

CONFORMED COPY

LOAN NUMBER 7045-PAN

Loan Agreement

(Land Administration Project)

between

REPUBLIC OF PANAMA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated April 2, 2001

LOAN NUMBER 7045-PAN

LOAN AGREEMENT

AGREEMENT, dated April 2, 2001, between the REPUBLIC OF PANAMA (the Borrower) and the 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;

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the loan provided for in Article II of this Agreement (the Loan) to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Administrative Arrangement" means the arrangement referred to in Section 3.04 of this Agreement;

(b) "ADR" means any legal dispute resolution mechanism, other than those provided by the judicial system;

(c) "ANAM" means Autoridad Nacional del Ambiente, the Borrower's national authority for the environment, an autonomous entity created pursuant to Law No. 41 of July 1, 1998;

(d) "ANAM Implementation Agreement" means the agreement to be entered into between the Borrower and ANAM pursuant to Section 3.03 (a) (i) of this Agreement;

(e) "CC" means Consejo Consultivo, the consultative council referred to in Section 3.06(c) of this Agreement;

(f) "Comarca" means the indigenous territory established as a special political and administrative subdivision of the Borrower's territory, pursuant to the procedure set forth in the Borrower's political constitution;

(g) "CS" means Consejo Superior, the superior council referred to in Section 3.06(a) of this Agreement;

(h) "CTO" means Comité Técnico-Operativo, The technical and operational committee referred to in Section 3.06(b) of this Agreement;

(i) "DGCBP" means Dirección General de Catastro y Bienes Patrimoniales, the Borrower's general directorate of cadastre and patrimony, established within MEF (as hereinafter defined), pursuant to Law 63 of July 31, 1973, as such law has been amended to the date of this Agreement;

(j) "DGL" means Dirección de Gobiernos Locales, the Borrower's directorate of local governments, established within MINGOJ (as hereinafter defined), pursuant to ministerial resolution No. 137 of January 31, 1995;

(k) "DINRA" means Dirección Nacional de Reforma Agraria, the Borrower's directorate of agrarian reform, within MIDA (as hereinafter defined), established pursuant Law 12 of January 25, 1973;

(l) "DPI" means Dirección de Política Indigenista, the Borrower's directorate of indigenous policy, established within MINGOJ, pursuant to Law 18 of February 14, 1952;

(m) "DPS" means Dirección de Política Social, the Borrower's directorate of social policy, established within MEF (as hereinafter defined), pursuant to Law 97 of December 1998;

(n) "Eligible Categories" means categories (1), (2), (3), (4), (5) and (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(p) "IGNTG" means Instituto Geográfico Nacional Tommy Guardia, the Borrower's geographic institute, within MOP (as hereinafter defined), established pursuant to decree (Decreto-Ley) No. 8 of 1968, as such decree has been amended to the date of this Agreement;

(q) "Implementation Agreements" means collectively the ANAM Implementation Agreement and the RP Implementation Agreement (as hereinafter defined);

(r) "Implementing Entities" means collectively ANAM, MIDA through DINRA, MEF through DGCBP and DPS, MINGOJ through DGL and DPI, MOP through IGNTG, and RP (as hereinafter defined);

(s) "Indicators" means the indicators set forth in Attachment I of the supplemental letter from the Borrower to the Bank of even date herewith, which sets forth the indicators to be used in the monitoring and evaluation of the Project;

(t) "Indigenous Peoples Territories" means the Comarcas of Ngobe Bugle and Kuna Yala, and the Teribe Naso Region (as hereinafter defined);

(u) "Institutional Framework" means the institutional structure to be established pursuant to executive decree, for the implementation of the Project;

(v) "Land Administration Entities" means collectively the Implementation Entities, the corresponding municipalities within the Project Area, as well as any

other entity acceptable to the Bank;

(w) "Land Administration Services" means the services provided by the Implementing Entities comprising, inter alia, Land Regularization Activities, land use and management information, and land demarcation;

(x) "Land Regularization Activities" means the activities to be carried out under the Project, of mapping, legal cadastre, land rights legalization, field surveys, land titling and registration, conflict resolution and other minor technical and legal activities, such as name rectification and surface corrections;

(y) "Legal Framework" means: (i) the Borrower's agrarian code established pursuant to Law 37 of 1962, as such code has been amended to the date of this Agreement; (ii) Law 63 of July 31, 1973, which created DGCBP, as such law has been amended to the date of this Agreement; (iii) Law 41 of July 1, 1998 which created ANAM, as such law has been amended to the date of this Agreement; (iv) Law No. 3 of January 6, 1999, which established the autonomy of the RP, as such law has been amended to the date of this Agreement; and (v) Chapter 16 of Law 56 of December 28, 1995, which regulates procurement of the Borrower's national patrimony, as such law has been amended to the date of this Agreement;

(z) "MEF" means Ministerio de Economía y Finanzas, the Borrower's ministry of economy and finance;

(aa) "MIDA" means Ministerio de Desarrollo Agropecuario, the Borrower's ministry of agricultural development;

(bb) "MINGOJ" means Ministerio de Gobierno y Justicia, the Borrower's ministry of governance and justice;

(cc) "MOP" means Ministerio de Obras Públicas, the Borrower's ministry of public works;

(dd) "Operational Manual" means the manual for Land Regularization Activities referred to in Section 3.01 (b) of this Agreement;

(ee) "PCU" means the unit referred to in Section 3.05 (a) of this Agreement;

(ff) "PIP" means Plan de Implementación del Proyecto, the project implementation plan referred to in Section 3.12 of this Agreement;

(gg) "Project Area" means the physical area covered by the Provinces of Bocas del Toro, Chiriquí, Veraguas, Panamá, Colón, Coclé, Los Santos, Herrera, and others as the Bank and the Borrower may agree from time to time;

(hh) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(ii) "Project Protected Areas" means the protected areas of Cerro Hoya, Boca Vieja, Sarigua, Las Macanas, Cenegón del Mangle, La Tronosa, Tonosí, Peñón de la Honda, Isla Cañas, Peñón del Cedro, Portobelo, Palo Seco, La Amistad, San San Pond Sak, Isla Bastimento, Volcán Barú, La Barqueta Agrícola, Fortuna, Lagunas de Volcán, La Yeguada, Los Pozos de Calobre, El Salto de las Palmas, Omar Torrijos, Galeta, Isla Iguana, Golfo Chiriquí, San Lorenzo (Sherman), Lago Gatún, Montuoso, Golfo de Montijo and others as the Bank and the Borrower may agree from time to time;

(jj) "Proposed Protected Areas" means the areas currently proposed by the Borrower for incorporation under SINAP, namely: Chorogó-Palo Blanco, and Gualaca in the Province of Chiriquí, Isla Escudo de Veraguas in the Province of Boca del Toro, Santa Fé in the Province of Veraguas, and Cerro Gaital in the Province of Coclé, and others as the Bank and the Borrower may agree from time to time;

(kk) "Resettlement Process Framework" means the framework set forth in Attachment II of the supplemental letter from the Borrower to the Bank of even date herewith;

(ll) "RP" means Registro Público, the Borrower's public registry, an autonomous agency created pursuant to Law No. 3 of January 6, 1999;

(mm) "RP Implementation Agreement" means the agreement to be entered into between the Borrower and RP pursuant to Section 3.03 (b) (ii) of this Agreement;

(nn) "Selected Comarcas" means the indigenous territories of Ngobe Bugle and Kuna Yala, established pursuant to Law 10 of March 1997 and Law 2 of September 1938, respectively, and others as the Bank and the Borrower may agree from time to time;

(oo) "Selected Protected Areas" means those Project Protected Areas which meet the criteria set forth in the Operational Manual for the carrying out of the activities described in Part C.1 (d), (e) and (f) of the Project;

(pp) "SIICAR" means Sistema Integrado de Información, Catastro y Registro, the Borrower's Integrated System of Information, Cadastre and Registry;

(qq) "SINAP" means Sistema Nacional de Areas Protegidas, the Borrower's system of protected areas, established pursuant to Law No. 41 of July 1, 1998;

(rr) "Special Account" means the account referred to in Part B of Schedule 1 of this Agreement;

(ss) "Teribe Naso Region" means one of the Borrower's indigenous areas in process of being legally recognized and established; and

(tt) "UTO" means each of the units referred to in Section 3.05(b) of this Agreement.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to forty-seven million nine hundred thousand Dollars (\$47,900,000), 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, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan, and in respect of the front-end fee referred to in Section 2.04 of this Agreement 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 September 30, 2006 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. 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, 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 April 1st and October 1st in each year.

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

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;

(ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

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

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower and the Bank hereby agree that unless otherwise notified by the Borrower in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate 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 as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project, through the corresponding Implementing Entities, with the assistance of the PCU, as set forth in Schedule 5 to this Agreement, pursuant to the Implementation Agreements and the Administrative Arrangement, as the case may be, all with due diligence and efficiency and in conformity with appropriate financial, administrative, legal, environmental, technical, cultural and land adjudication and registration practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower shall carry out the Project, or shall cause Part B and C of the Project to be carried out, in accordance with an operational manual (the Operational Manual) satisfactory to the Bank, said manual to provide key instruments for Land Regularization Activities, demarcation activities and the execution and coordination of Part B and C of the Project.

(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 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works, consultants' and other 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 shall:

(a) enter into an agreement, under terms and conditions satisfactory to the Bank with:

(i) ANAM (the ANAM Implementation Agreement) setting forth their respective responsibilities in the implementation of Parts A.1, A.2, A.3, A.5, A.4, B.2, B.3, C.1, C.2 and C.3 of the Project; and

(ii) RP (the RP Implementation Agreement) setting forth their respective responsibilities in the implementation of Parts A.2, A.3, B.2 B.3, C.1 and C.2 of the Project.

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

Section 3.04. The Borrower shall cause the PCU to enter into an inter-institutional administrative arrangement (the Administrative Arrangement) with: (a) MIDA through DINRA; (b) MEF, through DGCBP and DPS; (c) MINGOJ, through DGL and DPI; and (d) MOP through IGNTG, setting forth their respective responsibilities in the implementation of the Project, and except as the Bank shall otherwise agree, such Arrangement shall not be amended or assigned.

Section 3.05. The Borrower shall:

(a) create and maintain, during the execution of the Project, within MEF and under the supervision of CS, a project coordination unit (the PCU) responsible for the financial management, coordination, monitoring, and supervision of the Project, with a structure and functions satisfactory to the Bank, and staff (including a Project coordinator) with qualifications and experience satisfactory to the Bank;

(b) cause the PCU to create temporary decentralized units (UTOs) at the provincial level for the technical and operational implementation and supervision of the activities under Part B and C of the Project, with staff with qualifications and experience satisfactory to the Bank; and

(c) cause the PCU to prepare, under terms of reference acceptable to the Bank, adopt, and update on a regular basis a manual for the implementation of financial and administrative procedures in respect of the Project.

Section 3.06. Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall create and maintain during the execution of the Project:

(a) a decision-making council (the CS) to assist the Borrower in the development of new policies regarding Land Administration Services, such council to have a structure and functions satisfactory to the Bank, and to include among its members representatives of ANAM, MEF, MIDA, MINGOJ, MOP, and the RP;

(b) a operative technical committee (the CTO) to assist the Borrower in Project implementation, such committee to have a structure and functions satisfactory to the Bank, and to include among its members: the PCU coordinator and representatives of the Implementing Entities; and

(c) a civil society consultative council (the CC) as a co-management

mechanism to promote civil society's participation in Land Administration Services, in accordance with Part A.3 of the Project.

Section 3.07 For the purposes of Section 9.08 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 for the future operation of the Project; and

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

Section 3.08. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about April 15 of each year throughout the course of Project implementation, starting as of April 15, 2002, 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 year preceding the date of said 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 period following such date; and

(c) review with the Bank, by not later than August 15 of each year throughout the course of Project implementation, or such later date as the Bank shall request, starting as of August 15, 2002 the relevant report 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 the said report and the Bank's views on the matter.

Section 3.09. The Borrower shall: (a) prepare by not later than December 10 of each year throughout the course of Project implementation, starting as on December 10, 2001, a plan, satisfactory to the Bank, setting forth the annual work program for the implementation of the Project during the following calendar year; and (b) thereafter carry out, or cause to be carried out, said plan in accordance with its terms.

Section 3.10 The Borrower shall ensure that no regularization of private land titles or claims shall be granted or settled in lands within or adjacent to: (a) Project Protected Areas, unless a physical demarcation has been conducted in a way satisfactory to the Bank; or (b) Proposed Protected Areas unless: (i) a government decision has been reached regarding the establishment of such protected area, and (ii) technical studies of such area, satisfactory to the Bank, has been completed.

Section 3.11 The Borrower, shall carry out Parts B and C of the Project, or shall cause such Parts to be carried out, in accordance with the Resettlement Process Framework.

Section 3.12 The Borrower shall carry out the Project, or shall cause the Project to be carried out in accordance with an implementation plan (the PIP), satisfactory to the Bank, said plan to include inter alia, a detail description of Project components and activities.

Section 3.13 The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, and maintenance, respectively) shall be carried out: (a) by ANAM and RP in respect of the Project Parts of the Project under their responsibility, and (b) by the Borrower, through MIDA, MEF, MINGOJ and MOP in respect of the Parts of the Project under their responsibility.

Section 3.14 The Borrower shall implement and maintain, at all times, the

cost-recovery mechanisms referred to in Part A.2 (e) of the Project.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain 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:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and a report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including as part of the information to be provided in each such report, a management letter concerning the Borrower's internal controls; and

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

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

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

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

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such 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 provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than December 31, 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 shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

#### 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) that ANAM or RP shall have failed to perform any of its obligations under the Implementation Agreements; and

(b) that any provision of any law included in the Legal Framework shall have been amended, suspended, abrogated, repealed, waived or not enforced in such manner so as to affect materially and adversely affect, in the opinion of the Bank, the ability of the Borrower to carry out the Project.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional events are specified:

(a) that any event specified in paragraph (a) of Section 6.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower; and

(b) that any event specified in paragraph (b) of Section 6.01 shall occur.

#### 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 Implementation Agreements and the Administrative Arrangement have been entered into between the respective parties thereto, and approved by CS;

(b) the Institutional Framework has been established;

(c) the PCU has been established and staffed, and is operating;

- (d) the Operational Manual has been approved by the Bank and the CTO;
- (e) the financial management system referred to in Section 4.01 (a) of this Agreement, acceptable to the Bank shall have been established; and
- (f) the PIP has been approved by the Bank.

Section 6.02. The date July 2, 2001 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 Economy and 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:

Ministerio de Economía y Finanzas  
Dirección de Crédito Público  
Via España, Calle 52  
Edificio OGAWA 4 Piso  
Panamá, República de Panamá

Facsimile:

(507) 223-1405

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:

INDEVAS

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 Panama City, Panama, as of the day and year first above written.

REPUBLIC OF PANAMA

By /s/ Norberto Delgado

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ John Redwood

Acting Regional Vice President  
Latin America and the Caribbean

AGREED:

CONTRALORIA GENERAL DE LA REPUBLICA

By /s/ Alvin Weeden  
Authorized Representative

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		
(a) Civil works	700,000	85%
(b) Aerial photography and mapping	800,000	85%
(2) Goods	8,000,000	100% of expenditures made by a tax exempt agency; 100% of foreign expenditures and 85% of local expenditures
(3) Consultants' services	15,850,000	100%
(4) Services under Land Regularization Activities	14,750,000	85%
(5) Training	1,900,000	100%
(6) Operating costs	3,200,000	100% during the first two years following Effective Date; 70% during the third year following Effective Date; and 35% thereafter
(7) Premia for Interest Rate Caps and Interest Rate Collars	-0-	Amount due under Section 2.09(d) of this Agreement
(8) Unallocated	2,221,000	
(9) Front-end fee	479,000	Amount due pursuant to Section 2.04 of this Agreement

TOTAL 47,900,000

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 "training" means the expenditures incurred by the Borrower in connection with the carrying out of training activities under the Project, including travel costs and per diem of trainees, study tours, rental of facilities and equipment, and training materials; but excluding consultants' fees; and

(d) the term "operating costs" means expenditures incurred by the Borrower for recurrent costs associated with the implementation of the Project, including: (i) operation and maintenance of vehicles, including repairs, fuel and spare parts; (ii) maintenance of computer, geodetic and office equipment; (iii) office supplies, rental of office facilities and utilities associated with the PCU; (iv) transportation costs, approved by the Bank; (v) travel and per diem costs for technical staff which will carry out supervisory activities under the Project; and (vi) audits.

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 \$1,000,000 on account of payments made for expenditures before that date, but after July 30, 2000.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for training and operating costs and for goods, works, consultant services, and services under Land Regularization Activities; which are not subject to prior review by the Bank pursuant to Sections I, Part D.3 and Section II, Part D.3 of Schedule 4 to this Agreement, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in Dollars a special deposit account in the Banco Nacional de Panamá, on terms and conditions satisfactory to the Bank.

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

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

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

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

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

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

Agreement;

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

(c) if the Borrower shall have failed to furnish to the Bank within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of (A) the records and accounts for the Special 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 Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

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

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

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

(d) Refunds to the Bank made pursuant to 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 the Loan Agreement.

#### Annex A to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex the term "Authorized Allocation" means the amount of \$3,100,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which

replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special 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 Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

#### Annex B to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

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

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

3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed \$9,000,000.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are: (a) to promote equitable access to land and improve land tenure security by providing Land Administration Services in the Project Area; and (b) to enhance natural resources conservation through the consolidation of SINAP and Indigenous Peoples Territories.

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: Land Policy, Legal and Institutional Framework, and Project Monitoring

1. Improvement of the existing policy, legal and institutional framework governing the provision of Land Administration Services, including the institutional strengthening and service decentralization of Land Administration Entities, through: (a) the carrying out of technical studies and participatory consultations with stakeholders for the formulation of new land policies and institutional reforms; (b) the preparation of the required reforms to the legal and institutional framework governing Land Administration Services; and (c) the provision of technical assistance for the preparation of future investment programs related to rural sustainable development.

2. Strengthening of the technical and administrative capabilities of Land Administration Entities at national and local level, through: (a) the development and implementation of an integrated information system (SIICAR) and its network in Provinces and Districts to be selected by the Borrower in a manner satisfactory to the Bank; (b) the identification of training and human resources needs and capacity building activities for Land Administration Entities, including the provision of training; (c) the provision of technical assistance and institutional strengthening for the decentralization of Land Administration Services; (d) the establishment and implementation of quality control measures for Land Regularization Activities; (e) the development of new and improvement of existing cost-recovery mechanisms for Land Regularization Activities; and (f) the development of a general system for land valuation and taxation of land.

3. Establishment and operation of co-management mechanisms among Implementing Entities, and between said Implementing Entities and civil society, both at central and local level, for the coordination of the provision of Land Administration Services.

4. Carrying out of a program to increase the participation of local stakeholders and municipalities in the provision of Land Administration Services, through: (a) the dissemination of the legal framework governing Land Administration Services, and the provision of legal assistance, training and operative support to grassroots organizations; (b) the organization of round tables; and (c) the strengthening of the municipalities' technical and managerial capacity in Land Administration Services.

5. Design and implementation of a monitoring and evaluation system for the Project.

6. Strengthening of the capacity of the PCU to assist the Borrower in the carrying out of the Project.

#### Part B: Land Regularization Activities

1. Modernization of the Borrower's geodetic network, through: (a) the updating of the Borrower's geodetic network; (b) the establishment of two stations for geodetic control; and (c) the production of ortho-photo maps, base maps and satellite images for cartographic purposes.

2. Gathering and analysis of land tenure related data in the Project Area, through: (a) the carrying out of a campaign to inform stakeholders with respect to the activities referred to in (b) herein; (b) the carrying out of legal cadastre surveys and area-based measurement and land demarcation activities; (c) the digitization of graphic and alphanumeric information; (d) the comparison of acquired data with existing public records; (e) the carrying out of public viewing of survey results; (f) the carrying out of land certification, titling and property registration; (g) the development of a unified methodology for Land Regularization Activities; (h) the provision of the necessary training to the staff of the Land Administration Entities on the implementation of said unified methodology for Land Regularization Activities; and (i) the integration of the field information into SIICAR.

3. Carrying out of a program to facilitate resolution of land-related conflicts, through: (a) the establishment of ADR mechanisms; (b) the organization of conflict resolution teams to facilitate the implementation of ADR mechanisms at the local level; (c) the carrying out of a campaign for the diffusion of ADR mechanisms; and (d) the provision of specialized training on ADR mechanisms to grassroots organizations and other private parts.

#### Part C: Consolidation of Protected Areas and Indigenous Territories

1. Consolidation of SINAP, through: (a) the gathering of relevant information on protected areas located in the Project Area and the carrying out of digital mapping activities and consultative and informational meetings with local stakeholders; (b) the carrying out of socioeconomic and tenure studies, including a rapid ecological assessment, of protected areas located in the Project Area; (c) the carrying out of physical demarcation activities in protected areas located in the Project Area, including the participatory decision-making process needed to define the boundaries and status of the demarcated area; (d) the development of management plans in Selected Protected Areas; (e) the development and implementation, on a pilot basis, of a specific land regularization methodology within Selected Protected Areas; (f) the

development, on a pilot basis, of a process of co-management in Selected Protected Areas; and (g) the strengthening of the regional operational capacity of ANAM.

2. Establishment and consolidation of Proposed Protected Areas within SINAP, through: (a) the gathering of relevant information on Proposed Protected Areas, including aerial photographs, satellite images and maps; (b) the carrying out of land tenure, social and rapid ecological assessments in Proposed Protected Areas; (c) the preparation of legal studies and drafting of the necessary legal instruments required for the legalization of Proposed Protected Areas; (d) the carrying out of demarcation activities in Proposed Protected Areas; and (e) the participatory development of management plans for Proposed Protected Areas.

3. Establishment and consolidation of indigenous territories, through: (a) the carrying out of technical and baseline studies to provide the foundation for the regularization and legalization of Selected Comarcas; (b) the preparation of the draft law and charter required to establish and legally recognize the Naso Teribe Region, and the updating of the charters of Selected Comarcas; (c) the carrying out of physical demarcations of Selected Comarcas; (d) the establishment of ADR mechanisms in Selected Comarcas; (e) the provision of training in ADR mechanisms to indigenous peoples and grassroots associations' leaders; (f) the carrying out of public information campaigns among indigenous peoples regarding the land demarcation and regularization process; and (g) the strengthening of the institutional capacity of indigenous organizations regarding land regularization and consolidation activities.

\* \* \*

The Project is expected to be completed by March 31, 2006.

#### 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 April 1st and October 1st Beginning April 1, 2006 through October 1, 2015	5%

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, Works, and Land Regularization Activities

##### Part A: General

Goods, works, and services under Land Regularization Activities shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and services under Land Regularization Activities 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 this Part B.

##### (a) Grouping of Contracts

To the extent practicable, contracts for goods and Land Regularization Activities 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) Works estimated to cost the equivalent of \$250,000 or more per contract, up to an aggregate amount not to exceed \$958,000 equivalent, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines; and (b) goods estimated to cost less than the equivalent of \$250,000 but more than \$50,000 equivalent, up to an aggregate amount not to exceed \$1,320,000 equivalent, and services under Land Regularization Activities estimated to cost the equivalent of \$3,000,000 or less per contract, up to an aggregate amount of \$3,830,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount not to exceed \$1,050,000 equivalent, 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.

3. Procurement of Small Works

Works estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$958,000 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.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitation 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.

2. Prior Review

With respect to each contract procured in accordance with Part B.1 above, the first three contracts procured in accordance with Part C.1 above and the first three contracts procured in accordance with Part C.2 and C.3 above, 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 the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost the equivalent of \$200,000 or less per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate amount of \$7,338,000 shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such 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 each contract for the employment of consulting firms estimated to cost less than the equivalent of \$100,000, the terms of reference and terms of employment 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;

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

(d) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, 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.

3. Post Review

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

Section III. Special Provisions

A. In addition and without limitation to any other provisions set forth in this Schedule or the Guidelines, the following principles of procurement shall expressly govern all procurement of goods referred to in Part B.1 of Section I of this Schedule:

1. Foreign bidders shall not be required to:

- (a) have a local representative for purposes of submitting bids;
- (b) be registered with local authorities as a prerequisite for bidding; and
- (c) be associated with local contractors or suppliers.

2. Bids may be:

(a) submitted at any reasonable time before bid opening, either by mail or courier or in person; and

(b) accompanied by a bid security in the form and amount specified in the standard bidding documents.

3. No provisional award shall be made at the time of bid opening.

4. No minimum number of bids shall be required as a condition to award a contract.

5. Contracts shall be awarded to the bidder whose bid has been evaluated as the lowest responsive bid, in accordance with criteria clearly set forth in the standard bidding documents.

6. After contract award, performance securities shall be provided within the time period, and in form and amount specified in the standard bidding documents.

B. In addition and without limitation to any other provisions set forth in this Schedule or the Guidelines, the following principles of procurement shall expressly govern all procurement of goods and works referred to in Part C.1 of Section I of this Schedule:

1. Bids may be:

(a) submitted at any reasonable time before bid opening, either by mail or courier or in person; and

(b) accompanied by a bid security in the form and amount specified in the standard bidding documents.

2. No provisional award shall be made at the time of bid opening.

3. No minimum number of bids shall be required as a condition to award a contract.

4. Contracts shall be awarded to the bidder whose bid has been evaluated as the lowest responsive bid, in accordance with criteria clearly set forth in the standard bidding documents.

5. Contracts for civil works shall provide for mobilization advances, whenever appropriate.

6. After contract award, performance securities shall be provided within the time period and in the form and amount specified in the standard bidding documents.

7. Price adjustment provisions, acceptable to the Bank, may be included in work contracts.

C. In addition to and without limitation to any other provisions set forth in this Schedule or the Consultant Guidelines, the following principles of procurement shall expressly govern all procurement of consultants' services referred to in Section II of this Schedule:

1. Foreign consultants shall not be required to:

- (a) be locally registered as a condition of participation in the selection

process;

(b) give any participation in or share of any consulting contracts to any local firm or person for the purposes of participating in the selection process or receiving an award, except in connection with a joint venture arrangement where: (i) a sufficient number of capable domestic firms or individual consultants exist to allow a foreign consultant reasonable freedom of choice; (ii) the contribution of either party to the joint venture arrangement will not be constrained by any prescribed manner or extent of participation; and (iii) the foreign consultant is not required to associate itself with any specific named domestic firms or individual consultants;

(c) furnish any certificate issued by a local authority about their legal capacity or tax status for the purposes of submitting a proposal; and

(d) personally submit their proposals.

2. Consultants shall be selected from a short list of firms invited to submit proposals on the basis of terms of reference, employment conditions and evaluation criteria clearly set forth in the respective letter of invitation.

#### SCHEDULE 5

##### Implementation Entities

##### Part of the Project Implementing Entities

A.1 MIDA (DINRA) and ANAM.

A.2 ANAM, MOP (IGNTG), MINGOJ (DPI and DGL), MEF (DGCBP and DPS), RP, and MIDA (DINRA).

A.3 ANAM, MOP (IGNTG), MINGOJ (DPI and DGL), MEF (DGCBP), RP, and MIDA (DINRA).

A.4 MINGOJ (DGL and DPI), ANAM.

A.5 ANAM, MEF (DPS).

A.6 (PCU).

B.1 MEF (DGCBP), MIDA (DINRA), and MOP (IGNTG).

B.2 ANAM, MEF (DGCBP), RP, MOP (IGNTG) and MIDA (DINRA).

B.3 MEF (DGCBP), RP, ANAM and MIDA (DINRA).

C.1 MEF (DGCBP), RP, MIDA (DINRA), and ANAM.

C.2 MEF (DGCBP), RP, MIDA (DINRA), and ANAM.

C.3 MINGOJ (DGL and DPI) and ANAM.

