

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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CONFORMED COPY

January 13, 2011

Her Excellency
Viviana Caro Hinojosa
Minister of Development Planning
Ministry of Development Planning
Ave. Mariscal Santa Cruz, esq. Oruro
Piso 5, La Paz, Bolivia

Re: Credit No. 4396-BO (Investing in Children and Youth Project)
First Amendment to the Financing Agreement

Excellency:

Please refer to the Financing Agreement dated July 31, 2008 between the International Development Association (the Association) and the Plurinational State of Bolivia (formerly known as the Republic of Bolivia) (the Recipient). The capitalized terms used in this letter (Amendment Letter) and not defined herein have the meaning ascribed to them in the Financing Agreement.

Pursuant to your letter of request dated April 19, 2010, and our recent discussions on the subject, the Association hereby agrees to amend the Financing Agreement as follows:

1. Section 3.01. of Article III is hereby amended to read in its entirety as follows:

“3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project by MDP, through *Unidad de Análisis de Políticas Sociales y Económicas* (hereinafter “UDAPE”), MOH and MOL, in accordance with the provisions of Article IV of the General Conditions.”
2. Part 3 of Schedule I is hereby amended to read in its entirety as follows:
 - “(a) Strengthening of UDAPE to enhance its capacity to formulate strategies, monitor and evaluate the RPS-DIC programs through the provision of technical advisory services, additional administrative and operational costs, goods, services and training.
 - (b) Provision of technical assistance and services to UDAPE to design, develop and test a registry of beneficiaries of the RPS-DIC programs.
 - (c) Provision of technical assistance and services to UDAPE to evaluate the MCP and FEP programs as the main tool for policy making.

3. Paragraph A in Section I of Schedule 2 is hereby amended to add the following:

“The Recipient, through its Ministry of Economy and Public Finance and MDP, shall enter into an agreement with: (i) MOH (“MOH Subsidiary Agreement”); and (ii) MOL (“MOL Subsidiary Agreement”) under terms and conditions agreed with the Association, including those set forth in the revised Operational Manual, with respect to the transfer of part of the proceeds of the Credit to MOH and MOL, and their respective role and responsibilities under the Project.

The Recipient, through its Ministry of Economy and Public Finance and the MDP shall enter into an agreement (“UDAPE Bi-Ministerial Resolution”) under terms and conditions agreed with the Association, including those set forth in the revised Operational Manual, with respect to the transfer of part of the proceeds of the Credit to MDP, to be executed through UDAPE, and UDAPE’s role and responsibilities under the Project.”

4. Paragraph B.1 in Section I of Schedule 2 is hereby amended to read in its entirety as follows:

“1. The Recipient, through UDAPE, MOH and MOL, shall carry out the Project in accordance with the provisions of:

- (a) this Agreement;
- (b) the MOH Subsidiary Agreement;
- (c) the MOL Subsidiary Agreement;
- (d) the UDAPE Bi-Ministerial Resolution;
- (e) the Municipality Agreements; and
- (f) the Operational Manual.

In the case of a conflict between the provisions of the MOH Subsidiary Agreement, the MOL Subsidiary Agreement, the UDAPE Bi-Ministerial Resolution or the Municipality Agreements, and the provisions of this Agreement, the Recipient will ensure that the provisions of this Agreement shall prevail.”

5. Paragraph B.2 in Section I of Schedule 2 is hereby amended to read in its entirety as follows:

“2. At all times during the execution of the Project, UDAPE, MOH and MOL shall maintain a team responsible for the implementation of the Project, with staff in numbers, qualifications, functions and responsibilities at all times agreed with the Association and set forth in the Operational Manual, including the discharge of the following responsibilities:

- (a) overall planning, coordination, monitoring and evaluation of Project activities; and

- (b) the updating of the Procurement Plan and the elaboration of the annual implementation plan.”

6. Paragraph C.1 in Section I of Schedule 2 is hereby amended to read in its entirety as follows:

- “1. The Recipient, through UDAPE, MOH and MOL, shall carry out the Project in accordance with the terms of a manual satisfactory to the Association (the Operational Manual). Except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Operational Manual or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.”

7. Paragraph A in Section II of Schedule 2 is hereby amended to read in its entirety as follows:

“A. Project Reports

The Recipient, through MOH, MOL, and UDAPE shall monitor and evaluate the progress of Components 1, 2, and 3 of the Project, respectively and prepare or cause to be prepared Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report. The Recipient shall review the latest Project Report with the Association before the Association’s semi-annual meetings with the Recipient, or on such later dates as the Association may request.”

8. Paragraph D.2 in Section III of Schedule 2 is hereby amended to read in its entirety as follows:

- “2. Annual Procurement Audits. The Recipient, through the corresponding executing agency for Components 1, 2, and 3, shall:

- (a) not later than March 31 of each year during the implementation of the Project, beginning on March 31, 2009, 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 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 each year during the implementation of the Project, beginning on June 30, 2009 and continuing for each year thereafter during the implementation of the Project, furnish to the Association the report, in form and substance satisfactory to the Association, on the Procurement Audit completed for the Recipient’s prior 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 August 31 of each year during the implementation of the Project, beginning on August 31, 2009, exchange views with the Association on the results of the Procurement Audit completed for the Recipient's prior fiscal year and thereafter implement such recommended measures, taking into account the Association's views on the matter."
9. The table in Schedule 2 is hereby amended and replaced to read in its entirety as set forth in the Attachment I to this Amendment Letter so as to include Non-Consultant Services under Categories 1 and 3.
10. Paragraph 2.1. in Section IV of Schedule 2 is hereby amended and replaced to read in its entirety as follows:
- “1. For purposes of the table in paragraph 2 above, the terms:
- (a) “Cash Transfers” means payments made by MOH to beneficiaries of the Program, subject to completion of the health and nutrition conditions set forth in the Operational Manual in accordance to the Recipient's Supreme Decree No. 29246, dated August 2, 2007;
 - (b) “Non-Consultant Services” means the: (i) services to be contracted for carrying out of payments to beneficiaries under Part 1 (a) of the Project; (ii) services to be contracted for carrying out communication and information campaigns under Part 1 (b) of the Projects; (iii) reasonable expenditures for the hiring of public and/or private institutions to carry out training activities under Part 2 (c) of the Project and not otherwise covered under Training expenditures; and (iii) services to be contracted for carrying out surveys for data collection under Part 3 of the Project;
 - (c) “Training” means reasonable expenditures (other than those for consultants' services) incurred by UDAPE, MOH and MOL for the purposes of the Project and directly related to training activities described in the Project, including, *inter alia*, costs related to workshops, seminars, conferences, study tours, facility rentals, and travel costs and *per diems* for UDAPE, MOH and MOL civil service officials or employees; and
 - (d) “Operating Costs” means reasonable recurrent expenditures (other than those for consultants' services) incurred by UDAPE, MOH and MOL for the purposes of the Project and directly related to the activities described in the Project, including, *inter alia*, office materials and supplies, operation and maintenance of office equipment, insurance, vehicle and equipment operation, utilities, transportation, media campaigns, travel and *per diem* for purposes directly related to Project supervision and printing of materials.”

11. Paragraph B.2 in Section IV of Schedule 2 of the Grant Agreement is hereby amended and replaced to read in its entirety as follows:
- “2. No withdrawals shall be made for payments under Category 1 (a) of the table in paragraph A above, until the Recipient has: (i) established and implemented to the satisfaction of the Association, the management information system to administer and monitor the Cash Transfers; and (ii) selected and contracted using counterpart funds an entity to provide and maintain a technological platform and a payment system through financial agencies qualified under Recipient’s laws to pay the Cash Transfers to beneficiaries of the Program following processes and procedures adopted by the Recipient and agreed to by the Association.”
12. Section I of Annex A to Schedule 2 is hereby amended to add additional paragraphs as follows:
- “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. Bidding documents for NCB shall include Anticorruption Clauses that shall be substantially identical to those pertaining to the Association/Bank Standard Bidding Documents for International Competitive Bidding.”
13. Section II of Annex A to Schedule 2 is hereby amended to add an additional paragraph as follows:
- “5. No consultants, individuals or firms, shall be denied a fair and equitable treatment in its resolution of dispute with the Recipient and/or any of its executing agencies.”
14. Paragraph 21 in Section I of the Appendix to the Grant Agreement is hereby amended and replaced to read in its entirety as follows:
- “21. “UDAPE” means *Unidad de Análisis de Políticas Sociales y Económicas*, a decentralized unit in the Ministry of Development Planning created pursuant to the Recipient’s Supreme Decree No.19758, dated August 22, 1983 and Supreme Decree No. 24847, dated September 20, 1997.”
15. This amendment shall not become effective until evidence of the fulfillment of the following conditions are submitted to the World Bank:
- (i) update of the Operational Manual to include the foregoing amendments in a manner satisfactory to the Association;
 - (ii) update of the Procurement Plan to include the foregoing amendments in a manner satisfactory to the Association; and
 - (iii) the UDAPE Bi-Ministerial Resolution is issued by the Recipient’s Ministry of Economy and/or Public Finance and MDP concerning UDAPE’s new responsibilities under this amendment.

Please note that it is the Association's policy to make publicly available this Amendment Letter and any information related thereto, after this Amendment Letter has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this Amendment Letter, confirms its consent to such disclosure.

Please confirm your agreement with the foregoing amendment by signing and dating this amendment letter in the spaces provided below. The provisions set forth in this amendment letter shall become effective: (i) after the date of the countersignature and receipt by the Association of one fully executed original of this amendment letter; and (ii) upon evidence that the effectiveness conditions set forth in paragraph 15 above have been fulfilled. The provisions related to paragraph 11 of this amendment letter shall become retroactively effective as of June 1, 2010 upon fulfilment of the conditions (i) and (ii) above-mentioned. This amendment letter shall be executed in two counterparts, each of which shall be an original. Upon confirmation, please return one fully executed original to us.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Carlos Felipe Jaramillo
Country Director
Bolivia, Chile, Ecuador, Perú and Venezuela
Latin America and the Caribbean Region

AGREED:

PLURINATIONAL STATE OF BOLIVIA

By: /s/ E. Viviana Caro Hinojosa

Title: Minister of Development Planning

Date: March 3, 2011

ATTACHMENT I

| <u>Category</u> | Amount of the Credit Allocated (expressed in SDR) | Percentage of Expenditures to be Financed (inclusive of Taxes) |
|---|--|---|
| (1) (a) Cash Transfers, Non-Consultant Services and Operating Costs for Part 1 (a) of the Project; and (b) Goods, Non-Consultant Services, Consultant Services (including auditing), Training and Operating Costs for Parts 1 (b) and (c) of the Project | 6,100,000 1,900,000 | 100% 100% |
| (2) Goods, Non-Consultant Services, Consultant Services (including auditing), Training and Operating Costs for Part 2 of the Project | 2,300,000 | 100% |
| (3) Goods, Non-Consultant Services, Consultant Services (including audits), Training and Operating Costs for Part 3 of the Project | 600,000 | 100% |
| TOTAL AMOUNT | 10,900,000 | |