subprojects	1,000,000	100% of amounts disbursed under Transfers
(6)	Front-end fee	50,000	Amount due under Section 2.04 of this Agreement
(6)	Unallocated	250,000	
	TOTAL	5,000,000	

2. For the purposes of this Schedule, the term:

(a) "operating costs" means sundry costs, such as office rental, utilities, office supplies, fuel, communications and transportation expenses, incurred by the Foundation during Project implementation; and

(b) "training" includes the cost of rental of training facilities, materials, per diem and transportation of trainees and trainers, tuition fees, and study tours.

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

(a) any Category set forth in the table in paragraph 1 of this Schedule, unless and until the Borrower shall have paid to the Bank in full the front-end fee referred to in Section 2.04 of this Agreement;

(b) payments made for expenditures prior to the date of this Agreement; and

(c) any GrantSubproject, unless the Fund Operational Manual has been issued, and the general coordinator and the members of the technical committee referred to in Section 3.01 (c) (v) of this Agreement have been appointed.

4. The Bank may require withdrawals from the Loan Accounts to be made on the basis of statements of expenditures for expenditures: (a) for training, operating costs and GrantsSubprojects; and (b) under contracts that are not subject to prior review by the Bank pursuant to Section I, Part D.2, and Section II, Part D.2, of Schedule 4 to this Agreement.

B. Foundation's Account

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

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

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

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall

be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Foundation's Account shall be made exclusively for Eligible Expenditures. For each payment made by the Foundation out of the Foundation's Account, the Borrower shall (or shall cause the Foundation to), at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

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

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

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

(c) if the Borrower or the Foundation shall have failed to furnish to the Bank within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Foundation's Account, or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

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

6. (a) If the Bank determines at any time that any payment out of the Foundation's Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide cause the Foundation to provide such additional evidence as the Bank may request, or cause the Foundation to deposit into the Foundation's Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Foundation's Account shall be made until the Borrower or the Foundation has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Foundation's Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, cause the Foundation to 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 Foundation's Account.

(d) Refunds to the Bank made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

Annex A to SCHEDULE 1

Operation of Foundation's Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex, the term "Authorized Allocation" means the amount of \$350,000 to be withdrawn from the Loan Account and deposited into the Foundation's Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to

the amount of \$100,000 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 \$250,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Foundation's 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 Foundation's Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Foundation's Account such amount as the Borrower shall have requested.

(b) For replenishment of the Foundation's Account, the Borrower shall furnish to the Bank requests for deposit into the Foundation's Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Foundation's 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 Foundation's Account for Eligible Expenditures. Each such deposit into the Foundation's Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Foundation's Account once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Foundation's Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B to SCHEDULE 1

Operation of Foundation's Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Foundation's Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Foundation's Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

2. Each application for withdrawal from the Loan Account for deposit into the Foundation's Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Foundation's Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Foundation's Account, shall not exceed the amount of \$600,000.

SCHEDULE 2

Description of the Project

The objective of the Project is to develop and test in the Pilot Regions a participatory methodology and operational mechanisms for promoting sustainable management of production and natural systems in the Pilot Regions.

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: Knowledge Generation and Dissemination

1. Design of the methodologies and operational mechanisms, which will be tested in the Pilot Regions, for promoting collaborative management, sustainable production systems at the farm level, and institutional strengthening.
2. Design and implementation of a communications strategy to enhance awareness and generate support for conservation of biodiversity and sustainable development in the Sierra Nevada, including the dissemination of good practices and experiences.
3. Carrying out of study tours and visits, farmer exchanges, and workshops to promote exchange of knowledge and experience.
4. Carrying out of studies and action-research to develop new information, methodologies and tools in innovative areas where knowledge and experience are limited.
5. Establishment and implementation of a monitoring, evaluation and learning system for the Project.

Part B: Participation, Organizational Strengthening and Coordination

1. Carrying out of a program to strengthen regional and local (particularly at the community level) organizations supporting sustainable development in the Sierra Nevada, including capacity building activities, technical support and training to critical stakeholders, and assistance in the preparation of Subprojects.
2. Carrying out of Project management activities, and technical assistance for the design and implementation of a strategic plan for the institutional development of the Foundation.

Part C: Collaborative Management and Subprojects

1. Carrying out of the following activities in the Pilot Regions:
 - (a) testing of a participatory methodology for bringing together key stakeholders within a given level of the ecosystem (region, zone, area) zones and areas in each Pilot Region to develop collaborative management plans;
 - (b) testing of a participatory methodology for developing sustainable production systems at the farm level;
 - (c) provision of technical and material support for implementation of activities related to those under (a) and (b) above; and
 - (d) provision of grants (the Grants) transfer, on a non-reimbursable basis, of funds (the Transfer) required to finance projects related to conservation and sustainable use of natural resources in the Pilot Regions (the Subprojects).
2. Technical assistance for the implementation of a collaborative management plan for the overlapping territories of the Sierra Nevada park and indigenous reserves, which may include assistance to complete the process of defining such plan, consultations and agreements with farmers living within such territories to support such plan, sustainable development alternatives for farmers and indigenous peoples living within such territories, and a pilot voluntary resettlement project for such farmers.

The Project is expected to be completed by JulyJune 15, 2005.

SCHEDULE 3

Amortization Schedule

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

Payment Date	Installment Share (Expressed as a %)
On each February 15 and August 15 Beginning August 15, 2005 through August 15, 2016	4.17%
On February 15, 2017	4.09%

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

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

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

so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

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

SCHEDULE 4

Procurement

Section I. 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, as applicable.

Part B: International Competitive Bidding

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

Part C: Other Procurement Procedures

1. Shopping

Goods (other than under Subprojects) estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount equivalent to \$330,000, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. Procurement of Small Works

Works (other than under Subprojects) estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount of \$230,000 equivalent, 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, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

3. Procurement under Subprojects

Works, goods and related services under Subprojects shall be procured in accordance with the procedures specified in the Fund Operational Manual, which will provide that: (a) works will be procured in accordance with the procedures referred to in paragraph 2 above (procurement of small works) or through community participation procedures, as set forth in paragraph 3.15 of the Guidelines; and (b) goods and related services will be procured in accordance with the procedures referred to in paragraph 1 above (national shopping procedures) or, if such procedures are not feasible under a specific Subproject, through direct contracting procedures.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to the contracts to be awarded pursuant to the provisions of Part B of this Section I, if any.

(b) The following procedures shall apply to the first contract to be procured in accordance with the procedures referred to in Part C.1 and 2 above:

(i) prior to the selection of a supplier or contractor, a report on the comparison and evaluation of quotations received shall be furnished to the Bank;

(ii) prior to the execution of the contract, a copy of the specifications and the draft contract shall be furnished to the Bank; and

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

3. Post Review

The procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply to each contract not governed by paragraph 1 of this Part D.

Section II. Employment of Consultants

Part A: General

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

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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services 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. Individual Consultants

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

3. Single Source Selection

Services that meet any of the requirements of paragraph 3.9 of the Consultant Guidelines, costing in the aggregate not more than \$400,000 equivalent, may, with the

Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

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

(b) With respect to the first two contracts for the employment of consulting firms estimated to cost the less than \$100,000 equivalent, and the contract for the external evaluator referred to in Section 3.05 (b) of this Agreement, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, and for the employment of the persons referred to in Section 3.01 (c) (vii) of this Agreement regardless of the cost of their respective contracts, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply, provided, however, that the terms of reference for assignments of individual consultants costing more than \$20,000 equivalent shall be subject to the Bank's prior review and approval.

