

Public Disclosure Authorized

OFFICIAL DOCUMENTS

LOAN NUMBER 8735-BO

Loan Agreement

(Additional Financing for Rural Alliances Project II)

amongst

PLURINATIONAL STATE OF BOLIVIA

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *July 28th*, 2017

LOAN AGREEMENT

Agreement dated July 28th, 201~~7~~ amongst PLURINATIONAL STATE OF BOLIVIA ("Borrower" or "Recipient", as the case may be), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement) and amending the Financing Agreement.

WHEREAS, by agreement dated December 12, 2012 between the Recipient and the Association (the Financing Agreement), the Association made a credit in an amount equivalent to thirty two million nine hundred thousand Special Drawing Rights (SDR 32,900,000) (Credit No. 5170) to the Recipient to assist in the financing of the Original Project on the terms and conditions set forth in the Financing Agreement.

The Borrower, and the Bank and the Association (as the case may be) 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 one hundred million Dollars (USD100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 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.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. 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, however, that the interest payable shall in no event be less than zero percent (0%) per annum; and provided furthermore 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 (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (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; and (ii) a change of the interest rate basis applicable to: (A) 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 (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or *vice versa*; or (C) all of the principal amount of the Loan withdrawn and outstanding 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 or the Reference 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 or the Reference 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 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. To this end, the Borrower shall, through MDRyT:
 - (a) carry out Parts 1, 2(c)(i) and 3 of the Project;
 - (b) cause the Eligible Producer Organizations to carry out Part 2 (a) of the Project in accordance with the relevant Producer Organization Subproject Implementation Agreement; and
 - (c) cause FPS to carry out Parts 2 (b) and (c) (ii) of the Project in accordance with the FPS Subsidiary Agreement and the FPS Agreement;

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 shall 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 Events of Suspension consist of the following:
- (a) FPS shall have failed to comply with any of its obligations under the FPS Subsidiary Agreement and the FPS Agreement.
 - (b) Any Eligible Producer Organization or Eligible Municipality shall have failed to perform any of their obligations under the respective Subproject Implementation Agreement.
- 4.02. The Additional Event of Acceleration consist of the following, namely, that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Operational Manual has been updated and duly adopted by the Borrower and FPS in a manner acceptable to the Bank; and
 - (b) (i) the FPS Subsidiary Agreement has been duly signed on behalf of the Borrower and FPS; and (ii) the FPS Agreement has been duly signed on behalf of the Borrower, through MDRyT (through EMPODERAR), and FPS.
- 5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Development Planning.
- 6.02. The Borrower's Address is:

Ministerio de Planificación del Desarrollo
Avenida Mariscal Santa Cruz 1092
Edificio Ex-Comibol
La Paz, Bolivia
Facsimile: +591-2-3118473

SCHEDULE 1

Project Description

The objective of the Project is to improve accessibility to markets for small rural producers in the Selected Areas by: (a) promoting productive alliances between different small rural producer organizations and purchases; (b) empowering rural producers through the establishment and strengthening of self-managed grass-root organizations; (c) increasing access to productive assets, technology and financial services; (d) promoting more effective, responsive and accountable service organizations at the local level; and (e) enhancing environmental sustainability of productive practices.

The Project consists of the Original Project, as amended hereby:

Part 1: Institutional Strengthening

Provision of support for the creation and strengthening of Rural Alliances in Selected Areas, including, *inter alia*:

- a) The carrying out of a communication and dissemination campaign to inform potential stakeholders about the scope and rules of the Project, through local workshops and mass-media outlets.
- b)
 - (i) Strengthening of the institutional capacity of small rural producer organizations to, *inter alia*: (A) form Rural Alliances and prepare investment plans; (B) formalize their organizations; and (C) improve their marketing and business skills; and
 - (ii) the preparation of Rural Alliances Plans.
- c) Strengthening of the capacity of technical service providers and Eligible Municipalities to support the Rural Alliances, through, *inter alia*:
 - (i) the provision of training to officials of Eligible Municipalities and Rural Alliances' technical service providers to familiarize them with the Rural Alliance concept and processes, and enhance their technical skills (in modern irrigation techniques and in climate resilience and climate smart practices, *inter alia*); and
 - (ii) the establishment of a technical service provider database in the ROUs, including an outreach program to expand the number of available relevant providers nationwide;
- d)
 - (i) the publication and dissemination of Project activities including, *inter alia*, the results of the call-for-proposals for Rural Alliances, and the Rural Alliances Plans; and

- (ii) (A) the carrying out of financial, social, environmental and technical evaluations of Rural Alliances; and (B) the preparation of pre-feasibility and/or feasibility studies of Municipal Subprojects.

Part 2: Implementation of Rural Alliances

- a) Carrying out of subprojects (“Producer Organization Subprojects”) in support of the effective implementation of the Rural Alliances investment plans and consisting of, among others, one or more of the following activities, including:
 - (i) on farm infrastructure such as minor modernization irrigation works, storage facilities and communal infrastructure for, *inter alia*, product processing, and water harvesting structures;
 - (ii) soil conservation measures such as terracing, land leveling and watershed treatments;
 - (iii) provision and utilization of equipment, tools, machinery, veterinary supplies, seeds and other vegetative material and agriculture inputs; and
 - (iv) provision of support on access to financial services, business management, market and marketing, information technology, organic certification and other technical productive services.
- b) Carrying out of subprojects (“Municipal Subprojects”) in support of the productive goals of the Rural Alliance and consisting of, among others, one or more of the following activities, including:
 - (i) minor irrigation rehabilitation and/or improvement works;
 - (ii) rural road rehabilitation or improvement; and
 - (iii) small vehicular and pedestrian bridges.
- c) Provision of support to: (i) Eligible Producer Organizations for the implementation of Producer Organization Subprojects (including support on procurement, financial and environmental and technical aspects); and (ii) FPS for the carrying out of financial audits of the Municipal Subprojects, if applicable.

Part 3: Project Management, Monitoring and Evaluation

Provision of support to EMPODERAR for:

- a) the preparation, implementation and supervision of the Project, including the carrying out of the Project financial audits as reflected in Category (3);
- b) the implementation and supervision of the EMF, the SMF and the RPF;

- c) the necessary updates to its management information systems, through, *inter alia*: (i) the expansion, operation and maintenance of a web-based system to track progress on result indicators nation-wide; and (ii) the establishment, operation and maintenance of a web-based system to provide information on the Project features and to channel citizen feedback on the Project and its implementation; and
- d) the carrying out of technical studies on themes relevant to the Project, including studies on market opportunities in rural areas and rural investment climate, all as shall be proposed by the Borrower and agreed to by the Bank.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall vest the overall responsibility for the implementation of the Project in MDRyT, and to this end shall, through MDRyT:
 - (a) maintain, throughout Project implementation:
 - (i) within MDRyT, a unit with operational autonomy (“*Unidad Desconcentrada EMPODERAR*” or “EMPODERAR”); and
 - (ii) within EMPODERAR, a national coordination unit (NCU) and, in each of the participating Departments, a regional operation unit (ROU), all with structure, functions and responsibilities acceptable to the Bank and set forth in the Operational Manual, including, *inter alia*, the responsibility of the NCU to coordinate, monitor and supervise the carrying out of the Project, and the responsibilities of each of the ROUs in Subproject processing, field supervision and monitoring;
 - (b) ensure that the NCU is, throughout Project implementation, headed by a Project manager, and that each ROU is headed by a regional coordinator, all staffed with adequate professional, fiduciary, administrative and technical personnel (including procurement, financial management, social and environmental specialists), with qualifications, experience and terms of employment acceptable to the Bank, as set forth in the Operational Manual;
 - (c) ensure that the staff of EMPODERAR is selected and hired in accordance with paragraph 1 of Section III of this Schedule, as detailed in the Operational Manual;
 - (d) not later than ninety (90) days from the Effective Date, complete the staffing of the ROUs in a manner acceptable to the Bank and as defined in the Operational Manual; and
 - (e) not later than ninety (90) days from the Effective Date, establish and thereafter operate and maintain, throughout the Project implementation, the web-based system referred to in Part 3 (c) (ii) of the Project, acceptable to the Bank.
2. Without limitation to the provisions of Section 5.03 of the General Conditions, the Borrower through MDRyT, shall ensure that the counterpart funds necessary for the implementation of the Project are promptly available each year of Project implementation.

B. Subprojects

FPS Subsidiary Agreement and FPS Agreement

1. For the purposes of implementing Parts 2 (b) and (c)(ii) of the Project, the Borrower shall:
 - (a) make part of the proceeds of the Loan available to FPS under an agreement between the Borrower and FPS ("FPS Subsidiary Agreement"), under terms and conditions acceptable to the Bank which shall include FPS's obligation to comply with the pertinent provisions of this Agreement; and (b) through MDRyT (through EMPODERAR) enter into an agreement with FPS ("FPS Agreement") under terms and conditions acceptable to the Bank, which shall include, *inter alia*:
 - (a) FPS' obligation to:
 - (i) enter into Municipal Implementation Subproject Agreements;
 - (ii) procure the goods, works and services under the Municipal Subprojects in accordance with the provisions of this Agreement;
 - (iii) comply with the Anti-corruption Guidelines, the pertinent obligations set forth in the Safeguards and Financial Management section of this Agreement and the Operational Manual;
 - (iv) enable the Borrower, through MDRyT (through EMPODERAR), and/or the auditors hired by the Borrower, through MDRyT (through EMPODERAR) to carry out the Procurement Audits, to access all the records and documentation related to the procurement of works, goods and services in respect of Part 2 (b) of the Project; and
 - (v) operate and maintain, throughout implementation of Parts 2 (b) and (c)(ii) of the Project: (A) the control and monitoring unit under FPS's executive office; (B) the environmental unit; and (C) the procurement monitoring unit, all with structure, functions and responsibilities acceptable to the Bank and set forth in the Operational Manual.
 - (b) the conditions for the Borrower's payment, out of the proceeds of the Loan, of Operating Costs related to FPS' discharge of its responsibilities under the FPS Agreement.
 - (c) the right of the Borrower to take remedial actions (including restitution of funds) against FPS in case FPS shall have failed to comply with its obligations under the FPS Agreement.
2. The Borrower shall exercise its rights and carry out its obligations under the FPS Subsidiary Agreement and FPS Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. The Borrower shall not take any action in respect of the FPS Subsidiary Agreement and FPS Agreement or any

of their provisions which shall affect materially and adversely, in the opinion of the Bank, the ability of FPS to perform any of its obligations under said FPS Subsidiary Agreement and FPS Agreement. In case of any conflict between the provisions of the FPS Agreement and those of this Agreement, the provisions of this Agreement shall prevail.

Producer Organization Subproject Implementation Agreement

3. The Borrower, through MDRyT (through EMPODERAR), shall, prior to the implementation of any Producer Organization Subproject, enter into an agreement with an Eligible Producer Organization (“Producer Organization Subproject Implementation Agreement”), under terms and conditions acceptable to the Bank, which shall include, *inter alia*:
 - (a) the Eligible Producer Organization’s obligation to: (i) carry out the Producer Organization Subproject in accordance with the requirements of the Operational Manual and the Anti-Corruption Guidelines; (ii) co-finance part of the costs of the Producer Organization Subproject, as defined in the Operational Manual; and (iii) procure the goods, works and services in accordance with the provisions of this Agreement;
 - (b) the Borrower’s obligation to transfer a portion of the proceeds of the Loan to the Eligible Producer Organization; and
 - (c) the right of the Borrower to take remedial actions (including restitution of funds) against the Eligible Producer Organization in case the Eligible Producer Organization shall have failed to comply with its/their obligations under the respective Producer Organization Subproject Implementation Agreement.

Municipal Subproject Implementation Agreement

4. The Borrower, through MDRyT (through EMPODERAR), shall, prior to carrying out a Municipal Subproject, enter into an agreement with the Eligible Municipality, together with FPS (“Municipal Subproject Implementation Agreement”), under terms and conditions acceptable to the Bank which shall include, *inter alia*:
 - (a) the Eligible Municipality’s obligation to: (i) comply with the requirements of the Operational Manual and the Anti-Corruption Guidelines; and (ii) co-finance part of the costs of the Municipal Subproject, as defined in the Operational Manual;
 - (b) FPS’ obligations set forth in Section I.B.1 (a) (i)-(v) of this Schedule; and
 - (c) the right of the Borrower to take remedial actions (including restitution of funds) against the Eligible Municipality in case the Eligible Municipality shall have failed to comply with its obligations under the respective Municipal Subproject Implementation Agreement.

5. The Borrower, through MDRyT, shall, and shall cause the FPS to, exercise its rights and carry out its obligations under each Subproject Implementation Agreement, 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 and shall cause FPS to, not assign, amend, abrogate, waive, terminate or fail to enforce any Subproject Implementation Agreement, or any provision thereof.

C. Operational Manual

1. The Borrower, through MDRyT (through EMPODERAR): (a) shall update the Operational Manual in a manner acceptable to the Bank; and (b) immediately thereafter, shall and shall cause the FPS to, carry out their respective Parts of the Project in accordance with the Operational Manual, which shall include, *inter alia*:
 - (a) the accounting, auditing, reporting, financial, procurement and disbursement procedures of the Project;
 - (b) the criteria for the selection and monitoring of Rural Alliances, and Eligible Producer Organizations;
 - (c) a list of the criteria for the selection of Eligible Municipalities;
 - (d) the eligibility criteria and procedures for the selection, approval, carrying out, monitoring and supervision of Subprojects (including a negative list of environmentally sensitive investments ineligible for financing under the Subprojects);
 - (e) the co-financing arrangements for: (i) Eligible Producer Organizations under their respective Producer Organization Subproject Implementation Agreement; and (ii) Eligible Municipalities under their respective Municipal Subproject Implementation Agreement;
 - (f) model agreements for Subprojects;
 - (g) the organizational structure for implementation of the Project, including the terms of reference and functions of the NCU and the ROUs staff and the procedures to hire said staff;
 - (h) the indicators to be used for the monitoring and evaluation of the Project;
 - (i) the EMF; and
 - (j) the SMF.
2. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Safeguards

1. The Borrower, through MDRyT, shall, and shall cause each Eligible Producer Organization, FPS and each Eligible Municipality to: (a) implement the Project in accordance with the EMF; (b) adopt the procedures detailed in said EMF for environmental screening, evaluation, implementation and monitoring of the works under the Subprojects, including the procedures for the preparation of environmental management plans, when applicable; and (c) implement and/or cause to be implemented the pertinent environmental management plan, in accordance with its terms and in a manner acceptable to the Bank.
2. The Borrower, through MDRyT, shall, and shall cause each Eligible Producer Organization, FPS and each Eligible Municipality to, implement the Project in accordance with the SMF.
3. The Borrower, through MDRyT, shall cause FPS and each Eligible Municipality to: (a) implement the Municipal Subprojects in accordance with the RPF; (b) adopt the procedures detailed in said RPF for screening, evaluation, implementation and monitoring of the Municipal Subprojects; and (c) implement the pertinent resettlement action plan or abbreviated resettlement plan (for cases where 200 or less persons are affected, or where they are not physically relocated or would lose 10% or less of their productive assets), as the case may be, all in accordance with its terms and in a manner acceptable to the Bank.
4. The Borrower, through MDRyT, shall, and shall cause each Eligible Producer Organization to, ensure that any works to be carried out under the Producer Organization Subprojects do not involve Resettlement.
5. The Borrower shall ensure that the terms of reference for 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 technical assistance be consistent with the requirements of the Bank's Safeguards Policies and Procedures.

E. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through MDRyT (through EMPODERAR): (a) shall monitor and evaluate the progress of the Project; and (b) shall, and shall cause FPS to, prepare Project Reports for the Part(s) of the Project under their responsibility, all 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 forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MDRyT, shall, and shall cause FPS to, maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower, through MDRyT, shall, and shall cause FPS to, prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar semester, interim unaudited financial reports for the Part(s) of the Project under their responsibility, all covering the pertinent calendar semester, in form and substance satisfactory to the Bank.
3. The Borrower, through MDRyT, shall, and shall cause FPS to, have the Financial Statements for the Part(s) of the Project under their responsibility, all 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 (6) months after the end of such period.

Section III. Procurement

1. All goods, works, non-consulting services and 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 the Procurement Regulations and the provisions of the Procurement Plan.
2. The Borrower, through MDRyT (through EMPODERAR), shall carry out Project procurement audits under the following terms and conditions:
 - (a) not later than November 30, 2018, or any other date as agreed by the Bank, the Borrower, through MDRyT (through EMPODERAR), shall contract independent auditors with experience and qualifications acceptable to the Bank, operating under terms of reference acceptable to the Bank, to perform, not later than January 30 of each year during Project implementation, starting January 30, 2019, or any other date as agreed by the Bank, an annual procurement audit of all the records and documentation related to the procurement of works, goods, and services carried out under the Producer Organization Subprojects and the Municipal Subprojects, which occur during the Borrower's previous calendar year(s), all in accordance with procurement auditing principles acceptable to the Bank ("Procurement Audit");
 - (b) not later than March 30 of every year during Project, starting March 30, 2019, or any other date as agreed by the Bank, the Borrower, through MDRyT (through

EMPODERAR), shall prepare and furnish to the Bank a report, in form and substance acceptable to the Bank, on the pertinent Procurement Audit;

- (c) at all times during the implementation of the Project, the Borrower, through MDRyT (through EMPODERAR), shall furnish to the Bank and to the auditors performing the Procurement Audits such other information concerning the procurement records and documentation for the Project, as the Bank or the auditors may from time to time reasonably request; and
- (d) not later than May 30 of every year during Project implementation, starting May 30, 2019, or any other date as agreed by the Bank, the Borrower, through MDRyT (through EMPODERAR), shall exchange views with the Bank on the results of the pertinent Procurement Audit and thereafter implement and/or cause to be implemented the recommended measures, if any, taking into account the Bank's views on the matter.

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 "Disbursement Guidelines for Investment Project Financing" dated February 2017, 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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, consulting services, Operating Costs and Training under Part 1 of the Project	5,030,000	100%
(2) (a) Works goods, non-consulting services and consulting services under Subprojects under Parts 2 (a) and (b) of the Project	79,279,300	100% of the amount disbursed by the Borrower or FPS (as the case may be) under the pertinent Subproject Implementation Agreement
(b) Consulting services (including financial audits) under Part 2 (c) of the Project and FPS Operating Costs	3,940,700	100%
(3) Goods, consulting services, non-consulting services, Training and Operating Costs under Part 3 of the Project, and the Project financial audits (but excluding Part 2 (c)(ii) of the Project)	11,500,000	100%
(4) Front-end Fee	250,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	100,000,000	

3. For purposes of the table in paragraph 2 above, the terms:
- (a) "Training" means expenditures (other than those for consulting services) incurred by the Borrower in connection with the carrying out of seminars, workshops, including the reasonable travel costs (i.e. accommodation, transportation and *per diem, inter alia*) of trainees and trainers (if applicable), training registration fees, catering, rental of training facilities and equipment, logistics and printing services, as well as training materials for the purposes of and directly related to the activities described in the Project;

- (b) “Operating Costs” means reasonable recurrent expenditures (none of which would have been encountered absent the Project), incurred by EMPODERAR and the Eligible Producer Organizations for the implementation, coordination and supervision of the Project, including, *inter alia*, travel costs (i.e. accommodation, transportation and *per-diem*); operation and maintenance of office equipment; vehicle rental, operation, insurance and maintenance costs; rental of offices; utilities; non-durable and/or consumable office materials; bank charges; communication, printing and publications; salaries of support staff of EMPODERAR working for the Project and health benefits and other emoluments for the NCU and ROUs staff working for the Project, but excluding the Borrower’s public servants and/or permanent employees; and
- (c) “FPS Operating Costs” means reasonable recurrent expenditures (none of which would have been encountered absent the Project) incurred by FPS for the purposes of the Project and directly related to the activities described under Part 2(b) of the Project, including, *inter alia*, travel costs (i.e. accommodation, transportation and *per-diem*); operation and maintenance of office equipment; vehicle rental, operation, insurance and maintenance costs; rental of offices; utilities; non-durable and/or consumable office materials; communication, printing and publications; and salaries of FPS staff working for the Project, all up to an amount as set forth in the Operational Manual.

B. Withdrawal Conditions; Withdrawal Period

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made for expenditures prior to the date of this Agreement.
- 2. The Closing Date is November 30, 2021.

Section V. Other undertakings

A. Mid-Term Review

Without limitation to the provisions of Section 5.08 (a) and (b) of the General Conditions, the Borrower, through MDRyT, shall, by December 31, 2019, or such other date as the Bank shall agree upon, carry out jointly with FPS (with regard to activities under Part 2(b) of the Project) and the Bank, a mid-term review of the implementation of activities under the Project (Mid-term Review). Following such Mid-term Review, the Borrower shall act promptly and diligently to take and/or cause FPS to take, any corrective action as shall have been agreed with the Bank.

B. Land Acquisition

The Borrower, through MDRyT, undertakes that the proceeds of the Loan shall not be used to finance land acquisition. If the Bank, at any time, determines that an amount of the Loan was used to make a payment for such land acquisition, the Borrower shall promptly, upon notice by the Bank, refund an amount equal to the amount of such payment to the Bank.

C. Project Cost Composition by Parts of the Project

Without limitation to the provisions of Section IV.A of this Schedule, and for information purposes only, the Bank and the Borrower hereby agree to describe in Schedule 5 to this Agreement a summary of the Project activities and related Eligible Expenditures to be financed with the proceeds of the Loan.

Section VI. Amendment to the Financing Agreement

The Borrower and the Association hereby agree to amend the Financing Agreement as reflected in Schedule 4 to this Agreement.

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 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) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
February 15, 2021	4%
August 15, 2021	4%
February 15, 2022	0%
August 15, 2022	0%
February 15, 2023	0%
August 15, 2023	0%
February 15, 2024	4%
August 15, 2024	4%
February 15, 2025	4%
August 15, 2025	4%
February 15, 2026	4%
August 15, 2026	4%
February 15, 2027	0%
August 15, 2027	0%
February 15, 2028	0%
August 15, 2028	0%
February 15, 2029	4%
August 15, 2029	4%
February 15, 2030	4%
August 15, 2030	4%
February 15, 2031	4%
August 15, 2031	4%
February 15, 2032	4%
August 15, 2032	4%
February 15, 2033	4%
August 15, 2033	4%
February 15, 2034	4%
August 15, 2034	4%
February 15, 2035	0%

August 15, 2035	0%
February 15, 2036	4%
August 15, 2036	4%
February 15, 2037	4%
August 15, 2037	4%
February 15, 2038	4%

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn 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 is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable 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) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts 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 Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is 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 the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating

to the 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 Withdrawn Loan Balance is 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

Amendment to the Financing Agreement

1. The description of activities of Schedule 1 to the Financing Agreement is replaced in its entirety to read as the description of activities of Schedule 1 to this Agreement (with the following modifications, namely, that the term "Borrower" means "Recipient" and the term "Bank" means "Association").
2. Section I.D of Schedule 2 to the Financing Agreement is hereby amended to include the following two new paragraphs (4) and (5):

"4. The Recipient, through MDRyT, shall, and shall cause each Eligible Producer Organization, FPS and each Eligible Municipality to, implement the Project in accordance with the SMF.

5. The Recipient shall ensure that the terms of reference for any technical assistance provided under the Project, shall be satisfactory to the Association, and to that end, such terms of reference shall require that the advice conveyed through such technical assistance be consistent with the requirements of the Association's Safeguards Policies and Procedures."

3. Section I of the Appendix to the Financing Agreement is hereby amended as follows:

(a) The following definition is amended to read in its entirety as follows:

"Resettlement" means the impact of: (a) an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; or (b) an involuntary restriction of access to legally designated parks and protected areas (including reserves) which causes an adverse impact on the livelihoods of the affected persons."

(b) The following definitions are added, placed in alphabetical order, (and the existing definitions are consequently renumbered to keep the alphabetical order) to read as follows:

"Association's Safeguards Policies and Procedures" means the operational policies and procedures of the Association (as the same may be amended from time to time by the Association) set forth in the Association's Operational Manual and identified as Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36), Pest Management (OP/BP 4.09), Indigenous Peoples (OP/BP 4.10), Physical Cultural Resources (OP/BP 4.11), Involuntary Resettlement (OP/BP 4.12), Forestry

(OP/BP 4.36) and Safety of Dams (OP/BP 4.37), as said manual is published under www.worldbank.org.

“SMF” means the Recipient’s Social Management Framework, acceptable to the Association, dated December 13, 2016 and published on the Recipient’s website: <http://www.alianzarural.org> and the Recipient’s external website on December 14, 2016, which includes, *inter alia*: (a) a social analysis of benefits and risks (including guidelines for the identification of indirect social negative impacts on children); (b) mitigation measures for the identified social risks based on consultation with the stakeholders, including an action plan; (c) guidelines for improving access to Project benefits for vulnerable groups (indigenous people minorities, women and children); and (e) the Resettlement Policy Framework, as said Social Management Framework may be amended from time to time with the Recipient’s prior approval.”

SCHEDULE 5

Project Cost Composition by Parts of the Project

Part of the Project (including Eligible Expenditures)	Bank Loan	% Bank
Part 1: Institutional Strengthening		
1 (a) Communication and dissemination campaigns through workshops and mass-media outlets, <i>inter alia</i> (consulting services, goods, Operating Costs and Training)	834,880	100%
1(b) Strengthening the institutional capacity of small rural producer organizations to form Rural Alliances and prepare investment plans; formalize their organizations; and improve their marketing and business skills; and the preparation of Rural Alliances Plans (consulting services, Training and Operating Costs)	2,971,400	100%
1(c) Strengthening of the capacity of technical service providers and Eligible Municipalities to support the Rural Alliances (Consulting services, Training and Operating Costs)	481,250	100%
1(d) Publication and dissemination of Project activities, financial, social, environmental and technical evaluations of Rural Alliances; and preparation of pre-feasibility and/or feasibility studies of Municipal Subprojects (consulting services, non-consulting services and Operating Costs)	742,470	100%
Part 2: Implementation of Rural Alliances		
2(a) Producer Organization Subprojects (works goods, non-consulting services and consulting services)	65,529,300	100%
2(b) Municipal subprojects (works goods, non-consulting services and consulting services)	13,735,000	100%
2(c)(i) Support to Eligible Producer Organizations for the implementation of Producer Organization Subprojects (consulting services)	2,690,700	100%
2(c)(ii) Support to FPS for Municipal Subprojects (FPS Operating Costs and financial audits)	1,265,000	100%
Part 3: Project Management, Monitoring and Evaluation		
3(a) and (b) Preparation, implementation and supervision of the Project (consulting services, goods, non-consulting services, Training and Operating Costs)	11,170,000	100%
3(c) necessary updates to EMPODERAR management information systems (consulting services and goods)	50,000	100%
3(d) Technical studies on themes relevant to the Project, including studies on market opportunities in rural areas and rural investment climate (consulting services)	280,000	100%
Front end-Fee	250,000	100%
TOTAL	100,000,000	

APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. "Bank's Safeguards Policies and Procedures" means the operational policies and procedures of the Bank (as the same may be amended from time to time by the Bank) set forth in the Bank's Operational Manual and identified as Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36), Pest Management (OP/BP 4.09), Indigenous Peoples (OP/BP 4.10), Physical Cultural Resources (OP/BP 4.11), Involuntary Resettlement (OP/BP 4.12), Forestry (OP/BP 4.36) and Safety of Dams (OP/BP 4.37), as said manual is published under www.worldbank.org.
3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. "Department" means any of the Borrower's departments within the Borrower's territory.
5. "Eligible Municipality" means a municipality eligible for implementing Municipal Subprojects in accordance with the provisions of the Operational Manual.
6. "Eligible Producer Organization" means a legally established producer organization which is a member of a Rural Alliance and meets the eligibility criteria set forth in the Operational Manual for implementing a Producer Organization Subproject.
7. "EMF" means the Borrower's Environmental Management Framework, acceptable to the Bank, published on the Borrower's website <http://www.alianzarural.org> and on the Bank's external website, on December 14, 2016, which contains, *inter alia* the environmental protection measures in respect of the Project, including: (a) measures for chance findings of physical cultural property; (b) protection of natural habitats and pest management; (c) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project (including Subprojects); (d) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (e) the recommendation of mitigation measures for each negative impact identified; (f) measures for enhancing each identified positive impacts; (g) a pest management plan; and (h) generic safety dam measures; as may be amended from time to time with the Bank's prior approval.
8. "Financing Agreement" means the agreement referred to in the Whereas clause of this Agreement.

9. "FPS" means *Fondo Nacional de Inversión Productiva y Social*, the Borrower's Productive and Social Investment Fund, established pursuant to the Borrower's Supreme Decree No. 25984 of November 16, 2000.
10. "FPS Agreement" means the agreement referred to in Section I.B.1(b) of Schedule 2 to this Agreement.
11. "FPS Subsidiary Agreement" means the agreement referred to in Section I.B.1(a) of Schedule 2 to this Agreement.
12. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
13. "MDRyT" means *Ministerio de Desarrollo Rural y Tierras*, the Borrowers's Ministry of Rural Development and Land or its successor thereto.
14. "Mid-term Review" means the mid-term review referred to in Section V.A of Schedule 2 to this Agreement.
15. "Municipal Subproject" means any of the activities to be carried out under Part 2 (b) of the Project by an Eligible Municipality.
16. "Municipal Subproject Implementation Agreement" means any of the agreements referred to in Section I.B.4 of Schedule 2 to this Agreement.
17. "NCU" means the national coordination unit referred to in Section I.A.1 (a) (ii) of Schedule 2 to this Agreement.
18. "Operational Manual" means the manual referred to in Section I.C.1 of Schedule 2 to this Agreement.
19. "Original Project" means the Project described in Schedule 1 to the Financing Agreement.
20. "Procurement Audit" means any of the audits referred to in Section III. 2 of Schedule 2 to this Agreement.
21. "Procurement Plan" means the Borrower's procurement plan for the Project, dated January 12, 2017 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Bank.
22. "Procurement Regulations" means the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016
23. "Producer Organization Subproject" means any of the activities to be carried out under Part 2 (a) of the Project by an Eligible Producer Organization.

24. "Producer Organization Subproject Implementation Agreement" means any of the agreements referred to in Section I.B.3 of Schedule 2 to this Agreement.
25. "Resettlement" means the impact of: (a) an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; or (b) an involuntary restriction of access to legally designated parks and protected areas (including reserves) which causes an adverse impact on the livelihoods of the affected persons.
26. "ROU" means any of the regional operation units referred to in Section I.A.1 (a) (ii) of Schedule 2 to this Agreement. ROUs means, collectively, all regional operation units.
27. "RPF" means the Borrower's Resettlement Policy Framework (included as an annex to the SMF), acceptable to the Bank, published on the Borrower's website: <http://www.alianzarural.org> and on the Bank's external website, on December 14, 2016, outlining general implementation procedures, mitigation measures and monitoring procedures for Resettlement under the Project, including the procedures for preparation and implementation of resettlement plans, when applicable, as said framework may be amended from time to time with the Bank's prior approval.
28. "Rural Alliance" means an association of small rural producer organizations and purchasers eligible for participation under the Project in accordance with the provisions of the Operational Manual.
29. "Rural Alliance Plans" means each of the documents prepared by each Rural Alliance, which include, *inter alia*: an investment plan; the pre-feasibility and feasibility studies, as necessary; and the design of the respective Subprojects.
30. "Selected Area" means any of the municipalities within any of the Borrower's Departments selected pursuant to the criteria set forth in the Operational Manual.
31. "SMF" means the Borrower's Social Management Framework, acceptable to the Bank, and published on the Borrower's website: <http://www.alianzarural.org> and on the Bank's external website on December 14, 2016, which includes, *inter alia*: (a) a social analysis of benefits and risks (including guidelines for the identification of indirect social negative impacts on children); (b) mitigation measures for the identified social risks based on consultation with the stakeholders, including an action plan; (c) guidelines for improving access to Project benefits for vulnerable groups (indigenous people minorities, women and children); and (e) the Resettlement Policy Framework, as said Social Management Framework may be amended from time to time with the Bank's prior approval.
32. "Subprojects" means collectively Producer Organization Subprojects and Municipal Subprojects.

33. "Subproject Implementation Agreement" means a Producer Organization Subproject Implementation Agreement and/or a Municipal Subproject Implementation Agreement.
34. "*Unidad Desconcentrada EMPODERAR*" or "EMPODERAR" means the operationally independent unit within MDRyT responsible for the Project implementation, and created pursuant to Article 2(b) of the Borrower's Supreme Decree No.29315, dated October 17, 2007.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."
3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."
5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of "Front-end Fee" is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

"68. "Loan Payment" means any amount payable by the Loan Parties to the Bank

pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.