

March 25, 1999

His Excellency Herbert Muller
Fernando Candia
Ministerio de Hacienda Palacio
de Comunicaciones
Piso 19 Av.
Mariscal Santa Cruz, esq.
Calle Oruro s/n Casilla
Postal No. 9917
La Paz, Bolivia

Excellency:

Re: Credit No. 2531-BO (Integrated Child Development Project)
Amendments to the Development Credit Agreement

Please refer to the above captioned Agreement, as amended.

1. In response to your request, aimed at streamlining the procedures and responsibilities for Project implementation on the basis of the experience collected by the executing agencies and the administrative reorganization provided by the Popular Participation Law, the Decentralization Law, and the establishment of the PAN, and reallocating part of the proceeds of the Credit, we are pleased to inform you that the Association agrees to amend the Credit Agreement as follows:

"WHEREAS B will read as follows: "(B) the Borrower intends to mobilize local resources and obtain loans and grants from bilateral and multilateral development organizations (the External Assistance) to assist in the carrying out of the Project on the terms and conditions set forth in the agreements to be entered into among the Borrower and such organizations;".

2. The following paragraphs of Section 1.02 are amended to read as follows:

"(a) "Project Manual" means the Project Administrative and Operations Manual, ratified by the Ministry of the Presidency (as hereinafter defined), as the same may be amended from time to time with the agreement of the Association;

(b) "NPO" means the national Project office, an administrative structure established within the PANMinistry of the Presidency (as hereinafter defined) for the purposes of implementing the PAN (as hereinafter defined) and within it, the PIDI (as hereinafter defined) and serving together with the Eligible Participants (as hereinafter defined) as Project executing entities;

(c) "Regional Office" means an administrative structure established pursuant to Section 3.04 (a) of this Agreement for the purposes of coordinating and supervising the implementation of the PAN (as hereinafter defined) and within it, the PIDI (as hereinafter defined) Projectgram in a particular region;

(g) "Day-care Facility" means each of the community home-based day-care facilities or center-based day-care facilities in a community participating in the carrying out of Part B of the Project;

(i) "Health Fund" means the fund to be created by the Borrower, through the PANMinistry of the Presidency (as hereinafter defined), pursuant to Section 3.07 (a) of this Agreement;

(j) "Health Grant" means any of the grants to be made by the Borrower, through the PANMinistry of the Presidency (as hereinafter defined), pursuant to Section 3.07 (b) of this Agreement;

(k) "IES" means the impact evaluation survey carried out biannually by the Borrower;

(o) "PAN-Health Center Agreement" means each of the agreements entered

into pursuant to Section 3.10 of this Agreement;

(s) "PIDI" means the Borrower's IDA-funded integrated child development project (Proyecto Integral de Desarrollo Infantil) being implemented under PAN (as hereinafter defined), to provide integrated child development services approved by the Borrower's Supreme Decree 23415, of March 5, 1993;

(u) "Rehabilitation Fund" means the revolving fund to be created by the Borrower, through the PANMinistry of the Presidency (as hereinafter defined), pursuant to Section 3.08 (a) of this Agreement, to provide Rehabilitation Grant-Loans;".

3. Consequently, all references to "Administrative Manual", "CDD", "CDD Regional Office", "Day-care Center", "IHS" and "ONAMFA Health Center Arrangement" are replaced by references to "Project Manual", "NPO", "Regional Office", "Day-care Facility", "IES" and "PAN-Health Center Agreement".

4. Paragraphs (d), (e), (f), (m), (p), (q) and (r) of Section 1.02 are deleted. Consequently, all references to "Civil Servant Agreement", "CSRP", "CSRP-ONAMFA Arrangements", "Manuals", "ONAMFA Positions", "ONAMFA-MPSSP Arrangement" and "Operations Manuals" are deleted, other than the references to "ONAMFA Positions" and "Civil Servant Agreement" that remain in the table in paragraph 1 of Schedule 1. The corresponding sentences are modified so as to preserve the meaning of the remaining text.

5. The following new paragraphs are added at the end of Section 1.02:

"(y) "Competitive Grant " means any grant made or proposed to be made by the Borrower through FPANIS (as hereinafter defined), out of the proceeds of the Credit to an Eligible ParticipantEntity (as hereinafter defined) for a Subproject (as hereinafter defined);

(z) "Competitive Grant Fund" means the fund created within the PANMinistry of the Presidency (as hereinafter defined) to provide Competitive Grants to Eligible Participants (as hereinafter defined) for the purposes of establishing and operating Day-Care facilities under Part B of the Project, in accordance with the Project Manual;

(aa) "Decentralization Law" means the Borrower's Law No. 1654 of July 28, 1995;

(bb) "Eligibility Criteria" means the eligibility criteria, satisfactory to the Association, for a Subproject (as hereinafter defined) to obtain financial support through the Competitive Grant Fund;

(cc) "Eligible Participant" means any public or private entity that provides integrated child development services in the territory of the Borrower, and to which the Borrower, through the PANMinistry of the Presidency, proposes to make or has made a Competitive Grant;

(dd) "PAN" means the "Programa Nacional para la Atención a Niños y Niñas Menores de 6 Años", created by the Borrower's Supreme Decree No. 24557 of April 7, 1997, and modified in the Borrower's Supreme Decree No. 25017 of April 20, 1998;

(ee) "Popular Participation Law" means the Borrower's Law No. 1551 of April 20, 1994;

(ff) "Subproject" means any specific integrated child development activity to be carried out by and Eligible Participant utilizing the proceeds of a Competitive Grant;

(gg) "Subproject Agreement" means the agreement between PAN and any selected Eligible Participant regarding the Day-Care Facilities to be established for the purposes of Part B of the Project; and

(hh) "Community Education Activities" means training and nonformal education for parents, older siblings and other child care providers on child development, child health, early stimulation, education and nutrition.".

(ii) "Community Education Activities" means training and nonformal

education for parents, older siblings and other child care providers on child development, child health, early stimulation, education and nutrition."

6. Consequently, all references to "ONAMFA" are replaced by references to "PANFIS".

7. Section 2.09 will read as follows: "Section 2.09. The Minister of the Presidency and President of FIS and the Project coordinator or any person thereunto authorized in writing by such Minister/President or coordinator, are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions."

8. Section 3.01 will read as follows:

"Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through PANFIS with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, social, health, nutrition, educational and environmental practices, the Project Manual and the Implementation Indicators and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation to its obligations under paragraph (a) above, the Borrower shall: (i) enter into arrangements with with PANFIS, satisfactory to the Association, for the purposes of carrying out the Project through the PANFIS; (ii) make available the proceeds of the Credit to PANFIS, on a timely basis, as budgetary allocations; and (iii) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, to FIS PAN required for the carrying out of the Project and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project through PANFIS."

9. Section 3.02 will read as follows:

"Section 3.02. Without limitation to the provisions of Section 3.01 above, the Borrower shall allocate in its annual budget and make available to FIS promptly as needed for the calendar years 19997 and thereafter, for expenditures under the Project, funds equivalent to not less than the following minimum amounts:

(a) \$6,220,025 for calendar year 1999; and \$4,791,490 for calendar year 1997;

(b) \$6,220,025 for calendar year 2000 and thereafter."

\$8,566,006 for calendar year 1998;

(c) \$14,866,042 for calendar year 1999; and

(d) \$20,480,356 for calendar year 2000 and thereafter."

10. Section 3.03 will read as follows: "Section 3.03. The Borrower shall make its best efforts to mobilize local resources and obtain the External Assistance."

11. Section 3.04 will read as follows:

"Section 3.04. The Borrower, through PANFIS, shall:

(a) establish Regional Offices in a manner and under a timetable satisfactory to the Association;

(b) maintain the Regional Office with adequate staff, structure, functions and budget, all satisfactory to the Association; and

(c) employ consultants (the External Supervisors) in accordance with the Project Manual, with qualifications and experience and under terms and conditions satisfactory to the Association, for the purposes of supervising the implementation of Part B of the Project together with the Regional Offices."

12. Section 3.06 will read as follows:

"Section 3.06. The Borrower shall supervise the implementation of Part B of the Project through the Regional Offices and the External Supervisors in a manner satisfactory to the Association and in accordance with the Project Manual."

13. Section 3.07 is deleted. will read as follows: "Section 3.07. (a) Not later than December 31, 1997, the Borrower shall establish and thereafter maintain a fund under terms and conditions satisfactory to the Association, to provide health assistance to children in the Day-Care Facilities.

(b) Whenever necessary and in accordance with the provisions of the Project Manual, the Borrower, through FIS, shall make Health Grants out of the proceeds of the Health Fund in a manner satisfactory to the Association. The aggregate amount of the Health Grants made during a month shall not exceed an amount to be determined by FIS, to the satisfaction of the Association, not later than December 31, 1997."

14. Section 3.08 will read as follows: "Section 3.08. (a) Not later than November 30, 1997, the Borrower, through PANFIS, shall establish and thereafter maintain the Rehabilitation Fund, under terms and conditions satisfactory to the Association, to provide Rehabilitation Grant-Loans for purposes of rehabilitating Day-Care Facilities in order that they meet the minimum standards of security, space and services for Day-Care. (b) Whenever necessary and in accordance with the provisions of the Project Manual, the Borrower, through PAFINS, shall enter into Rehabilitation Agreements, under terms and conditions satisfactory to the Association, with the owners of Day-Care Facilities for purposes of providing Rehabilitation Grant-Loans.

XX. Paragraph (a) of Section 3.09 will read as follows:

"(a) carry out the studies set forth in Schedule 7 to this Agreement in accordance with the timetable therein set forth, under terms of reference satisfactory to the Association;"

15. Paragraph (c) of Section 3.09 will read as follows:

"(c) prepare and furnish to the Association not later than 90 days after the date in which the Association sends, pursuant to paragraph (b) above, its comments to PANFIS, programs or plans of action, satisfactory to the Association, in respect of each such study."

16. Section 3.10 will read as follows:

"Section 3.10. (a) The Borrower, through PANFIS, shall enter into agreements, in a manner and under terms and conditions satisfactory to the Association, with the health centers of the regions in which Part B of the Project shall be implemented, providing for medical assistance under such Part of the Project for children in Day-Care Facilities, their pregnant mothers and pregnant caregivers of the Day-Care Facilities in the relevant region.

(b) The Borrower, through PANFIS, shall enter into Subproject Agreements, in a manner and under terms and conditions satisfactory to the Association, for the provision of integrated child development services pursuant to Part B of the Project."

17. Section 3.11 will read as follows:

"Section 3.11. Without limitation to the provisions of Sections 9.01 (a) and 9.076 (a) (iii) and (c) of the General Conditions, the Borrower, through PANFIS, shall furnish to the Association not later than March 31, June 30, September 30 and December 31 of each year of Project execution, progress reports on the Project, of such scope and detail as the Association may reasonably request. The quarterly report of September shall include, inter alia: (i) an assessment of the overall progress in the implementation of the Project, including the Implementation Indicators; (ii) a detailed work plan for the upcoming year; and (iii) an updated financial plan for the three years succeeding that of such report, all satisfactory to the Association."

XX. Section 3.12 will read as follows:

"Section 3.12. Without limitation to the provisions of Sections 9.01 (a) and 9.07 (a) (iii) and (c) of the General Conditions, and unless otherwise agreed by the Association, the Borrower shall cause PAN to: WRITE OUT WHOLE PIECE? And on the next note, given that it already occurred should we drop

it?

18. Paragraph (b) of Section 3.12 will read as follows:

"(b) Not later than April 30, 1998, hold a review with the Association to carry out a comprehensive assessment of the Project and the PIDI, their implementation and financial sustainability, including an assessment of the Implementation Indicators and the Borrower's investment plan for the social sector."

19. Paragraph (a) of Section 3.13 will read as follows:

"(a) establish and implement an evaluation system based on the IES, satisfactory to the Association, to evaluate the impact of the PIDI and the Project; and"

20. Section 3.14 will read as follows:

"Section 3.14. The Borrower, through PANFIS, shall:

(a) open and maintain Day-Care Facilities in accordance with the Project Manual, in a manner and under a timetable satisfactory to the Association;

(b) select and maintain the caregivers for the Day-Care Facilities and cause to be provided financial support to them in accordance with the Project Manual and in a manner satisfactory to the Association;

(c) select the children for the Day-Care Facilities based on criteria set forth in the Project Manual, giving priority to those malnourished, in a manner satisfactory to the Association."

21. Paragraph (d) of Section 4.01 is deleted.

22. Paragraph (c) of Section 5.01 read as follows:

"(c) The Popular Participation Law, the Decentralization Law and Decrees No. 24557 of April 7, 1997, and No. 25017 of April 20, 1998 22407 of January 11, 1990, 22452 of March 8, 1990, 24318 of June 18, 1996 and 24557 of April 7, 1997 shall have been amended, suspended, abrogated, repealed or waived so as to affect, materially and adversely, in the opinion of the Association, the carrying out of the Project or the ability of PANFIS to perform in accordance with the agreement referred to in Section 3.01 (b) (i)."

23. Paragraph (d) of Section 5.01 is deleted.

24. Article VI is deleted.

25. The table in Schedule 1 will read as set forth in Attachment 1 to this letter.

26. Subparagraph 2 (c) of Schedule 1 will read as follows:

"(c) the term "incremental administrative costs" means the incremental administrative costs incurred by PANFIS for the purposes and as a result of the implementation of the Project, including salaries for the positions created in the NPO and the Regional Offices;"

27. Subparagraph 3 (e) of Schedule 1 will read as follows:

"(e) payments made for expenditures in relation to a Day-Care Facility in a given region unless the PANIDI-Health Center Agreement for such region has been signed;"

28. A new Subparagraph 4 of Schedule 1 will read as follows:

"The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure, under such terms and conditions as the Association shall specify to the Borrower, for expenditures:

(a) for goods under contracts not exceeding \$50,000;

(b) for services of consulting firms under contracts not exceeding

\$40,000;

(c) for the services of individual consultants under contracts not exceeding the equivalent of \$10,000;

(d) all Incremental Administrative costs; STAFF?

(e) for Competitive Grants and Health Grants not exceeding the equivalent of \$50,000; and

(f) for Subprojects not exceeding \$50,000.".

29. Part A of Schedule 2 of the Project will read as follows:

"Part A: Institutional Development

1. Develop and institutionalize an integrated child development model that may be applicable in urban areas of the country, incorporating services of education, health, nutrition, family strengthening and community organization.

2. Strengthening the institutional development of PANFIS and the Eligible Entities, through:

(a) provision of technical assistance for the organization of PANFIS and the training of its personnel for carrying out the Project;

(b) organizing, training and providing technical assistance to the personnel of Eligible Entities in the application of norms, procedures and policies for the provision of integrated early childhood development services;

(c) formulating and implementing monitoring and evaluation systems for integrated early childhood development.".

30. Part B of the Project will read as follows:

"Part B: Service Delivery Support

Delivery of child development services in poor urban areas by implementing a non-formal, home- and center-based early childhood development model in approximately 34 cities, including:

1. establish and operate the Competitive Grant Fund;

2. technical and administrative support to Eligible Participants Entities in the development and implementation of Subprojects;

3. assistance in the installation of Day-Care Facilities, including the rehabilitation of the infrastructure and equipment of such Facilities;

4. establishing and operating the Health Fund;

5. supporting the operation of Day-Care Facilities, including the selection and training of caregivers, the provision of nutritional supplements, and services in education and health;

6. supervision of the quality of services delivered under this Part of the Project; and

7. carrying out of community education activities designed to strengthen the capacity of households to improve child development within the home environment.".

31. Part C of the Project will read as follows:

"Part C: Community Participation and Organization

1. Implement a system of technical and organizational support that encourages the participation of the community, parents, and neighbors in PANIDI activities.

2. Develop and institutionalize social communications and adult education programs in the areas of education, health, reproductive health, nutrition,

and family strengthening."

32. A new Part D of the Project is added at the end of Schedule 2 to read as follows:

"Part D: Monitoring and Evaluation

1. Implementation of a Project monitoring system with regard to the Implementation Indicators, including assessments of Project inputs, process indicators and administrative and financial information.

2. Implementation of an evaluation system to assess the development of children and women supported by the Project, and of related community activities."

33. Schedule 4 is deleted.

34. Part A.2 of Section I of Schedule 5 will read as follows:

"2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$150,000 or more."

35. Part C of Section I of Schedule 5 will read as follows:

"Part C: Other Procurement Procedures

1. Vehicles, computer and office equipment, and domestic appliances estimated to cost \$50,000 or more per contract or bid package may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from qualified suppliers eligible under the Guidelines, in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Goods (other than those specified in paragraph 1 hereof) estimated to cost the equivalent of more than \$50,000 but less than \$150,000 per contract, up to an aggregate amount equivalent of \$10,000,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Goods (other than those specified in paragraph 1 hereof) estimated to cost the equivalent of more than \$25,000 but less than \$50,000 per contract, up to an aggregate amount equivalent to \$6,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Goods (other than those specified in paragraph 1 hereof) estimated to cost the equivalent of less than \$25,000 per contract, up to an aggregate amount equivalent to \$5,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

5. Contracts for goods estimated to cost the equivalent of \$5,000 or less per contract, up to an aggregate amount equivalent to \$1,000,000, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association."

36. Section II of Schedule 5 will read as follows:

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, through FIS, the Borrower shall employ or cause to be employed consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ or cause to be employed such consultants under contracts using the standard form of contract for consultants'

services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use or cause to be used other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$40,000 equivalent each; (b) contracts for the employment of individuals estimated to cost less than \$10,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$40,000 equivalent or above; (e) amendments to contracts for the employment of individual consultants raising the contract value to \$10,000 equivalent or above; and (f) contracts with individual consultants to be employed for more than two months, including national office staff and regional office coordinators."

37. Schedule 6 will read as set forth in Attachment 2 to this Letter.

38. Schedule 7 will read as set forth in Attachment 3 to this Letter.

This amendment letter shall be executed in two counterparts each of which shall be an original and shall become effective, as of January 1, 1997, once the Association: (a) has received one fully executed original; (b) has received a fully executed original of the arrangements referred to in Section 3.01 (b) (i); and (c) has approved PAN's operational manual.

Please confirm your agreement to the foregoing amendment by signing and dating the two counterparts of this amendment letter. Upon your confirmation, please return one fully executed original to us.

Sincerely,

By /s/ Isabel M. Guerrero
Director Bolivia, Paraguay
and Peru Country Department
Latin American and the Caribbean Region

CONFIRMED:

REPUBLIC OF BOLIVIA

By /s/ Herbert Muller
Authorized Representative

Date: March 28, 1999

