

Implementation Financing Agreement

Dated **28. Dez. 2015**

between

KfW, Frankfurt am Main
("KfW")

and the

Republic of Colombia
represented by the
Ministry of the Environment and Sustainable Development (MADS)
("Recipient")

and the Colombian Presidential Agency of International Cooperation (APC-Colombia)

for the EUR equivalent of up to

29,342,500 UK Sterling

REDD for Early Movers / Colombia – Results-based payments for REDD

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The Government of the Republic of Colombia, in its ministerial communication dated January, 29th 2013 (Oficio No. 8150-2-2436) and during a subsequent donor mission to the Republic of Colombia in September and October 2014, agreed with the Federal Republic of Germany and the United Kingdom of Great Britain and Northern Ireland to support the reduction of emissions ("RE") caused by deforestation and forest degradation ("REDD+") by providing financial contribution in form of results-based payments for the RE from deforestation in the context of the global REDD for Early Movers Programme ("REM") at the sub-national level of the Colombian Amazon region (Biome) (the "Project"). On 9 Dec. 2015 the Secretary of State for Energy and Climate Change ("DECC") of the United Kingdom of Great Britain and Northern Ireland decided to join the Project and channel their support through KfW.

On July 19th 2012, the Government of the Republic of Colombia and the Government of the Federal Republic of Germany signed an intergovernmental agreement on financial cooperation ("Convenio Intergubernamental"). The financial cooperation of this Project is implemented by KfW.

APC Colombia signs the Contract in its role as Coordinator of Colombia's International Cooperation, in line with the competencies conferred to it by decree 4152 of 2011.

The basis of this Implementing Financing Agreement (the "Agreement") is the Contract on Delegated Cooperation (the "Delegation Contract") dated 1 Dec. 2015 between KfW and DECC (the "Donor") for the Project. The Donor shall carry no responsibility or liability towards the Recipient for the implementation of the Project or the provision of funds and shall, in accordance with the Delegation Contract deposit with the Bank of England its contribution in the form of one non-interest bearing on-demand promissory note of up to 29,342,500 UK Sterling (£) (UK Sterling twenty nine million three hundred and forty two thousand five hundred).

The Project shall be financed jointly with a financial contribution in the context of the REM Project which is funded through the Federal Republic of Germany's Energy and Climate Fund (EKF) with up to 10,500,000 EUR (the "Financing Agreement") and with a financial contribution of up to 400,000,000 NOK provided by the Norwegian Ministry of Climate and Environment (the "Financing Implementation Agreement").

Whereas human rights, democratic principles, the rule of law and good governance form the basis of the cooperation and constitute essential elements of this agreement ("Agreement").

On this basis, the Recipient and KfW hereby enter into the following Agreement:



Article 1

Amount and Purpose of the Financial Contribution

- 1.1 Subject to Article 1.6, KfW shall extend to the Recipient a financial contribution of the EUR equivalent of up to 29,342,500 UK Sterling (£) (UK Sterling twenty nine million three hundred and forty two thousand five hundred) (the "Contribution") plus any interest accrued to the EUR programme account (the "Account") held by KfW specifically for the purpose of the Project. The calculation of the interest amount accrued to the Account shall take place after the final disbursement of the Contribution and such interest amount shall be added to and thus form part of the Contribution.
This Contribution shall not be repayable, subject to Article 3.2.
- 1.2 The Recipient shall use the Contribution exclusively for the Project and shall ensure that the implementation of the Project is safeguarded by the agreed monitoring, auditing and reporting procedures as outlined in the present Agreement and in the separate agreement to be signed by KfW, the Recipient and Fondo Patrimonio Natural, including the LogFrame. The Recipient and KfW shall determine the details of the Project by a separate agreement.
- 1.3 Taxes and other public charges to be borne by the Recipient and import duties shall not be financed from the Contribution.
- 1.4 The Contribution shall be administered by KfW in accordance with all terms and conditions established in the Delegation Contract.
- 1.5 The Donor and KfW will carry no responsibility or liability for / in connection with the implementation of the Project.
- 1.6 KfW shall not be obliged to disburse any sum exceeding a) the amounts committed and actually disbursed by DECC to KfW prior to any disbursement hereunder nor any sum exceeding b) the EUR amount equivalent to the UK Sterling (£) amount received from the Donor by KfW as determined by the applicable exchange rate at the time of receipt of each disbursement from the Donor to KfW.

Article 2

Disbursement

- 2.1 KfW shall disburse the Contribution against emission reductions derived from the reduction of deforestation achieved in the past, duly reported, verified, registered and retired subject to the receipt of funds from the Donor, keeping in mind article 6.1 j). The Contribution will be divided into six disbursement installments for results-based payments for emission reductions achieved between 2013 to 2017. The following table represents the approximate annual breakdown of the disbursements of the Contribution, which could be modified (reduced or increased) and/or transferred to the following year depending on i) the results of the RE from gross deforestation or ii) the volume of emission

2013
2014
2015
2016
2017

reductions offered by the Recipient to KfW to be paid for or iii) the level of execution of funds and the capacity to effectively implement the Project in relation to its implementation phase (benefit-sharing distribution and investment scheme)

Year	2016		2017	2018		2019
No. of disbursement	1	2	3	4	5	6
Amount	1,320,000 GBP	6,600,000 GBP	1,320,000 GBP	2,970,000 GBP	8,580,000 GBP	8,552,500 GBP
Deadline for Disbursement	30.04.2016	31.12.2016	31.12.2017	31.06.2018	31.12.2018	31.12.2019

Payments shall be made until the disbursement dates specified in the table above, provided that all disbursement conditions set out in Articles 2.1, 2.4 and 3.1 of this Agreement have been fulfilled. In case the first instalment of the Contribution under the Financing Agreement has not been disbursed until April 30st, 2016 the disbursement schedule set out in this Article 2.1 may be adjusted by KfW and notified to the Recipient accordingly. The Recipient and KfW shall determine the details of the results-based payments for the RE and the disbursement procedure in a separate agreement.

- 2.2 The Contribution disbursed as results-based payment for the reason of the present Agreement shall be disbursed to a special account in the Fondo Patrimonio Natural (FPN) to be subsequently channelled further to the components of the benefit-sharing distribution and investment scheme as detailed in the separate agreement.
- 2.3 KfW shall have the right to refuse to make disbursements after December 31st, 2020.
- 2.4 Subject to article 3.1, KfW shall only be obliged to make disbursements under this Agreement if and to the extent that
- the Delegation Contract has entered into force,
 - DECC has deposited with the Bank of England the Contribution in the form of one promissory note,
 - KfW's demands for payment of the respective Contribution under the promissory note have been met,
 - the Recipient and KfW have entered into a separate agreement,
 - the disbursement conditions set forth in this Agreement, in the Financing Agreement, in the Financing Implementation Agreement and in the separate agreement have been fulfilled.

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Article 3

Suspension of Disbursements and Repayment

3.1 KfW may not suspend disbursements unless

- a) the Recipient fails to perform its obligations to KfW to make payments when due,
- b) obligations under this Agreement, the Financing Agreement, the Financing Implementation Agreement or under the separate agreements pertinent to this Agreement and the Financing Agreement have been violated by the Recipient,
- c) the Recipient is unable to prove that all of the disbursed amounts have been used for the stipulated purpose,
- d) the Donor requests KfW to suspend any future disbursements and/or to cancel disbursements in accordance with the stipulations set forth in the Delegation Contract,
- e) an incident of corruption (according to article 8.1 and 8.2) occurs or any illegal or fraudulent act occurs which is related to the Project and which causes a significant disturbance of the Project or its implementation,
- f) the Donor requests KfW to reclaim the Contribution in accordance with the stipulations set forth in the Delegation Contract, or the Delegation Contract or the Financing Agreement cease to have effect or any of them is for whatever reason terminated or disbursements are for whatever reason thereunder suspended, or
- g) extraordinary circumstances arise that preclude or seriously jeopardize the implementation, the operation, or the purpose of the Project.

3.2 If any of the situations specified in Article 3.1 has occurred KfW may suspend the disbursements of any amounts; and if such situation (except for article 3.1 a)) has not been cured (if possible to be remedied) within a period determined by KfW, which shall, however, be at least 30 days

- i) in case of Article 3.1 g), demand the immediate repayment of such amounts of the Contribution which the Recipient has not yet committed in good faith or transferred to a beneficiary; and/or
- ii) in case of 3.1 b), c), d), e) and f), demand the immediate repayment of all disbursed amounts and of any expense or cost that KfW incurs related to such repayment; and/or
- iii) in case of 3.1 b), c), d), e) and f), demand the termination of this Agreement, the separate agreement pertinent to this Agreement, and/or demand the immediate repayment of such amounts of the financial contribution that the Recipient has not yet committed in good faith or transferred to a beneficiary by similar means.

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All of the aforementioned is without prejudice to KfW's rights that substantiate civil or criminal actions which may correspond to articles 3.1 e), 8.1 and 8.2.

- 3.3 Without prejudice to articles 2 and 3 of this Agreement, in case the Recipient does not generate sufficient RE equivalent to the total amount of the Contribution according to article 2.1 this shall, under no circumstances, be construed as a breach of the Agreement by the Recipient nor entitle KfW to demand repayment of the already disbursed Contribution amounts.

Article 4

Costs and Public Charges

The Recipient shall bear all taxes and other public charges accruing outside the Federal Republic of Germany in connection with the conclusion and execution of this Agreement, as well as all transfer and conversion costs accruing in connection with the disbursement of the financial contribution.

For the purpose of granting the Contribution, KfW shall be exempted from the payment of taxes, public charges and similar charges due in the Republic of Colombia.

KfW shall bear all taxed and other public charges accruing in the Federal Republic of Germany in connection with the conclusion and execution of this Agreement.

Article 5

Contractual Statements and Power of Representation

- 5.1 The Minister of the Environment and Sustainable Development and such persons as designated by him or her to KfW and authorised by specimen signatures authenticated by him or her shall represent the Recipient in the execution of this Agreement. The power of representation shall not expire until its express revocation by the authorised representative of the Recipient has been received by KfW.
- 5.2 Amendments or addenda to this Agreement and any notices and statements delivered by the contracting parties under this Agreement shall be in writing and be subject to no-objection of the Donor. Any such notice or statement related to the fulfilment of obligations of this Agreement shall have been received once it has arrived at the following address of the corresponding contracting party or at such other address of the corresponding contracting party as notified to the other contracting party:

For KfW:

KfW
Postfach 11 11 41
60046 Frankfurt am Main
Federal Republic of Germany
Fax: +49 69 7431-2944

For the Recipient:

Ministry of the Environment and Sustainable
Development of the Republic of Colombia
Calle 37 Numero 8 - 40, ,
Bogota, Colombia
Telephone: +5-7-1-3323 400

For APC:

Colombian Presidential Agency of
International Cooperation (APC)
Carrera 11 # 93-53 Piso 7
Bogota, Colombia
Telephone: +57 1601 2424

- 5.3 APC Colombia will neither assume any obligation nor obtain any rights in relation to the present Agreement except for article 7.4. It shall be clarified that APC Colombia does not form part of the separate agreement pertaining to this Agreement.

Article 6

The Project

6.1 The Recipient shall

- a) prepare, implement, operate and maintain the Project in conformity with all applicable laws and with sound financial and technical practices and substantially in accordance with the Project concept agreed upon between the Recipient and KfW,
- b) implement the Contribution obtained through results-based payments following the benefit-sharing distribution and investment scheme set forth in the separate agreement,
- c) assign the preparation, implementation and supervision of the Project to qualified personnel and consultants, and assign the implementation of the Project to qualified personnel, consultants and qualified enterprises,
- d) guarantee the awarding of contracts for supply of goods and services to be financed from the financial contribution through the Fondo Patrimonio Natural according to the benefit-sharing distribution and investment scheme in accordance with the provisions set forth in the separate agreement,
- e) guarantee the fulfilment of contractual obligations entered into with third parties under the Project,
- f) maintain, or ensure maintenance of, books and records unequivocally showing all costs of goods and services required for the Project and

clearly identifying the goods and services financed from this financial contribution,

- g) enable the representatives of KfW and of the United Kingdom of Great Britain and Northern Ireland at any time to inspect said books and records and all other documentation relevant to the implementation and the operation of the Project, and to visit the Project and all installations related thereto,
- h) furnish to KfW and to the Donor any and all such information and reports on the Project and its further progress as KfW and the Donor may request,
- i) of its own accord promptly inform KfW and, through KfW, the Donor, of any circumstance that preclude, interfere or threatens to interfere or seriously jeopardize the successful implementation, the operation, or the purpose of the Project,
- j) furnish to KfW and, through KfW to the Donor, prior to every disbursement referred to under article 2.1
 - i) the report of the emission reductions from deforestation (RE), accompanied by the independent verification report,
 - ii) a certificate of registration in the National Registry of Programmes and Projects to Reduce Emissions caused from Deforestation and Forest Degradation in Colombia¹ ("Registry") over the permanent retirement of the RE financed by KfW, as well as of the additional units which shall be registered and retired without being remunerated in accordance with the agreed-upon mechanism to address risks set forth in the separate agreement. For the first disbursement, no certificate over the permanent retirement of financed as well as non-remunerated RE is required. Nevertheless, prior to the first disbursement, the Recipient shall provide to KfW the Project's information according to Resolution 1259 dated 19th of May, 2015 and shall guarantee that the permanent retirement of these RE takes place once the Recipient counts with the Registry.

6.2 The Recipient and KfW shall determine the details pertaining to Article 6.1 in a separate agreement.

¹ "Registro Nacional de Programas y Proyectos de Acciones para la Reducción de Emisiones Debidas a la Deforestación y Degradación Forestal de Colombia", Article 175, National Development Plan 2014-2018



Article 7

Publication and transfer of Project-related information

- 7.1 To comply with internationally accepted principles of utmost transparency and efficiency in the development cooperation, KfW publishes selected information (including evaluation reports) about the Project and how it is financed during pre-contractual negotiations, while the Project-related agreement(s) is (are) being implemented and in the post-contractual stage (hereinafter referred to as the "Entire Period").

The information is published regularly on KfW's website for its business area "KfW Development Bank" (<http://transparenz.kfw-entwicklungsbank.de/>).

The publication of information (either by KfW or third parties in accordance with Article 7.3 below) about the Project and how it is financed could include contractual documentation if this becomes necessary for legal reasons, but does not include any sensitive financial or business-related detailed information about the parties involved in the Project or its financing, such as

- a) Information about internal financial data,
- b) business strategies,
- c) internal corporate guidelines and reports,
- d) personal data of natural persons,
- e) KfW's internal rating of the parties financial position.

- 7.2 KfW shares selected information about the Project and how it is financed during the Entire Period with the entities mentioned below, particularly to ensure transparency and efficiency:

- a) subsidiaries of KfW,
- b) the Federal Republic of Germany and its competent bodies, authorities, institutions, agencies or entities,
- c) other implementing organisations involved in German bilateral development cooperation, particularly the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH,

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- d) international organisations involved in collecting statistical data and their members, especially the Organisation for Economic Cooperation and Development (OECD) and its members,
- e) the Donor and the relevant authorities of the United Kingdom of Great Britain and Northern Ireland.

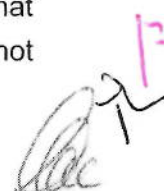
7.3 Furthermore, KfW shares selected information about the Project and how it is financed throughout the Entire Period with the following entities, which publish sections and, in case it becomes necessary out of legal requirements, contractual documents relevant to the purpose:

- a) Federal Republic of Germany for the purposes of the International Aid Transparency Initiative
(http://www.bmz.de/de/was_wir_machen/wege/transparenz-fuer-mehr-Wirksamkeit/index.html),
- b) Germany Trade & Invest (GTAI) for the purposes of market information
(<http://www.gtai.de/GTAI/Navigation/DE/trade.FOO>),
- c) OECD for the purpose of reporting financial flows in the framework of development cooperation (<http://stats.oecd.org/>),
- d) German Institute for Development Evaluation (DEval) for the purposes of evaluating the overall German development cooperation to ensure transparency and efficiency (<http://www.deval.org/de/>).
- e) the Donor and the competent authorities of the United Kingdom of Great Britain and Northern Ireland to assure transparency of the development cooperation.

7.4 The Recipient acknowledges that DECC has adopted the provisions on international aid transparency and this means that the amount of DECC's results-based payment Contribution made available to the Recipient will be published (including on the internet) and made available to the general public.

7.5 KfW, APC-Colombia and the Recipient further reserve the right to transfer (including for the purposes of publication) information about the Project and how it is financed during the Entire Period to other third parties so as to safeguard legitimate interests (including for the aim of publication).

The transfer of information to third parties shall be subject to the condition that neither KfW nor the Recipient have legitimate interests in the information not



being transferred, which outweigh KfW's or the Recipient's interest in it being transferred. The legitimate interests of the Recipient and KfW include, in particular, the confidentiality of the sensitive information mentioned in Article 7.1, which is excluded from publication.

The Recipient acknowledges that the Donor's internal and external auditors may require any information in connection with the Project in order to verify compliance with this Agreement. In such case, the Recipient agrees to provide to KfW promptly with copies of any relevant documentation and computer records relating to the Project so as to enable a full audit. The Recipient acknowledges that the results of the audit may be published. Additionally, the Recipient acknowledges that the Donor is subject to the requirements of the UK Freedom of Information Act 2000, the Environmental Information Regulations 2004 and associated codes of practice ("**FOI Legislation**") and it shall assist and cooperate to enable the Donor, through KfW, to comply with their FOI Legislation disclosure obligations as interpreted by the Donor. In particular, the Recipient shall promptly provide all necessary assistance and information as reasonably requested to enable the Donor, through KfW, to respond to the Request for Information within the time for compliance set out in the relevant FOI Legislation.

Furthermore, the Recipient, APC-Colombia and KfW are entitled to transfer information to third parties if this is necessary due to statutory or regulatory requirements or to assert or defend claims or other legal rights in court or administrative proceedings.

Article 8

Miscellaneous Provisions

- 8.1 The Recipient shall ensure that the persons charged by the same with the preparation and implementation of the Project, the award of any contract for the supplies and services to be financed and with requesting disbursements of financial contribution amounts, do not and will not demand, assume, render, grant, promise or obtain a promise of unlawful payments or other advantages in connection with these tasks and the Project. Any such practice will be grounds for termination pursuant to Article 3.2.
- 8.2 The Recipient shall promptly make available to KfW on demand all information and documents which KfW requires to fulfil its obligations to prevent money laundering, terrorism financing, fraud and corruption as well as for the

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continuous monitoring of the business relationship with the Recipient, which is necessary for this purpose.

- 8.3 If any of the provisions of this Agreement is invalid, all other provisions shall remain unaffected thereby. Any gap resulting therefrom shall be filled by a provision consistent with the purpose of this Agreement.
- 8.4 The Recipient may not assign or transfer, pledge or mortgage any claims from this Agreement.
- 8.5 This Agreement shall be governed by the law of the Federal Republic of Germany. The place of performance shall be Frankfurt am Main.
- 8.6 Any dispute which arises out of or in connection with this Agreement, which cannot be directly settled by the Parties, shall be settled by final and binding arbitration by an arbitration tribunal. In this regard, the following shall apply:
- a) The arbitration tribunal will consist of one or three arbitrators who will be appointed and will act in accordance with the Arbitration Rules of the International Chamber of Commerce (ICC) applicable at the respective time.
 - b) The arbitration proceedings will be conducted in Frankfurt am Main. The proceedings will be held in the English language.
- 8.7 The legal relations established by this Agreement between KfW and the Recipient shall terminate with the end of the useful life of the Project, but not later than 15 years after the signing of this Agreement.
- 8.8 This Agreement shall enter into force upon signing.

Done in four (4) originals in the English language.

Frankfurt, the 28. Dez. 2015
[Signature] [Signature]
KfW

[Signature], the _____

Republic of Colombia,
represented by MADS

_____, the _____
[Signature]
APC-Colombia

[Signature]