Loan Agreement

(Additional Financing for the Sustainable Development Investment Project)

between

REPUBLIC OF COLOMBIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 20, 2012
LOAN AGREEMENT

Agreement dated June 20, 2012, between the Republic of Colombia ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

(A) WHEREAS the Bank received from the Borrower a letter, dated April 15, 2005: (i) describing a program of actions, objectives and policies to achieve sustainable development, covering environmental sustainability, social protection (water supply and housing), and public health (the Program), which Program consists of actions that have already been taken and actions and policies that the Borrower intends to take and adopt in the near future; (ii) declaring the Borrower’s commitment to the execution of the Program; and (iii) requesting assistance from the Bank in support of the Program during the execution thereof;

(B) WHEREAS the Bank, by Loan Agreement 7335-CO, dated November 23, 2005 between the Bank and the Borrower, has extended to the Borrower a loan in the amount of seven million Dollars ($7,000,000) to support the Borrower in the development and implementation of policy reforms and related investments in line with the Program’s framework, particularly those policies and investments that address environmental problems affecting the quality of life and well being of the Borrower’s population; and

(C) WHEREAS the Borrower, through MADS, identified the need to continue supporting priority issues related to environmental health, management and planning of water resources, follow up and control of environmental management, and, to that extent, has requested the Bank additional financing to scale up three of the activities financed under Loan 7335-CO.

The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.
ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of ten million Dollars ($10,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.07. (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, 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 withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; 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 the Variable Rate.
Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project, and the Program. To this end, the Borrower, shall carry out:

(a) Part 1 of the Project, through MADS;

(b) Part 2 of the Project, through MADS, with the assistance of: (i) the CARS (pursuant to the pertinent Inter-Institutional Arrangements) for the carrying out of Parts 2.2(a) and 2.2(b) of the Project; and (ii) IDEAM (pursuant to the pertinent Inter-Institutional Arrangements) for the carrying out of Part 2.4 of the Project; and

(c) Part 3 of the Project, through MADS and DNP, whereby: (i) DNP shall carry out of Part 3.1 of the Project; and (ii) MADS, with the assistance of IDEAM (pursuant to the pertinent Inter-Institutional Arrangement) shall carry out of Part 3.3 of the Project;

all in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower, through MADS and DNP, shall ensure, and shall cause IDEAM to ensure, that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely, that IDEAM shall have failed to perform any of its obligations under the relevant Inter-Institutional Arrangement in a manner that adversely affects the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Inter-Institutional Arrangements have been duly executed by the respective parties thereto, in a manner satisfactory to the Bank.
5.02. The Additional Legal Matter, to be detailed in a legal opinion to be provided by the Borrower, through MADS, consists of the following, namely, that the Inter-Institutional Arrangements have been duly executed and are legally binding upon the Borrower, through MADS, and the Project Implementing Entities in accordance with its terms.

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank’s approval of the Loan which expire on September 6, 2013.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance and Public Credit.

6.02. The Borrower’s Address is:

Ministry of Finance and Public Credit
Carrera 8 No. 6C-38, Piso 3
Bogotá, República de Colombia

Facsimile: (57-1) 350-9344

6.03. The Bank’s Address is:

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

Cable address: INTBAFRAD Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Bogotá, Republic of Colombia, as of the day and year first above written.

REPUBLIC OF COLOMBIA

By

Authorized Representative
Minister of Finance and Public Credit

By

Authorized Representative
Minister of Environment and Sustainable Development

By

Authorized Representative
National Planning Department

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to support the Borrower in the development and implementation of policy reforms and related investments in line with the Program's framework, particularly those policies and investments that address environmental problems affecting the quality of life and well being of the Borrower's population.

For purposes of the Loan, the Project consists of the following parts:

Part 1: Environmental Health

1. Installation of an emissions testing laboratory (homologation center) for vehicles and motorcycles in order to ensure accurate measurement of emissions by said vehicles and motorcycles in the specific conditions related to the Borrower's territory (e.g. high altitude in many cities) and the characteristics of said vehicles and motorcycles.

2. (a) Development of a prototype Unified Environmental Health Information System; (b) strengthening of the Air Quality Information System; and (c) strengthening of the capacity of CARs and AAUs to implement regulations on noise pollution, monitor air quality and implement technical norms on point source emissions.


1. (a) Strengthening of the capacity of the Integrated Water Resources Management Directorate of MADS to allow the referred directorate to implement the National Water Resources Policy and the Project; and (b) carrying out capacity building activities and training programs for CARs in technical topics related to water resources management, including, inter alia, integrated water resources management, the Borrower's integrated water resources system, and the water regulations introduced to implement the National Water Resources Policy.

2. Implementation of the National Water Resources Policy through the development of priority planning and technical instruments for integrated water resources management and testing the application of integrated water management tools in selected pilot watersheds, including:

(a) the carrying out of a project to update a participatory groundwater management plan, including the updating of the integrated participatory plan for the aquifer of la Sabana (Bogota), and increasing the technical understanding of the aquifer in order to
facilitate its improved management including the carrying out of activities such as hydrological modeling, water quality monitoring, and developing inventories of water users;

(b) (i) the development of a participatory methodology to legalize water use rights and associated discharges through the carrying out of two pilot technical assistance projects in the Chinchina and Guali watersheds, including the carrying out of activities such as, inter alia, the development of registers of water users and water polluters in each of the above-referred watersheds, the preparation of water balances, and the carrying out of the consultation process described in the ESMF; and (ii) carrying out of a public communications strategy at the national level consisting of a media campaign to raise awareness of the need for, and benefits from, the legalization of water use rights and associated discharges; and

(c) the strengthening of technical environmental norms and the strengthening of the implementation capacity of the Borrower’s regional environmental authorities, in coordination with IDEAM, through: (i) the development of guides and manuals for environmental zoning, and the definition of ecological flows and discharge monitoring protocols to be used to strengthen the capacity of CARs in the future process of preparation of the Borrower’s watershed territorial management plans (Planes de Ordenamiento y Manejo de Cuencas) and in the administration of water rights and discharge permits; and (ii) the updating and/or development, in a participatory manner and through, inter alia, consultations with main water consumers, of new proposed technical norms on water quality criteria for various water uses and wastewater discharge to the soils and coastal areas.

3. Carrying out of a pilot project, in coordination with IDEAM, to provide technical support to CARs to help them fulfill their new responsibility of generating information about flood risk areas including, inter alia: (a) the development of a methodology to identify flood risk areas; (b) the development of a methodology to elaborate flood risk maps at regional and local levels; and (c) the validation of this methodology.

4. (a) Development of additional modules for IDEAM’s information system for water resources management, including the modules describing the state of water resources, risks, and management indicators; and (b) strengthening of IDEAM’s national monitoring network through the acquisition, assembly, and installation of about fourteen hydrological stations and other equipment necessary for the strengthening of the national water monitoring network in areas to be selected by the Borrower.
Part 3: Planning and Oversight of Environmental Management

1. Strengthening of DNP's capacity for: (a) inter-sectoral coordination to issue the Environmental Health Policy, through the establishment of thematic round tables (permanent discussion fora with a wide range of stakeholders), the carrying out of diagnostic studies at national and local levels, and the preparation of dissemination strategies and communication of environmental health information; (b) integrated water resources management, through supporting the DNP with the establishment of the institutional pathways, implementation mechanisms and an action plan for the implementation of the National Water Resources Policy, strengthening the DNP's engagement in support of implementing the Borrower's information system for water resources management, its articulation within the framework of the Borrower's system for environmental information (Sistema de Información Ambiental de Colombia) for decision-making, and supporting DNP in the formulation of an institutional and financing strategy for the upgrading of water resources monitoring and information systems referred to in Part 2.4(a) of the Project; (c) the development of the second phase of the program to reduce the Borrower's fiscal vulnerability to disasters through the inclusion of risk management criteria within public investment projects, the establishment of mechanisms to guide reconstruction efforts in response to national disasters, and the development of a strategy for the inclusion of risk management considerations in sectoral planning and investment programs; and (d) the development of an environmental information management strategy for decision making in the areas of water resources and air quality management.

2. (a) Strengthening of MADS's Directorate on Territorial Planning and Coordination of the National Environmental System through: (i) the consolidation of methodologies and procedures for evaluation of environmental policies; (ii) the support to the initiation of the operations of the internet portals of MADS, the CARs and AAUs as part of the Borrower's on-line strategy to facilitate greater information transparency and monitoring; the preparation of sustainable development reports (such as the reporting on the attainment of the Millennium Development Goals); (iii) the adjustment of the electronic reporting systems of sustainability indicators by CARs in accordance with updated regulations; and (iv) the development of information systems and the provision of training in support of better monitoring and reporting of sustainability indicators by CARs and by environmental research institutes; and (b) provision of technical assistance to support the administration, management, evaluation and general oversight of the Project.
3. Strengthening of IDEAM and the CARs, in coordination with MADS, in the implementation of the Borrower's information system on the use of natural resources (Sistema de Información de Uso de Recursos) for the manufacturing sector, specifically through the carrying out of workshops and the provision of training to support the implementation of the referred national information system on the use of natural resources in said sector and to develop indicators of natural resources use by said sector.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank may otherwise agree, the Borrower, through MADS, shall carry out the Project, and cause the Project to be carried out, in accordance with the terms of this Agreement, and with the terms of: (a) the Operational Manual; (b) the indicators for the monitoring of the Project; (c) the ESMF; and (d) the Anti-Corruption Guidelines. Except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of these documents without the Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.

2. At all times during Project implementation the Borrower, through MADS, shall maintain and cause DNP and IDEAM to maintain an implementation system within MADS, DNP and IDEAM responsible for overall Project planning, coordination, implementation, supervision, monitoring and evaluation, and with a structure, functions and responsibilities acceptable to the Bank, staffed with at least a procurement specialist and technical, financial and administrative staff from MADS', DNP's and IDEAM's administrative and financial units, all in numbers, with qualifications and experience acceptable to the Bank, operating under terms of reference satisfactory to the Bank.

3. The Borrower, through MADS, shall, not later than April 30, 2012, update MADS' financial and administrative procedures with respect to the Project, in a manner satisfactory to the Bank.

B. Inter-Institutional Arrangements

1. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower, through MADS, shall execute written Inter-Institutional Arrangements among the Project Implementing Entities, on terms and conditions satisfactory to the Bank. Said inter-institutional arrangements (the Inter-Institutional Arrangements) shall include, inter alia:

(a) in the case of the arrangement to be entered into with the CARs: (i) the obligation of MADS to consult the CARs to ensure that their input is taken into account regarding the technical aspects of the execution of Parts 2.2 (a) and 2.2(b) of the Project and (ii) the obligation of the CARS
to collaborate with MADS to ensure the successful implementation of the above referred Parts of the Project; and

(b) in the case of the arrangement to be entered into with IDEAM:

(i) the obligation of IDEAM to: (A) assist MADS in the implementation of Parts 2.4 and 3.3 of the Project in accordance with the terms and conditions of this Agreement, including, *inter alia*, the ESMF, the provisions of Sections II and III of this Schedule 2, the Operational Manual, and the Anti-Corruption Guidelines, and (B) assist MADS to comply with the provisions of this Agreement (including, *inter alia*, through the provision to MADS of the relevant reports, and financial information); and

(ii) the obligation of MADS to make available to IDEAM the Loan proceeds needed for IDEAM to carry out Parts 2.4 and 3.3 of the Project.

2. The Borrower, through MADS, shall exercise its rights and carry out its obligations under the Inter-Institutional Arrangements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree in writing, the Borrower shall not assign, amend, abrogate suspend, waive, terminate or fail to enforce any of the Inter-Institutional Arrangements or any of their provisions.

3. In the event that any of the CARs fails to perform any of its respective obligations under the relevant Inter-Institutional Arrangement in a manner that adversely affects the Project, the Borrower, through MADS, shall discuss the issue with the Bank, and refrain from requesting disbursements under the Loan (pursuant to Section IV of Schedule 2 to the Loan Agreement) until the issue is solved in a manner satisfactory to the Bank.

4. In case of any conflict among the terms of the Inter-Institutional Arrangements, the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

C. Operational Manual

1. The Borrower, through MADS and DNP, shall carry out the Project, and cause IDEAM to carry out the Project, in accordance with an Operational Manual which shall contain, *inter alia*, specific provisions on detailed arrangements for the carrying out of the Project, including:

   (a) the procurement, financial management and disbursement requirements thereof;
(b) the templates for the execution of the Inter-Institutional Arrangements;
(c) the indicators for the monitoring of the Project;
(d) the ESMF; and
(e) the Anti-Corruption Guidelines.

2. Except as the Bank shall otherwise agree in writing, the Borrower, through MADS and DNP, shall not amend any of the provisions of the Operational Manual.

3. In case of any conflict among the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Anti-Corruption

The Borrower, through MADS and DNP, shall ensure that the Project is carried out, and shall cause IDEAM to carry out the Project, in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Borrower, through MADS and DNP, shall carry out the Project, and shall cause IDEAM to carry out the Project, in accordance with ESMF and shall not modify the ESMF without the prior written agreement of the Bank.

2. The Borrower, through MADS and DNP, shall ensure, and shall cause IDEAM to ensure, that the terms of reference for any consultancies related to any technical assistance provided under the Project, shall be satisfactory to the Bank and, to that end, such terms of reference shall require that the advice conveyed through such consultancies and technical assistance be consistent with the requirements of the Bank Safeguard Policies.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through MADS, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.
B. **Financial Management, Financial Reports and Audits**

1. The Borrower, through MADS, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower, through MADS, shall prepare and furnish to the Bank not later than forty-five days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Borrower.

3. The Borrower, through MADS, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

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Section III. **Procurement**

A. **General**

1. **Goods, Works and Non-consulting Services.** All goods, works, and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works, and Non-consulting Services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding (subject to the additional procedures set forth</td>
</tr>
<tr>
<td>in sub-paragraphs (a) (i) through (v) of this paragraph)</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting (with prior no objection from the Bank)</td>
</tr>
</tbody>
</table>

(a) **National Competitive Bidding**

(i) Before issuing any invitation to bid, the Borrower, through MADS, shall prepare and furnish, or cause to be prepared and furnished to the Bank, for approval, appropriate model bidding documents. Once approved by the Bank, the Borrower, through MADS, shall use, or cause to be used, said model bidding documents, as approved for bidding under the Project. Any change or departure from the model approved shall require Bank’s prior approval.

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

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

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

(v) The provisions of paragraph 2.47 of the Guidelines shall fully apply and, more specifically, bids shall not be disclosed to persons other than the persons officially charged with the task of comparing and/or evaluating the bids while they are performing their official duties, without the corresponding bidder’s written authorization. Moreover, bidders shall not be required to provide such authorization as a condition to be entitled to bid. This confidentiality requirement shall apply until the award of contract is notified to the successful bidder. Thereafter, confidentiality of the bids shall be limited to those bid portions for which confidentiality has been specifically requested by the bidder in question.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality-and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.
### Procurement Method

| (a) Quality-based Selection                        |
| (b) Consultants' Qualifications Selection         |
| (c) Least Cost Selection                           |
| (d) Fixed Budget Selection                         |
| (e) Single Source Selection (with prior no objection from the Bank) |
| (f) Selection of Individual Consultants            |

### D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

### E. Procurement Plan Execution System

1. Without limitation to its reporting obligations under this Agreement, the Borrower, through MADS shall, and shall cause the Implementing Entities to: (i) supply the SEPA with the information contained in the initial Procurement Plan within forty-five (45) days after the Project has been approved by the Bank; and (ii) update the Procurement Plan at least once a year, or as required by the Bank, to reflect the actual Project implementation needs and progress and shall supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter.

### Section IV. Withdrawal of Loan Proceeds

#### A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May
2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants’ services under Part 1 of the Project</td>
<td>1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Consultants’ Services, and Training under Parts 2.1, 2.2, and 2.3 of the Project</td>
<td>5,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, consultants’ services, and Training for Part 2.4 of the Project</td>
<td>1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, consultants’ services, Training and Operating Costs under Part 3.1 of the Project</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Goods, consultants’ services, Training and Operating Costs under Part 3.2 of the Project</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Goods, consultants’ services, Training and Operating Costs under Part 3.3 of the Project</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>10,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee;

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

   (c) for payments under Categories (3) and (6), until IDEAM has hired a financial management specialist and a procurement specialist with qualifications and experience and under terms of reference, all satisfactory to the Bank.

2. The Closing Date is April 29, 2015.
SCHEDULE 3

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on February 15, 2030.
APPENDIX

Section. Definitions

1. "AAU" means Autoridad Ambiental Urbana, any of the Borrower’s municipalities, districts or metropolitan areas with a population of at least one million people, which have the same functions related to the environment as CARs, as set forth in Article 66 of the Borrower’s Law 99 of 1993.

2. “Air Quality Information System” means the Sistema de Información sobre Calidad de Aire, the Borrower’s information system on air quality monitoring, which is integrated with the Borrower’s national environmental information system.


5. “CAR” means Corporación Autónoma Regional, the Borrower’s corporate public entities composed of territorial entities which form a single ecosystem, a geopolitical unit, a bio-geographical unit or a hydro-geographical unit, all of which were established by the Borrower’s Law 99 of 1993 with separate legal personality, administrative and financial autonomy, and the responsibility of environmental management at the regional level.

6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


8. “CONPES Document” means a policy document approved by CONPES.


10. “DNP” means Departamento Nacional de Planeación, the Borrower’s National Planning Department.
11. “Environmental Health Policy” means the Borrower’s policy to be issued following the guidelines of the CONPES Document 3550 (Lineamientos para la Formulación de la Política Integral de Salud Ambiental con Énfasis en los Componentes de Calidad de Aire, Calidad de Agua y Seguridad Química) related, inter alia, to the reduction of the risks of exposure of children to mercury and lead from anthropogenic sources.

12. “ESMF” means the Borrower’s environmental and social management framework for the Project (Marco para la Gestión Ambiental y Social) which includes, inter alia, a description of the activities to be carried out under the Project and measures to mitigate the potential adverse effects of said activities, published by the Borrower on the MADS’s website on August 24, 2011, as said environmental and social management framework may be updated, from time to time, with the prior written agreement of the Bank.


14. “IDEAM” means Instituto de Hidrología, Meteorología y Estudios Ambientales, the Borrower’s institute of hydrology, meteorology and environmental studies, established pursuant to the Borrower’s Law 99 of 1993, with separate legal personality.

15. “Inter-institutional Arrangements” means any of the arrangements referred in Section I.B.1 of Schedule 2 to this Agreement.


18. “Operating Costs” means the incremental expenses incurred on account of the implementation of the Project, including, inter alia, the cost of minor office equipment and supplies, vehicle operation and maintenance, communication and insurance, office administration, rental of conference facilities and logistic costs related to the carrying out of workshops, travels and per diem needed for the supervision of the Project.

19. “Operational Manual” means the manual referred in Section I.C of Schedule 2 to this Agreement, dated January 25, 2012 as said manual may be updated from time to time with the agreement of the Bank.
20. “Original Project” means the project described in Schedule 1 to the Loan Agreement entered into between the Borrower and the Bank, dated November 23, 2005 (Loan No. 7335-CO), as amended to the date of this Agreement.


22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated January 24, 2012 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

23. “Program” means the program of actions, objectives and policies to achieve sustainable development, covering environmental sustainability, social protection (water supply and housing), and public health referred to in the letter dated April 15, 2005 from the Borrower to the Bank.

24. “Project Implementing Entity” means either any of the following: MADS, CARs, DNP, or IDEAM, and "Project Implementing Entities" means collectively the plural thereof.

25. “SEPA” means the Bank web-based regional procurement management system developed to create and approve procurement plans online and to promote transparency, accountability and compliance with Bank policies in Bank funded projects.

26. “Training” means the reasonable expenditures costs incurred in relation with the provision of training, not covered under any of the other Categories, including the cost of rental of conference facilities for training events, and travel and per diem related to training events.

27. “Unified Environmental Health Information System” means Sistema Unificado de Información de Salud Ambiental, the Borrower’s integrated system for the reporting of monitoring results and studies on environmental health.