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CREDIT NUMBER 5170-BO

# Financing Agreement

(Rural Alliances Project II)

between

PLURINATIONAL STATE OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 12, 2012

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## FINANCING AGREEMENT

AGREEMENT dated December 12, 2012 entered into between PLURINATIONAL STATE OF BOLIVIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association 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 — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty two million nine hundred thousand Special Drawing Rights (SDR 32,900,000) (Financing or Credit), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollars.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall, through MDRyT: (a) carry out Parts 1, 2 (b) and (c) and 3 of the Project in accordance with the provisions of Article IV of the General Conditions; and (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.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 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 Agreement.
  - (b) Any Eligible Producer Organization or Eligible Municipality shall have failed to perform any of their obligations under the respective Subproject Implementation Agreement.
  - (c) The Recipient's legislative provisions, as set forth in the Supreme Decree No. 181 ("*Noimas Básicas del Sistema de Administración de Bienes y Servicios*") which allow procurement under the Project to comply with Section III of Schedule 2 to this Agreement: (i) shall have been amended, suspended, abrogated, repealed or waived so as to render ineffective, in the opinion of the Association, the procurement of the Project in accordance with said Section III; and (ii) unless a provision analogous to said legislative provisions shall have been adopted to replace them, in a manner and substance satisfactory to the Association.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01 of this Agreement occur and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Operational Manual has been adopted by the Recipient; and
  - (b) the FPS Agreement has been duly executed on behalf of the Recipient and FPS thereto.
- 5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline shall be the date one hundred and fifty (150) days after the date of this Agreement, but in no case later than eighteen (18) months after the Association's approval of the Credit which expires on April 23, 2014.
- 5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is its Minister of Development Planning.

- 6.02. The Recipient's Address is:

Ministerio de Planificación del Desarrollo  
Avenida Mariscal Santa Cruz, 1092  
La Paz, Bolivia

Facsimile:

011-591-2-231-7408 (with a copy to: 011-591-2-239-2891)

- 6.03. The Association's Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

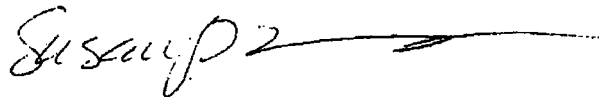
PLURINATIONAL STATE OF BOLIVIA

By

  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

  
Authorized Representative

## 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 following parts:

#### **Part 1: Institutional Strengthening**

Provision of support for the creation and strengthening of Rural Alliances in the 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: (A) form Rural Alliances and prepare investment plans; (B) formalize their organizations; and (C) improve their marketing and business skills; and
  - (ii) 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
  - (ii) the establishment of a technical service provider database in the ROUs, including an outreach program to expand the number of available relevant providers.
- (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) the carrying out of financial, social, environmental and technical evaluations of Rural Alliances.

**Part 2: Implementation of Rural Alliances**

- (a) Carrying out of 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 ("Producer Organization Subprojects"):
  - (i) on farm infrastructure such as minor irrigation works, storage facilities and community centers for 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 in support of the productive goals of the Rural Alliance and consisting of, among others, one or more of the following activities ("Municipal Subprojects"):
  - (i) rural road rehabilitation or improvement;
  - (ii) small vehicular and pedestrian bridges; and
  - (iii) provision of works related to water, gas, electricity or other utility services.
- (c) Provision of support to Eligible Producer Organizations for the implementation of Producer Organization Subprojects (including support on procurement financial and environmental aspects).

**Part 3: Project Management, Monitoring and Evaluation**

Provision of support to EMPODEFAR for:

- (a) the preparation, implementation, supervision and auditing of the Project;
- (b) the implementation and supervision of the EMF and the RPF;

- (c) the necessary updates to its management information system, through, *inter alia*:
  - (i) the design and implementation of a web-based system to track progress on result indicators; and
  - (ii) the creation of a link to a web-and-SMS- based citizen feedback survey; 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 Recipient and agreed to by the Association.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient 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 Selected Areas, a regional operation unit (ROU),

all with structure, functions and responsibilities acceptable to the Association 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 and financial specialists), with qualifications, experience and terms of employment acceptable to the Association, as set forth in the Operational Manual;

(c) ensure that the staff of EMPODERAR is hired following the competitive and transparent selection processes, as detailed in the Operational Manual; and

(d) not later than June 1, 2013, complete the staffing of the ROUs in a manner acceptable to the Association.

2. The Recipient, through MDRyT, shall carry out the Project in accordance with the provisions of:

(a) this Agreement;

(b) the Environmental Management Framework (EMF);

(c) the Resettlement Policy Framework (RPF); and

(d) the Operational Manual.

**B. Subprojects**

1. For the purposes of implementing Parts 2 (a) and (b) of the Project, the Recipient shall, through MDRyT:

(a) prior to the implementation of Subprojects in a Selected Area enter into an agreement with the respective *Gobierno Autónomo Departamental* or *Gobiernos Autónomos Departamentales* with jurisdiction over such area ("Department Agreement"), under terms and conditions which shall have been approved by the Association, which shall include, *inter alia*, the *Gobierno Autónomo Departamental*'s authorization to enable the Recipient to carry out of the Subprojects in its respective jurisdiction, including the operation of the respective ROU.

(b) exercise its rights and carry out its obligations under each Department Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate terminate, waive or fail to enforce any Department Agreement or any provision thereof.

2. For the purposes of implementing Part 2 (b) of the Project, the Recipient shall, through MDRyT:

(a) enter into an agreement with FPS ("FPS Agreement") under terms and conditions which shall have been approved by the Association which shall include, *inter alia*:

(i) FPS' obligation to enter into Municipal Implementation Subproject Agreements;

(ii) FPS' obligation to procure, on behalf of any Eligible Municipality, the goods, works and services under the Municipal Subprojects in accordance with the provisions of this Agreement; and

(iii) the conditions for the Recipient's payment, out of the proceeds of the Credit, of limited operating costs related to FPS' discharge of its responsibilities under the FPS Agreement.

(b) ensure that FPS has established: (i) the control and monitoring unit under FPS's executive office; (ii) the environmental unit; and (iii) the

procurement monitoring unit, all under terms and in a manner acceptable to the Association; and

- (c) exercise its rights and carry out its obligations under the FPS Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the FPS Agreement or any provision thereof.
3. The Recipient, through MDRyT, shall, prior to implementation of any Producer Organization Subproject, enter into an agreement with an Eligible Producer Organization ("Producer Organization Subproject Implementation Agreement"), under terms and conditions which shall have been approved by the Association 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, in either cash; in kind; or by means of any combination thereof, as defined in the Operational Manual; and (iii) procure the goods, works and services in accordance with the provisions of this Agreement;
  - (b) the Recipient's obligation to make a portion of the proceeds of the Financing available to the Eligible Producer Organization; and
  - (c) the right of the Recipient 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.
4. The Recipient, through MDRyT, 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 which shall have been approved by the Association which shall include, *inter alia*:
- (a) the Eligible Municipality's obligation to: (i) carry out the Municipal Subproject in accordance with the requirements of the Operational Manual and the Anti-Corruption Guidelines; (ii) supervise the Municipal Subprojects, including all procurement carried out by FPS; and (iii) co-finance part of the costs of the Municipal Subproject, as defined in the Operational Manual; and

- (b) the right of the Recipient 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 Recipient, through MDRyT, shall exercise its rights and carry out its obligations under each Subproject Implementation Agreement, in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive, terminate or fail to enforce any Subproject Implementation Agreement, or any provision thereof.
  6. Without limitation to the provisions of Section 4.03 of the General Conditions, the Recipient shall, through MDRyT, ensure that the counterpart funds necessary for the implementation of the Project are allocated each year of Project implementation.

**C. Operational Manual**

1. The Recipient shall, through MDRyT, carry out the Project in accordance with a manual (the Operational Manual), acceptable to the Association, 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 Selected Areas and 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; and (ii) Eligible Municipalities under their respective Municipal Subproject;
  - (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;
  - (j) the RPF; and
  - (k) guidelines to follow in case of unexpected findings of sites and objects with possible cultural or archeological value.
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 Recipient, 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 Association.
2. The Recipient, through MDRyT, shall, and 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 their terms and in a manner acceptable to the Association.
3. The Recipient, 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.

**F. Anti-Corruption**

The Recipient 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**

The Recipient, through MDRyT, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Project indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association 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 Recipient, through MDRyT, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient, through MDRyT, shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar semester, as part of each Project Report, interim unaudited financial reports for the Project covering the pertinent calendar semester, in form and substance acceptable to the Association.
3. The Recipient, through MDRyT, shall have the Project's Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, or any other period to be agreed with the Association. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

## **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 Financing 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 Financing 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 and Section II of Annex A to this Schedule 2.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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.
  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:

<u>Procurement Method</u>
(a) National Competitive Bidding, subject to the additional provisions set forth in Section I of Annex A to this Schedule 2, and the Recipient's legislative provisions, as set forth in the Supreme Decree No. 181 ( <i>"Normas Básicas del Sistema de Administración de Bienes y Servicios"</i> ) which allow procurement under the Project, and in effect as of September 21, 2012
(b) Shopping
(c) Direct Contracting
(d) Commercial Practices
(e) Community Participation in Procurement (in accordance to the procedures set forth in the Operational Manual)

- 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 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.

<u>Procurement Method</u>
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection Based on Consultant's Qualifications
(e) Single Source Selection
(f) Procedures set forth in Chapter V of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants set forth in paragraph 5.6 of Chapter V of the Consultant Guidelines

- D. **Review by the Association of Procurement Decisions**
1. The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.
  2. The Recipient shall, through MDRyT, carry out Project procurement audits under the following terms and conditions:
    - (a) not later than November 30 of every year during the implementation of the Project, beginning on November 30, 2013, contract independent auditors with experience and qualifications acceptable to the Association, operating under terms of reference acceptable to the Association, to perform a procurement audit of all the procurement records and documentation for the Project, relating to the Recipient's previous fiscal year of implementation of the Project, in accordance with procurement auditing principles acceptable to the Association ("Procurement Audit");



- (b) not later than June 30 of every year during the implementation of the Project, beginning on June 30, 2014, furnish to the Association the report, in form and substance acceptable to the Association, on the Procurement Audit completed for the Recipient's previous fiscal year;
- (c) at all times during the implementation of the Project, furnish to the Association and to the auditors performing a Procurement Audit such other information concerning the procurement records and documentation for the Project as the Association or the auditors may from time to time reasonably request; and
- (d) not later than July 31 of every year during the implementation of the Project, beginning on July 31, 2014, exchange views with the Association on the results of the Procurement Audit completed for the Recipient's previous fiscal year and thereafter implement such recommended measures, taking into account the Association's views on the matter.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association 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 Financing ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b><u>Category</u></b>	<b><u>Amount of the Credit Allocated (expressed in SDR)</u></b>	<b><u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u></b>
(1) Goods, consultants' services, Operating Costs and Training under Part 1 of the Project	2,400,000	100%
(2) (a) Subprojects under Part 2 (a) and (b)	20,900,000	100% of the amount disbursed by the Recipient under the Subprojects
(b) consultants' services under Part 2 (c) and FPS Operating Costs	1,200,000	100%
(3) Goods, consultants' services (including audits), Training and Operating Costs under Part 3 of the Project	5,600,000	100%
(4) Unallocated	2,800,000	
<b>TOTAL AMOUNT</b>	<b>32,900,000</b>	

3. For purposes of the table in paragraph 2 above, the terms:

- (a) "Training" means expenditures (other than those for consultants' services) incurred by the Recipient 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 other emoluments only for the NCU and ROUs staff working for the Project; but excluding the Recipient'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; and communication, printing and publications.

**E. 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, 2017.

**Section V. Other undertakings**

**A. Mid-Term Review**

By November 30, 2015, or such other date as the Association shall agree upon, and without limitation to the provisions of Section 4.08 (a) and (b) of the General Conditions, the Recipient, through MDRyT shall: (i) carry out jointly with the Association, a mid-term review of the implementation of operations under the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the Association.

**B. Land Acquisition**

The Recipient undertakes that the proceeds of the Financing shall not be used to finance land acquisition in any of the Selected Areas. If the Association, at any time, determines that an amount of the Financing was used to make a payment for such land acquisition, the Recipient shall promptly, upon notice by the Association, refund an amount equal to the amount of such payment to the Association.

**Annex A  
to  
SCHEDULE 2**

**Additional Provisions Relating to  
Particular Methods of Procurement**

**Section I. Goods, Works and Non-Consulting Services**

Without limitation upon the provisions of Section II of Schedule 2 to this Agreement or the Procurement Guidelines, the following additional provisions shall apply to all goods, works and non-consulting services procured for the Project under contracts awarded on the basis of National Competitive Bidding ("NCB Contracts"):

1. A merit point system shall not be used in the pre-qualification of bidders.
2. The award of contracts for goods, works and non-consulting services shall be based exclusively on price and, whenever appropriate, shall also take into account factors similar to those referred to in paragraph 2.51 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.
3. All bids shall be opened at the stipulated time and place in accordance with a procedure acceptable to the Association.
4. The single envelope procedure shall be used.
5. Whenever a discrepancy shall occur between the amounts in figures and the amounts in words of a bid, the amounts in words shall govern.
6. No prescribed minimum number of bids shall be required to be submitted for a contract to be subsequently awarded.
7. Foreign bidders shall be allowed to participate.
8. Foreign bidders shall not be required to legalize any documentation related to their bids with Recipient's authorities as a prerequisite for bidding.
9. No margin of preference shall be granted for any particular category of bidders.
10. In the event that a bidder whose bid was evaluated as the bid with the lowest evaluated price withdraws its bid, the contract may be awarded to the second lowest responsive evaluated bid.
11. Foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.
12. No procurement rules or regulations of neither of the Recipient's agencies, nor of any state-owned entity shall apply without the prior review and consent of the Association.

13. Recipient State-owned enterprises shall be allowed to participate in bids only upon their compliance with the provisions of paragraph 1.10 (b) of the Procurement Guidelines.
14. No contractor or supplier shall be denied fair and equitable treatment in any resolution of dispute with the Recipient and/or any of its executing agencies.
15. No reference value shall be required for publication in the bidding documents or used for the purpose of evaluation.
16. Bidding documents for NCB shall include anticorruption clauses that shall be substantially identical to those pertaining to the Association Standard Bidding Documents for ICB.

**Section II. Selection of Consultant Services**

The following additional provisions shall apply to all consultants' services procured for the Project (pursuant to Section III.A.2 of Schedule 2 to this Agreement):

1. Foreign consultants shall not be required, as a condition for participating in the selection process, to enter into a joint venture agreement with local consultants, unless the conditions stated in paragraph 1.15 of the Consultant Guidelines are met.
2. Foreign consultants shall not be required, as a condition for participating in the selection process, to legalize their proposals or any documentation related to such proposals with Recipient's authorities.
3. Foreign consultants shall not be required to be registered in the Recipient's National Registry of Consultants (*Registro Nacional de Consultoria*).
4. Consultants, either firms or individuals, shall not be required to present performance securities as a condition to present proposals and sign an award contract.
5. Consultants, either firms or individuals, shall not be denied fair and equitable treatment in any dispute resolution with the Recipient and/or any of its implementing entities.
6. Government-owned enterprises of the Recipient shall be allowed to participate in the selection process only upon their compliance with the provisions of paragraph 1.13 (b) of the Consultant Guidelines.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each February 15 and August 15:	
Commencing February 15, 2018 to and including August 15, 2027	1.65%
Commencing February 15, 2028 to and including August 15, 2037	3.35%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

## 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 January 2011.
2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011.
4. "Department" means any of the Recipient's autonomous department within the Recipient's territory.
5. "Department Agreement" means the agreement referred to in Section I.B.1 (a) of Schedule 2 to this Agreement.
6. "Eligible Municipality" means a municipality included in a Selected Area and eligible for implementing Municipal Subprojects in accordance with the provisions of the Operational Manual.
7. "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.
8. "EMF" means the Recipient's framework acceptable to the Association, as published on August 2, 2012, and made publicly available on the website <http://www.alianzarural.org>, 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; and (f) measures for enhancing each identified positive impacts; as may be amended from time to time with the Association's prior approval.



9. "FPS" means *Fondo Nacional de Inversión Productiva y Social*, the Recipient's Productive and Social Investment Fund, established pursuant to the Recipient's Law No. 2235 of July 31, 2001.
10. "FPS Agreement" means the agreement referred to in Section I.B.2 (a) of Schedule 2 to this Agreement.
11. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
12. "*Gobierno Autónomo Departamental*" means any of the Recipient's autonomous departmental government, pursuant to Article 277 of the Recipient's Constitution (*Constitución Política del Estado*) dated February 7, 2009. "*Gobiernos Autónomos Departamentales*" means, collectively, all the autonomous departmental governments participating in the Project.
13. "NCU" means the national coordination unit referred to in Section I.A.1 (a) (ii) of Schedule 2 to this Agreement.
14. "MDRyT" means *Ministerio de Desarrollo Rural y Tierras*, the Recipient's Ministry of Rural Development and Land or its successor thereto.
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. "Operational Manual" means the manual referred to in Section I.C.1 of Schedule 2 to this Agreement.
18. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011.
19. "Procurement Plan" means the Recipient's procurement plan for the Project, dated August 31, 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.
20. "Producer Organization (Subproject)" means any of the activities to be carried out under Part 2 (a) of the Project by an Eligible Producer Organization.
21. "Producer Organization Subproject Implementation Agreement" means any of the agreements referred to in Section I.B.3 of Schedule 2 to this Agreement.

22. "Resettlement" means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (A) standard of living adversely affected; or (B) 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 (C) access to productive assets adversely affected, temporarily or permanently; or (D) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
23. "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.
24. "RPF" or "Resettlement Policy Framework" means the document prepared by the Recipient, through MDRYT acceptable to the Association, published on July 31, 2012, on the website: <http://www.alianzarural.org>, 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 Association's prior approval.
25. "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.
26. "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.
27. "Selected Area" means the Eligible Municipalities within one or more of the Departments of La Paz, Beni, Cochabamba, Santa Cruz, Chuquisaca, Tarija and Potosí, listed in the Operational Manual; and any other selected area as the Association shall agree following the environmental and social screening set forth in the EMF.
28. "Subprojects" means collectively Producer Organization Subprojects and Municipal Subprojects.
29. "Subproject Implementation Agreement" means a Producer Organization Subproject Implementation Agreement and/or a Municipal Subproject Implementation Agreement.

30. “*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 Recipient’s Supreme Decree No.29315, dated October 17, 2007.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

(a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

1. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
2. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”
3. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

4. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).