

CONFORMED COPY

CREDIT NUMBER 5004-BO

Financing Agreement

(Community Investment in Rural Areas Project)

between

PLURINATIONAL STATE OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 22, 2011

CREDIT NUMBER 5004 -BO

FINANCING AGREEMENT

AGREEMENT dated August 22, 2011, entered into between the 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 twenty five million Special Drawing Rights (SDR25,000,000) (variously, “Credit” and “Financing”) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 January 15 and July 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 carry out the Project by means of its Ministry of Rural Development and Land (“MRDL”) through its *Unidad Desconcentrada Empoderar* in accordance with the provisions of Article IV of the General Conditions.
- 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, namely:
- (a) the Recipient has amended, suspended, abrogated, repealed or waived the *Decreto Supremo No 24447* of December 20, 1996 or *Decreto Supremo No. 29315* of October 17, 2007 in such a manner so as to adversely affect, in the opinion of the Association, the ability of the Recipient and/or of the Communities to carry their respective activities under the Project, or to perform any of their obligations under this Agreement or the CI Grant Agreements; or
 - (b) the Recipient’s legislative provision, including as set forth in the Supreme Decree (“*Normas Básicas del Sistema de Administración de Bienes y Servicios*”) which allow procurement under the Project to comply with Section III of Schedule 2 of 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 provision shall have been adopted to replace them, in a manner and substance satisfactory to the Association; or
 - (c) any Community awarded a CI Grant pursuant to the corresponding CI Grant Agreement has failed to perform its obligations thereunder, and the

Recipient has not taken any remedial actions and/or mitigation measures in order to rectify/remedy the situation, in a manner and substance satisfactory to the Association.

- 4.02. The Additional Event of Acceleration consists of, namely, that any of the events specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) 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, namely that the Operational Manual has been adopted by the Recipient.
- 5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadlines shall be the date ninety (90) 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 January 22, 2013.
- 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
Edificio Ex-Comibol
La Paz, Bolivia

Facsimile:

+591-2-312641

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 La Paz, Plurinational State of Bolivia, as of the day and year first above written.

PLURINATIONAL STATE OF BOLIVIA

By /s/ Viviana Caro Hinojosa

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Susan G. Goldmark

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve access to sustainable basic infrastructure and services for the most disadvantaged rural Communities selected in some of the poorest municipalities of the Recipient.

The Project consists of the following parts:

Part A: Community Capacity Building

1. Provision of technical assistance, training and institutional strengthening support to Communities in order to enable them to identify, prepare, implement, operate and maintain Community Investments Subprojects under Part B hereto.
2. Provision of limited technical assistance to local entities in Participating Municipalities in order to support and supervise the planning and implementation of Community Investment Subprojects and to ensure compliance with applicable technical standards.

Part B: Community-Driven Development Investment

Provision of CI Grants to selected Communities in order to carry out Community Investment Subprojects.

Part C: Coordination, Monitoring and Evaluation

Strengthening the institutional capacity of the MRDL and its *Unidad Desconcentrada Empoderar*, in order to carry out the coordination, monitoring and evaluation of Parts A and B of the Project, including the establishment and operation of a Project Coordination Team with regional branches responsible for the administrative, financial, procurement, social and environmental management of the Project, and the audits thereof.

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 the MRDL, and to this end shall, through MRDL:
 - (a) maintain, throughout the period of implementation of the Project, the *Unidad Desconcentrada Empoderar*, which unit shall be assigned: (i) sufficient and competent staff in adequate numbers, under terms of reference satisfactory to the Association, including a Project Coordination Team as described in subparagraph (b) below; and (ii) functions and responsibilities and funding, satisfactory to the Association, as shall be required for the strengthening of the day-to-day implementation of the Project;
 - (b) strengthen, by no later than January 31, 2012, the fiduciary and technical capabilities of the *Unidad Desconcentrada Empoderar*, through the recruitment and set-up of a Project Coordination Team (the "PCT"), headed by a qualified Project Coordinator, acceptable to the Association, assisted by qualified staff in sufficient numbers, under terms of reference satisfactory to the Association, as detailed in the OM.
 - (c) establish by no later than January 31, 2012, and thereafter maintain throughout the period of implementation of the Project, at least two Regional Operating Units (the "ROUs") with geographical coverage acceptable to the Association; each of them headed by a regional coordinator, acceptable to the Association, and provided with sufficient resources and competent staff in adequate numbers, under terms of reference satisfactory to the Association; which units shall: (i) administratively report to the PCT; and (ii) be assigned with such functions and responsibilities satisfactory to the Association, as shall be required for coordination of the day-to-day implementation of Project activities within their geographical jurisdiction;
 - (d) ensure that the staff of the PCT and ROUs are hired following a competitive and transparent selection process satisfactory to the Association and detailed in the OM; and
 - (e) require that each Participating Municipality establish and maintain, throughout the period of implementation of Part B of the Project, as a pre-condition for each said Participating Municipality to participate in

the Project, a Municipal Committee (*Comité Municipal*) with functions, powers, responsibilities and resources, satisfactory to the Association and detailed in the Operational Manual, as shall be required for the periodic review and endorsement of eligible Communities to be awarded CI Grants.

B. Operational Manual

1. The Recipient shall carry out the Project, through MRDL, in accordance with a manual (the “Operational Manual”), satisfactory to the Association, setting forth, *inter alia*: (i) a summary of the institutional arrangements, including the allocation of implementation responsibilities and functions within MRDL (i.e. organizational structure of the PCT and ROUs), and between MRDL and the Participating Municipalities; (ii) the required qualifications and TORs for the PCT and ROUs staff, as well as the competitive procedures to be applied for the selection thereof; (iii) a list of the Recipient’s targeted municipalities, and a template of the MOU; (iv) the eligibility criteria for the Communities to be awarded CI Grants (including the criteria provided in Section I.D.1(b) and I.D.2 of this Schedule); (v) the roles, responsibilities and operating procedures of the Municipal Committees, as well as inclusive decision making procedures aimed at improving transparency, consultation and integration of vulnerable groups and equal access to the economic and social benefits of the Project; (vi) the screening protocol for the selection of Community Investment Subprojects, including their social and environmental assessment and a negative list of activities and risks; (vii) the ceiling amounts, terms and conditions of the CI Grants and financial arrangements for the defrayment thereof; (viii) the template CI Grant Agreement; (ix) the simplified financial management and procurement guidelines for Communities awarded CI Grants; (x) a grievance redressal mechanism to address Communities’ (or their members’) complaints; (xi) the accounting, and audit policies, procedures and standards applicable to the Project; (xii) the procedural guidelines for the planning of Project activities and the preparation of the Annual Operating Plans; and (xiii) the reporting, monitoring and evaluation procedures and requirements.
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.
3. The Recipient shall refrain from amending, waiving, suspending or abrogating the Operations Manual, whether in whole or in part, without the prior written concurrence of the Association.

C. Annual Operating Plans

The Recipient, through MRDL, shall:

- (a) by no later than September 15 of each year, commencing on September 15, 2011, prepare and furnish to the Association, a detailed annual operating plan (the “Annual Operating Plan”), in form and substance satisfactory to the Association, setting out a time-bound program of Project activities by component and sub-component for the following Fiscal Year, including: (i) a forecast of the funds required for their implementation, and the respective financing sources; (ii) an update of the Project’s disbursement profile; and (iii) the Project indicators to be achieved during the Fiscal Year covered by each said plan; and
- (b) thereafter carry out the Project activities for the corresponding Fiscal Year as so provided in the pertinent Annual Operating Plan as so discussed with, and agreed by, the Association.

D. Community Investment Subprojects

- 1. For purposes of Part B of the Project, and prior to the award of any CI Grant to a Community, the Recipient through MRDL shall have ensured that:
 - (a) the Participating Municipalities where those Communities are located should have entered into a memorandum of understanding (the “MOU”) with MRDL, under terms and conditions acceptable to the Association and substantially similar to those provided in the Operational Manual, in order to assist with, and facilitate, the implementation of Community Investment Subprojects by the respective Community;
 - (b) MRDL has publicly advertised the CI Grant and called for selected eligible Communities to submit a proposal/s for Community Investment Subprojects in accordance with the procedures and requirements set forth in the Operational Manual, which shall include, *inter alia*, that the proposal/application: (i) be deemed technically feasible; (ii) result from an inclusive participatory project; (iii) be designed in accordance with appropriate social and environmental standards acceptable to the Association; and (iv) does not include any activity or raise any risk described in the negative list contained in the Operational Manual;
 - (c) the eligible Community/ies submitting a proposal for any given Community Investment Subproject comply with the eligible guidelines and criteria set forth in the Operational Manual, which shall include, *inter alia*, the following:

- (i) the eligible Community/ies shall be formally registered with the relevant authorities and have legal standing (*personería jurídica*) in accordance with the Recipient's laws (including Article 3 of the Recipient's *Decreto Supremo No. 24447* of December 20, 1996);
- (ii) the eligible Community/ies shall be willing and capable of: (i) contributing counterpart resources, whether in cash or in kind, as required in the Operational Manual for the Community Investment Subprojects; (ii) maintaining all relevant records, documents and information in respect of the financing received under the CI Grant, and furnish them to the Recipient or the Association upon request; (iii) preparing and submitting to the PCT and/or ROU regular implementation reports regarding the development (completion status) of the Community Investment Subprojects;
- (iii) the eligible Community/ies shall be able to maintain, or be capable of maintaining, proper, transparent and adequate records, as required in the Operational Manual; and
- (iv) priority shall be given to the eligible Community/ies presenting higher vulnerability indexes and/or higher levels of unsatisfied basic needs.

If a given proposal for a Community Investment Subproject is jointly submitted by two or more eligible Communities the requisites set forth in sub-paragraphs (i), (ii) and (iii) above shall apply to all eligible Communities in the cluster, as if they were individually considered.

2. The Recipient, through MRDL, shall ensure that Communities be granted equal access to CI Grant financing. To this end, Communities (or cluster thereof) that have already been awarded a CI Grant, would only be eligible for subsequent CI Grants provided that the subsequent proposals for Community Investment Subprojects: (i) have been designed to respond to priorities identified by women in the respective Community/ies; and (ii) will be implemented by a majority of women from the Community/ies.
3. Upon the Municipal Committee's endorsement of eligible Communities and the PCT's approval of any given Community Investment Subproject proposed by the said eligible Community/ies for the co-financing through a CI Grant, the Recipient, through MRDL, shall enter into a written agreement (the "CI Grant Agreement") with each Community or cluster thereof, as the case may be, for the provision of the respective CI Grant, on terms and conditions acceptable to the Association, which agreement shall prescribe, *inter alia*, that:

- (a) the Community/ies shall: (i) declare its/their commitment to the objectives of the Project; and (ii) undertake to carry out the implementation of the Community Investment Subproject with due diligence and efficiency, and in accordance with sound administrative, technical engineering, financial, labor, social, archeological and environmental standards, including compliance, when applicable, with Environmental and Social Management Plan, Resettlement Action Plan, Pest Management Plan;
- (b) the Community/ies shall implement the approved Community Investment Subproject in compliance with the Operational Manual, the Procurement Guidelines, the Consultant Guidelines, and the Anti-Corruption Guidelines applicable to recipients of the Financing other than the Recipient;
- (c) the Community/ies shall accept the Association's and the Recipient's right to carry out, and its/their obligation to facilitate and cooperate with, random and/or unannounced physical or documentary inspections of the sites and documents related to its/their Community Investment Subproject;
- (d) the Community/ies shall maintain, up to one year (1) year after the completion of its/their Community Investment Subproject, records adequate to reflect, in accordance with the requirements of the Operation Manual, the resources and expenditures incurred in respect of its/their Community Investment Subproject, and, upon the Recipient's and/or the Association's request, shall have such records audited in accordance with appropriate auditing principles consistently applied by an independent auditor;
- (e) in the event that a CI Grant were awarded to a cluster of Communities implementing the same Community Investment Subproject, all said Communities shall be deemed jointly and severally liable for all the obligation undertaken by the cluster;
- (f) the Recipient, though MRDL, shall have the right to suspend and/or terminate the Community/ies' rights to use the proceeds of the CI Grant:
 - (i) upon failure of the respective Community/ies to perform its/their obligations under the CI Grant Agreement, or upon notice by the Association that it intend to exercise any of its remedies under Section 6.02 of the General Conditions; or
 - (ii) upon the Association's declaring the Community/ies ineligible under the Anti-Corruption Guidelines; and

- (g) the Community/ies' acknowledgement of the Recipient's right of restitution of any amount paid under the CI Grant in case the Community/ies has engaged in fraudulent, corrupt, coercive or collusive practices (as determined by the Association) in connection with the carrying out of the Community Investment Subproject.
4. The Recipient shall exercise its rights and carry out its obligations under each CI Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.

E. Anti-Corruption

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

F. Safeguards

1. The Recipient shall implement the Project through MRDL, and/or cause the Communities to implement their respective Community Investment Subprojects, in accordance and compliance with the Environmental and Social Management Framework ("ESMF") developed for the Project. To this end, the Recipient shall refrain from awarding any CI Grant unless and until: (i) the screening of the respective proposal for Community Investment Subproject has been carried out pursuant to the ESMF; and (ii) if applicable, an appropriate Environmental and Social Management Plan and/or Resettlement Action Plan has been developed, in a manner and substance satisfactory to the Association, setting forth the required mitigation measures for the proposal under consideration. The Recipient shall thereafter ensure that the respective Communities implement their Community Investment Subprojects in accordance with the said Environmental and Social Management Plan, Pest Management Plan and/or Resettlement Action Plan, all as approved by the Association.
2. The Recipient, through MRDL, shall ensure, and/or shall cause the Communities to ensure, that:
 - (a) no activities and/or Community Investment Subproject that could potentially cause significant, irreversible, sensitive, diverse and/or unprecedented environmental and social damage are carried out under the Project;
 - (b) no activities and/or Community Investment Subprojects involving land taking are carried out under the Project. In the event that any land acquisition were required for the carrying out of Community Investment Subprojects, the Recipient shall ensure, and cause the Communities to ensure, that such land be obtained on a willing-buyer willing-seller basis;

- (c) the proceeds of this Financing, including the proceeds on-granted under the CI Grants, are not utilized for the purchase/acquisition of land without the prior concurrence of the Association; and
- (d) all necessary actions have been taken in order to: (i) avoid to the extent possible any socially and culturally incompatible effects of Project activities on Indigenous Peoples; and (ii) ensure that benefits derived from the Project shall be culturally appropriate for the Indigenous Peoples and are gender and intergenerationally inclusive.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient, through MRDL, 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 indicators acceptable to 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 MRDL, 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 MRDL, shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar semester, interim financial reports for the Project covering the semester, in form and substance satisfactory to the Association.
3. The Recipient, through MRDL, 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, commencing with the Fiscal Year in which the first withdrawal was made or any other period agreed with the Association. The audited Financial Statements for each such period shall: (a) be furnished to the Association not later than six (6) months after the end of such period; and (b) made publicly available in a timely fashion and in manner acceptable to the Association.

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.
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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the 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 Procurement Plan shall specify the circumstances under which the following methods of procurement (other than International Competitive Bidding) may be used for goods, works and Non-consulting Services, namely: (a) National Competitive Bidding , subject to the additional provisions set forth in the Attachment to this Schedule; (b) Shopping subject to the additional provisions set forth in the Attachment to this Schedule; (c) Direct Contracting; (d) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; and (e) Community Participation procedures which have been found acceptable to the Association.

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 Procurement Plan shall specify the circumstances under which the following methods of procurement (other than Quality- and Cost-Based Selection) may be used for consultants' services, namely: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.
3. Additional Requirements for the Procurement of Consultants' Services: The following additional requirements shall apply for the procurement of consultants' services:
 - (a) as a condition for participating in the selection process, foreign consultants shall not be required to enter into a joint venture agreement with local consultants, unless the conditions stated in paragraph 1.15 of the Consultant Guidelines are met;
 - (b) as a condition for participating in the selection process, foreign consultants shall not be required to legalize their proposals or any documentation related to such proposals with Recipient's authorities;
 - (c) foreign consultants shall not be required to be registered in the Recipient's National Registry of Consultants (*Registro Nacional de Consultoría*);
 - (d) consultants, either firms or individuals, shall not be required to present bid and performance securities as a condition to present proposals and sign an award contract;
 - (e) no consultant, individually or as a firm, shall be denied a fair and equitable treatment in its resolution of dispute with the Recipient and/or any of its executing agencies; and
 - (f) request for proposals documents for consultancy contracts shall include anti-corruption clauses identical to those of the SBD.

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, through MRDL shall carry out procurement audits in accordance with the following provisions:
 - (a) not later than December 15 of each year during the implementation of the Project, beginning on December 15, 2013, MRDL shall select and contract independent auditors with experience and qualifications satisfactory to the Association, operating under terms of reference satisfactory to the Association, to perform a procurement audit of all the procurement records and documentation for the Project, relating to the previous Fiscal Year of implementation of the Project, in accordance with procurement auditing principles acceptable to the Association ("Procurement Audit");
 - (b) not later than April 30 of each Fiscal Year during the implementation of the Project, beginning on April 30, 2014 and continuing for each year thereafter during the implementation of the Project, MRDL shall furnish to the Association the report, in form and substance satisfactory to the Association, on the Procurement Audit completed for the prior Fiscal Year;
 - (c) at all times during the implementation of the Project, the Recipient, through MRDL, shall 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 May 31 of each year during the implementation of the Project, beginning on May 31, 2014, MRDL shall exchange views with the Association on the results of the Procurement Audit completed for the prior Fiscal Year, and thereafter implement such recommended measures, taking into account the Association's views on the matter, if any.

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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods, consultants’ services, Non-consulting Services, Incremental Operating Costs and Training & Workshops under Parts A and C of the Project	6,250,000	100%
(2) CI Grants	18,750,000	100% of the amounts disbursed under the relevant CI Grant
TOTAL AMOUNT	25,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$500,000 equivalent, may be made for payments made prior to this date but on or after June 10, 2011 (but in no case more than one year prior to the date of this Agreement), for Eligible Expenditures under Category (1).
2. The Closing Date is April 30, 2017.

ATTACHMENT TO SCHEDULE 2

Section I. Agreed Adjustments to be Made to National Competitive Bidding Procedures

National Competitive Bidding (NCB) procedures shall be subject to the following additional requirements:

- (a) A merit point system shall not be used in the pre-qualification of bidders.
- (b) The award of contracts for goods 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 Procurement 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.
- (c) All bids shall be opened at the stipulated time and place in accordance with a procedure satisfactory to the Association.
- (d) The single envelope procedure shall be used.
- (e) Whenever a discrepancy shall occur between the amounts in figures and in the words of a bid, the amounts in words shall govern.
- (f) No prescribed minimum number of bids shall be required to be submitted for a contract to be subsequently awarded.
- (g) Foreign bidders shall be allowed to participate.
- (h) Foreign bidders shall not be required to legalize any documentation related to their bids with Recipient's authorities as a prerequisite for bidding.
- (i) No margin of preference shall be granted for any particular category of bidders.
- (j) 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.
- (k) Foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.
- (l) 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.

- (m) 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.
- (n) 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.
- (o) No reference value shall be required for publication in the bidding documents or used for the purpose of evaluation.
- (p) 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. Agreed Adjustments to be Made to Shopping Procedures

Shopping procedures shall be subject to the following additional requirements:

- (a) A merit point system shall not be used in the pre-qualification of bidders.
- (b) The award of contracts for goods 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 Procurement 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.
- (c) Whenever a discrepancy shall occur between the amounts in figures and in the words of a bid, the amounts in words shall govern.
- (d) No prescribed minimum number of bids shall be required to be submitted for a contract to be subsequently awarded.
- (e) Foreign bidders shall be allowed to participate.
- (f) Foreign bidders shall not be required to legalize any documentation related to their bids with Recipient's authorities as a prerequisite for bidding.
- (g) No margin of preference shall be granted for any particular category of bidders.
- (h) 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.

- (i) Foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.
- (j) 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.
- (k) 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.
- (l) No reference value shall be required for publication in the bidding documents or used for the purpose of evaluation.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each July 15 and January 15:	
commencing January 15, 2017 to and including July 15, 2026	1.65%
commencing January 15, 2027 to and including July 15, 2036	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. “Annual Operating Plan” means the time-bound plan for Project activities to be carried out on any given Fiscal Year of Project implementation, and to be prepared by the Recipient pursuant to Section I.C (a) of Schedule 2 to this Agreement.
2. “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.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “CI Grant ” means any matching grant made out of the proceeds of the Financing and to be provided by MRDL to one or more Communities in order to co-finance the reasonable costs of goods, works, consultants’ services, Non-consulting Services, Incremental Operating Costs, Training & Workshops and/or other expenditures the Association may agree from time to time, required for a Community Investment Subproject under Part B of the Project, in accordance with the ceiling amounts, terms and conditions set forth in the Operational Manual and provided in the respective CI Grant Agreement.
5. “CI Grant Agreement” means the agreement referred to in Section I.D.3 of Schedule 2 to this Agreement pursuant to which the Recipient will make part of the proceeds of the Financing available to one or more Communities as CI Grant.
6. “Communities” means, collectively, any of the *Pueblos Indígenas, Comunidades Campesinas, Comunidades Indígenas, Comunidades Afrobolivianas, Comunidades Interculturales o Juntas Vecinales* (also known as *naciones y pueblos indígena originarios campesinos* under of the Recipient’s Constitution), registered and operating under the Recipient’s law, and with legal standing (*personería jurídica*) pursuant to Article 3º of the Recipient’s *Decreto Supremo No. 24447* of December 20, 1996, and which has met the criteria to receive a CI Grant.
7. “Community Investment Subproject” means a small-scale social or economic investment (e.g. basic infrastructure and services, food security and nutrition enhancement activities, or vulnerability-reduction actions) to be implemented by one or more Communities, which has been designed and selected pursuant to Section I.D.1(b) of the Schedule 2 to this Agreement and the provisions of the Operations Manual.

8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
9. “Displaced Persons” means persons who, on account of the execution of activities under the Project, have experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.
10. “Environmental and Social Management Framework” means the Recipient’s framework, acceptable to the Association, which has been prepared and approved by the Recipient on May 20, 2011, through its *Unidad Desconcentrada Empoderar*, containing the policy statements, guiding principles and procedures or reference in order to avoid, mitigate and minimize any adverse environmental and social impact under the Project, which document: (i) summarizes the Association’s environmental and safeguard policies requirements; (ii) identifies potential negative environmental and social impacts to be caused by the Project; (iii) prescribes the appropriate roles and responsibilities in the screening of Project activities and proposals for Community Investment Subprojects; (iv) includes guidelines for the preparation of Environmental and Social Management Plans; and (v) incorporates a Pest Management Plan, a Resettlement Policy Framework, and chance finding procedures, acceptable to the Association, for the appropriate management of any physical cultural resources.
11. “Environmental and Social Management Plan” means the environmental and social action plan to be prepared in respect of any selected Community Investment Subproject, as may be required following the screening procedures thereof, in accordance with the provision of Section I.F.1 of Schedule 2 to this Agreement; said plan setting forth the measures designed to mitigate the environmental and social impact of the respective Community Investment Subproject, including without limitation, impacts on cultural heritage sites and the handling of archeological findings, as well as administrative and monitoring arrangements to ensure the implementation of said plan.
12. “Fiscal Year” means the Recipient’s fiscal year which commences on January 1 of each year and finishes on December 31 of the same calendar year.
13. “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.

14. “Incremental Operating Cost” means the reasonable costs of incremental expenditures incurred by the *Unidad Desconcentrada Empoderar* or the Communities benefiting from CI Grants in relation to /their respective activities under the Project, which expenditures would not have been incurred absent the Project, including, *inter alia*: (i) office rental and utilities fees; (ii) office staples; (iii) operation and maintenance of office equipment; (iv) vehicle rental, operations and maintenance; (v) in-country travel *per diem* and allowances for PCT and ROUs staff and Community members; (vi) banking services and insurance costs; (vii) advertisement, communication and dissemination expenses; (viii) translation and printing costs; and (viii) salaries, allowances and other emoluments of incremental Project staff (including health benefits of PCT and ROUs), but excluding salaries of the Recipient’s civil servants or permanent employees.
15. “Indigenous People” means distinct, vulnerable, social and cultural groups possessing any of the following characteristics: (a) self-identification as a members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitat or ancestral territories in the areas covered by Project activities, and/or to natural resources in these habitats and territories; (c) customary cultural, economic, social or political institutions that are separate from those of the dominant society and culture; or (d) an indigenous language.
16. “MOU” means any of the memorandums of understanding referred to in Section I.D.1(a) of Schedule 2 to this Agreement.
17. “MRDL” means the Recipient’s Ministry of Rural Development and Land, acting through its *Unidad Desconcentrada Empoderar* and/or any successor thereto acceptable to the Association.
18. “Municipal Committee” means each of the *Comités Municipales* to be established and coordinated by the Participating Municipalities pursuant to Section I.A.1(e) of Schedule 2 to this Agreement, the MOUs and the OM.
19. “Non-Consulting Services” means the reasonable costs of services for which the physical aspects of the activity predominate and are bid and contracted on the basis of performance of measurable physical output, which include, but are not limited to, cleaning, maintenance, transport, data management, translation, printing, communication, publication and repairs.
20. “Operational Manual” and “OM” means the manual to be adopted by the Recipient, in form and substance satisfactory to the Association, pursuant to Section I.B.1 of Schedule 2 to this Agreement.
21. “Participating Municipality” means any of the Recipient’s poorest municipalities, listed in the Operational Manual which have entered into an MOU with MRDL,

in accordance with the provision of Section I.D.1(a) of Schedule 2 to this Agreement.

22. “Pest Management Plan” means the plan, acceptable to the Association, incorporated as annex to the Environmental and Social Management Framework, prepared and adopted by the Recipient on May 20, 2011, in respect of Part B of the Project, which identifies, *inter alia*: (i) the series of alternative strategies that may be applied and disseminated during the implementation of the Project in order to avoid pesticide based control of insects and diseases; (ii) a blacklist of chemical compounds forbidden by the Recipient’s legislation and the Associations’ rules; (iii) the guidelines for the application of low toxicity pesticides and, if needed, toxicity mitigation actions; (iv) the needs for training and capacity building on acceptable pest management practices to various stakeholders in their own languages; and (v) a permanent evaluation system in order to continuously improve the pest management practices.
23. “Procurement Audit” means any of the audits referred to in Section III.D. 2 (a) of Schedule 2 to this Agreement.
24. “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.
25. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 8, 2011 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
26. “Project Coordination Team” and the acronym “PCT” mean the team to be established pursuant to Section I.A.1(b) of Schedule 2 to this Agreement.
27. “Regional Operating Units” and the acronym “ROU” mean the unit to be established pursuant to Section I.A.1(c) of Schedule 2 to this Agreement.
28. “Resettlement Action Plan” means the resettlement plan, acceptable to the Association, prepared in respect a selected Community Investment Subproject, in accordance with the Resettlement Policy Framework and the provisions of Section I.F.1 of Schedule 2 to this Agreement, which sets out the principles and procedures governing land acquisition, resettlement and compensation for Displaced Persons, as well as reporting and monitoring arrangements to ensure compliance with said plan.
29. “Resettlement Policy Framework” means the framework, acceptable to the Association, incorporated as annex to the Environmental and Social Management Framework, prepared and adopted by the Recipient on June 7, 2011, in respect of Part B of the Project, which sets forth the policies and procedures for the

acquisition, compensation and rehabilitation of Displaced Persons, and guidelines for the preparation of the respective Resettlement Action Plans.

30. “SBD” means the standard bidding documents agreed with the Association to be used for procurement related activities under the Project.
31. “Training & Workshops” means the reasonable costs of training, workshops and conference (other than the costs of consultants’ services and/or procurable goods or Non-Consulting Services) relevant to the Project, and carried out in the territory of the Recipient or , subject to the prior approval of the Association, attended abroad, by the officials and staff of the *Unidad Desconcentrada Empoderar* and/or the Communities benefiting from CI Grants, as the case may be; such costs to include the purchase and printing of materials, rental of facilities, course fees/tuitions and travel and subsistence expenses of trainers and trainees.
32. “*Unidad Desconcentrada Empoderar*” means the technically independent unit within MRDL referred to in Article 2(b) of the Recipient’s *Decreto Supremo No. 29315* of 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.”
2. 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”.

3. 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).”

4. 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”.
5. 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).