

Public Disclosure Authorized

**CONFORMED COPY**

**CREDIT NUMBER 4382-BO**

# **Financing Agreement**

**(Expanding Access to Reduce Health Inequities Project – APL III)**

**between**

**REPUBLIC OF BOLIVIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated September 19, 2008**

Public Disclosure Authorized

**CREDIT NUMBER 4382-BO**

**FINANCING AGREEMENT**

AGREEMENT dated September 19, 2008, entered into between REPUBLIC 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 eleven million seven hundred thousand Special Drawing Rights (SDR 11,700,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MSD with the assistance of FPS, 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:
  - (a) FPS shall have failed, in the opinion of the Association, to perform any of its obligations under the FPS Subsidiary Agreement or the Inter-Institutional Agreement.
  - (b) The Procurement Supreme Decree has been amended, suspended, abrogated, repealed or waived so as to render its Article 42 (a) ineffective, in the opinion of the Association, and no provision analogous to such Article 42 (a) has been adopted to replace said provision.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01 of this Agreement occurs 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 FPS Subsidiary Agreement, the MSD Subsidiary Agreement and the Inter-Institutional Agreement have been executed on behalf of the Recipient, FPS and MSD.
  - (b) The Operational Manual has been adopted in a manner satisfactory to the Association.
- 5.02. The Additional Legal Matter consists of the following, namely, that the FPS Subsidiary Agreement has been duly authorized or ratified by the Recipient and FPS and is legally binding upon the Recipient and the FPS in accordance with its terms.

- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association's approval of the Credit which expire on July 24, 2009.

**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  
Viceministerio de Inversión Pública y Financiamiento Externo (VIPFE)  
Palacio de Comunicaciones, Piso 11  
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 La Paz, Bolivia, as of the day and year first above written.

REPUBLIC OF BOLIVIA

By /s/ Carlos Villegas

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Felipe Jaramillo

Authorized Representative

## SCHEDULE 1

### Project Description

The objectives of the Project are to: (i) reduce occurrence of critical risk factors affecting maternal and infant health in the Target Areas so that current gaps between regions are reduced; (ii) reduce chronic malnutrition among children under 2 years of age in the Target Areas; (iii) increase health insurance coverage in the Target Areas; and (iv) upgrade the SNIS so that it will be integrated with the Recipient's new health insurance program.

The Project consists of the following parts:

#### Part 1. Stewardship Role of Health Authorities - Essential Functions in Public Health

- (a) Strengthening the SNIS in the areas of data gathering, analysis, reporting, monitoring, supervision, evaluation, management and research, through:
  - (i) the design and adaptation of the technical standards, processes, procedures and standards of the SNIS in public health and epidemiological surveillance, including: (A) identification and evaluation of new sectoral and intersectoral information needs caused by implementation of new health policies; (B) development of instruments for the capture and validation of the data from primary and secondary sources of information, securing flows of information, frequency, quality control, and definition of levels of information; and (C) development of complementary computer tools and software for implementation and operation at the national, departmental and Project-targeted municipalities level;
  - (ii) the implementation of the monitoring, evaluation, and feedback system of the Recipient's Sectoral Development Plan for 2006-2010 (*Plan de Desarrollo Sectorial-PDS*), at national, departmental, and local health institutions levels including: (A) integrated design of the system of monitoring, evaluation, and feedback and its implementation at the national level; (B) training of staff at all levels of management for the analysis, processing, and use of monitoring and evaluation information; (C) reorientation of the methodologies for the committees of information analysis in the different levels of management; and (D) dissemination of monitoring and evaluation results at all levels of management;
  - (iii) the development of a new national system for health research, including: (A) support for the design, development, and implementation of a national system of health research; (B) research of impact of projects and health programs (impact-cost, benefit-cost, effectiveness, etc.); (C)

design of mechanisms to select priority lines of research; and (D) design of a virtual library for the national network of information (including digitizing and cataloging past research, and providing research information for policy-making and decision-making in health); and

- (iv) the implementation of the Recipient's next demographic and health national survey and the strengthening of the vital statistics service in coordination with all actors and institutions involved in the system including the link with the SNIS.
- (b) Strengthening the capacity of MSD and of the Recipient's departmental and local health authorities in order to apply modern management methodologies and instruments, to design programming based on priority and goal selection, and to establish a results-based management system, through:
- (i) the provision of technical assistance to develop and implement standard practices and management tools, including: (A) the preparation and validation of norms, processes, methodologies, and management tools; and (B) the carrying out of training for national and departmental level public health staff in the use of new standard practices, processes, methodologies and management tools, monitoring, project and programs evaluations;
  - (ii) the strengthening of the coordination of international and multilateral donors and the generation of a coordinated process of planning, including: (A) the harmonization of cycles of projects, processes, administrative and financial procedures and the harmonization of national standards with those of international donors; (B) advocacy in favor of the implementation of the Recipient's sectoral approach in health; (C) the collaboration of donors in preparation and monitoring of the institutional strategic plan of MSD and decentralized institutions; (D) collaboration of donors in monitoring the implementation of departmental health plans; (E) regulation of the operation of Recipient's non-governmental organizations for the assessment of the outcomes of their health projects; (F) updating of the information on interventions in health of non-governmental organizations and assessment of their outcomes at national level and departmental level; (G) updating of the information on the health interventions of cooperative agencies and assessment of program outcomes; (H) evaluation and systematization of impact of projects, health programs and the design of new strategies; and (I) diffusion and feedback of the advantages and disadvantages of the strategies, programs and projects;
  - (iii) the carrying out of a Project evaluation;

- (iv) the dissemination of the health results achieved by the Recipient's national, departmental and municipals governments during their respective management periods, through community meetings, workshops and publications financed by the Project; and
  - (v) the strengthening of MSD's human resources policy, including the upgrading of the human resources data captured by SNIS in order to identify gaps, limitations of training, evaluation of performance and the updating of regulatory framework for the management of human resources of the sector.
- (c) Licensing, certification and monitoring of the Recipient's health facilities, including hospitals, ambulatory health centers, clinical laboratories, blood banks, clinics and rehabilitative services, and other health service units, to assure the delivery of quality health care services, through:
- (i) the development of capacity in quality management concepts; and
  - (ii) the development and implementation of standards and instruments of quality management in the provision of health services.

Part 2. Family, Community and Intercultural Health

- (a) Development and strengthening of an intercultural maternal and infant health referral network, through:
- (i) the carrying out of a study to analyze and determine the status of resources and existing capacities of the health networks in the Target Areas;
  - (ii) the renovation of public health facilities, public housing, the purchase of medical equipment therefore, the carrying out of FPS financial audits and the financing of FPS operating costs;
  - (iii) the financing of expanded human resources;
  - (iv) the design of a program of regular continuing education for each referral network;
  - (v) the financing of expenses of operational research of outbreaks or suspected outbreaks; and
  - (vi) the creation of three Recipient regional centers for medical equipment repair and maintenance.



- (b) Strengthening community participation in the management of local health activities, including promotion of healthy lifestyles and the demand for maternal and child health services, through:
  - (i) the carrying out of: (A) workshops with special emphasis on issues affecting maternal and child mortality and chronic malnutrition; and (B) training for local social organizations and community leaders;
  - (ii) the carrying out of training for health workers, organizations and community leaders in the methodology of gathering and analyzing health data;
  - (iii) the dissemination of community and intersectoral health strategies and results, in meetings of social organizations and other spaces;
  - (iv) the collaborative preparation of health promotion materials with community participation and printing and dissemination of the promotion materials in the local communities; and
  - (v) the carrying out of training of the DILOS for increased capacity to manage local health issues and for monitoring the municipal management commitments with the public health networks.

Part 3. SU SALUD Health Insurance Program

- (a) Support the rollout of a national SU SALUD record system for the enrollment of families and individuals, through:
  - (i) the carrying out of training in use of the enrollment system for key personnel, operational personnel and community leaders;
  - (ii) the implementation of a communication and social marketing strategy to promote enrollment throughout the Recipient's territory, including: (A) production of materials and dissemination at the national level; (B) intrasectoral and intersectoral activities for coordination and consensus-building; and (C) training for local media and meetings and community workshops; and
  - (iii) the printing and distribution of enrollment forms nation-wide and design and implementation of a mass enrollment campaign in the Target Areas.
- (b) Strengthening MSD's capacity to plan, manage, and carry out monitoring and evaluation of SU SALUD at the national, departmental and municipal levels, through the provision of technical assistance, training and goods.

- (c) Development of a monitoring and evaluation system for SU SALUD.

Part 4. Project Administration

Support Project administration with equipment, technical assistance, training, and MSD operating costs to finance the administration of the Project, including MSD financial and procurement audits.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Subsidiary Agreement**

1. To facilitate the carrying out of the Project, the Recipient shall make part of the proceeds of the Financing available to FPS through a subsidiary agreement between the Recipient and FPS, under terms satisfactory to the Association (“FPS Subsidiary Agreement”), including, *inter alia*, FPS’s obligation to provide all the necessary information and documentation to MSD related to FPS’s responsibilities under the Project (including but not limited to, the information required for compliance with Section III.D of Schedule 2 to this Agreement) and MSD’s obligations to implement the Project.
2. The Recipient shall maintain all of the necessary conditions for FPS to comply with its obligations under the FPS Subsidiary Agreement.
3. Without limitation to the provisions of paragraph 1 above, the Recipient shall enter into an agreement with MSD (“MSD Subsidiary Agreement”), under terms and conditions satisfactory to the Association, including those set forth in the Operational Manual, with respect to the role and responsibilities of MSD under the Project.
4. Without limitation to the provisions of paragraphs 1 and 3 above, FPS shall enter into an agreement with MSD (“Inter-Institutional Agreement”), under terms and conditions satisfactory to the Association, including those set forth in the Operational Manual, with respect to the role and responsibilities of FPS and MSD under the Project.
5. Without limitation to the provisions of paragraphs 1, 3 and 4 above, FPS shall enter into an agreement with each Municipality within the Target Area (“Municipality Agreement”), under terms and conditions satisfactory to the Association, including those set forth in the Operational Manual, with respect to the role and responsibilities of each Municipality within the Target Area for the carrying out of activities under Part 2 of the Project.
6. The Recipient shall exercise its rights under the FPS Subsidiary Agreement, the MSD Subsidiary Agreement and the Inter-Institutional Agreement, and shall cause FPS to exercise its rights under the Municipality Agreements, in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall

otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce the FPS Subsidiary Agreement or any of its provisions.

7. In the case of a conflict between the provisions of the FPS Subsidiary Agreement, the MSD Subsidiary Agreement, the Inter-Institutional Agreement or the Municipal Agreements, and the provisions of this Agreement, the Recipient will ensure that the provisions of this Agreement will prevail.

**B. Institutional and Other Arrangements**

1. The Recipient, through MSD, shall, with the assistance of FPS, carry out the Project, or cause the Project to be carried out, in accordance with the provisions of:
  - (a) this Agreement;
  - (b) the FPS Subsidiary Agreement;
  - (c) the MSD Subsidiary Agreement;
  - (d) the Inter-Institutional Agreement;
  - (e) the Municipal Agreements; and
  - (f) the Operational Manual.
2. At all times during the execution of the Project, MSD shall maintain a team responsible for the implementation of the Project (UCOFI and Technical Area), with staffing numbers, qualifications, functions and responsibilities satisfactory to the Association, including, *inter alia*, 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.
3. At all times during the execution of the Project, the Recipient shall cause FPS to maintain staff responsible for the implementation of the Project with staffing numbers, qualifications, functions and responsibilities satisfactory to the Association.

**C. Operational Manual**

1. The Recipient, through MSD, shall carry out the Project, or cause the Project to be carried out, 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.
2. The Operational Manual shall include provisions detailing procedures and guidelines for the carrying out of the Project, including, *inter alia*:
  - (a) the procedures for the preparation, review and approval of reports pursuant to the Project's financial management arrangements;
  - (b) procurement and contracting procedures consistent with Schedule 2 to this Agreement, to be applicable to the contracts for the works, goods, non-consultant and consultants' services required for the Project and to be financed out of the proceeds of the Credit;
  - (c) Project impact and implementation indicators and the procedures for the monitoring and evaluation of the Project, including for compliance with Section II of Schedule 2 to this Agreement;
  - (d) the procedures for the Recipient's preparation, review and approval of Credit proceeds withdrawal applications to the Association, in conformity with the instructions that the Association may give to the Recipient in this respect; and
  - (e) the environmental management criteria and procedures for the carrying out of rehabilitation and construction works under the Project and the mechanisms to address the culturally specific needs of the Recipient's indigenous groups to ensure that the benefits of the Project are culturally appropriate and that there is broad community support for the Project.

**D. Anti-Corruption**

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

**E. Other Covenants**

1. Not later than one year after the Effective Date, the Recipient and the Association shall carry out a comprehensive review of the Project focused on Project

performance. After said review is completed, the Recipient shall take, if necessary, any actions recommended as a result of the review to remedy any problems identified during the review.

2. The Recipient shall cause FPS to maintain throughout the implementation of the Project, the units referred to in paragraph B.2 of Section IV to this Schedule.
3. Not later than 90 days after the Effective Date, the Recipient shall ensure that the UCOFI and the Technical Area are fully staffed and operational, and shall maintain them thereafter throughout the implementation of the Project.
4. Not later than 6 months after the Effective Date, the Recipient shall establish and operate MSD's integrated financial management system.
5. Before carrying out any civil works under the Project, FPS shall have entered into a Municipal Agreement with each Municipality within the Target Area.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

The Recipient shall monitor and evaluate the progress of the Project 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 most recent Project Report with the Association during the Association's semi-annual meetings with the Recipient, or on such later dates as the Association may request.

### **B. Financial Management, Financial Reports and Audits**

1. The Recipient shall, through MSD, and cause FPS to, 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 shall, through MSD, and cause FPS to, prepare (or cause to be prepared) and furnish to the Association not later than 30 days after the end of each calendar semester, interim un-audited financial reports for each part of the Project covering the calendar semester, in form and substance satisfactory to the Association.
3. The Recipient shall, through MSD, and cause FPS to, have the Financial Statements for each part of the project be 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 for the respective part of the Project, commencing with the fiscal year in which the first withdrawal under this Agreement was made. 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-Consultant Services.** All goods, works and non-consultant 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, with the provisions of this Section and with the provisions of Section II of Annex A to this Schedule.
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-Consultant Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b><u>Procurement Method</u></b>
(a) National Competitive Bidding, subject to the additional provisions set forth in Section I of Annex A to this Schedule 2.
(b) Shopping.
(c) Direct Contracting.
(d) Community Participation in Procurement.

**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.

<b><u>Procurement Method</u></b>
(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 paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.
(g) Sole Source Procedures for the Selection of Individual Consultants.



**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. Annual Procurement Audits. The Recipient, through MSD, shall:
  - (a) not later than January 30 of each year during the implementation of the Project, beginning on January 30, 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 March 31 of each year during the implementation of the Project, beginning on March 31, 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 April 30 of each year during the implementation of the Project, beginning on April 30, 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.

**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, consultant services, Training and MSD Operating Costs for Part 1 of the Project.	2,500,000	100%
(2) (a) Goods, consultant services, training and MSD Operating Costs for Part 2 of the Project except for Part 2 (a) (ii);	3,200,000	100%
(b) Works, goods and consultant services (including audits) under Part 2 (a) (ii) of the Project; and	2,900,000	100%
(c) FPS Operating Costs under Part 2 of the Project	200,000	5% of the total cost of the works, goods and services under Part 2 (a)(ii) of the Project paid in tranches as set forth in the Operational Manual
(3) Goods, consultant services, Training and MSD Operating Costs for Part 3 of the Project	2,000,000	100%

<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>
(4) Good, consultant services (including audits) and MSD Operating Costs for Part 4 of the Project	600,000	100%
(5) Unallocated	300,000	
<b>TOTAL AMOUNT</b>	11,700,000	

1. For purposes of the table in paragraph 2 above, the terms:
  - (a) “Training” means reasonable expenditures (other than those for consultants’ services) incurred by MSD 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, training registration fees, facility rentals, and travel costs and *per diems* for MSD and FPS civil service officials or employees;
  - (b) “FPS Operating Costs” means reasonable recurrent expenditures (other than those for consultants’ services) incurred by FPS for the purposes of the Project and directly related to the activities described in the Project, including, *inter alia*, salaries of staff, office materials and supplies, operation and maintenance of office equipment, insurance, vehicle and equipment operation, bank charges on the Designated Account, transportation, phone and fax charges, media campaigns, travel and *per diem* of FPS officials for purposes of Project supervision and printing of materials; and
  - (c) “MSD Operating Costs” means reasonable recurrent expenditures (other than those for consultants’ services) incurred by MSD 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, bank charges on the Designated Account, utilities, rental of office space, transportation, phone and fax charges, media campaigns, travel and *per diem* of MSD officials for purposes of Project supervision and printing of materials.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawals shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$600,000 equivalent may be made for payments made one year prior to such date but in no case before December 10, 2007 for Eligible Expenditures under Categories 2 (a) and (4) of the table in paragraph A above.
2. No withdrawals shall be made for payments under Categories 2 (b) and (c) of the table in paragraph A above, until FPS has established to the satisfaction of the Association: (i) the control and monitoring unit under FPS's executive office; (ii) the environmental unit; and (iii) the procurement monitoring unit.
3. No withdrawals shall be made for payments under Categories (1), 2 (a), (3) and (4) of the table in paragraph A above, until MSD has signed the contracts of: (i) the UCOFI's financial management specialist and procurement specialist; and (ii) the Technical Area's technical coordinator.
4. The Closing Date is January 31, 2014.
5. The Recipient shall review and adjust annually, or at any other time agreed with the Association, the FPS Operating Costs. Such adjustment shall be unnecessary if the Association is satisfied that said review reveals no change in FPS Operating Costs.

**Annex A  
to  
SCHEDULE 2**

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

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

Without limitation upon the provisions of Schedule 2 to this Agreement or the Procurement Guidelines, the following additional provisions shall apply to all goods, works and non-consultant services procured for the Project (pursuant to Section III.A.1 of Schedule 2 to this Agreement) 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 goods, works and non-consultant services contracts shall be based 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. The Recipient shall open all bids at the stipulated time and place in accordance with a procedure satisfactory to the Association.
4. The Recipient shall use a single envelope procedure.
5. Whenever there is a discrepancy between the amounts in figures and in words of a bid, the amounts in words shall govern.
6. There will be no prescribed minimum number of bids 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 Bolivian 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 other procurement rules or regulations of the Recipient's agencies or of any state-owned entity shall apply without the prior review and consent of the Association.
13. Government-owned enterprises may participate in bids only if they follow paragraph 1.8 (c) of the Procurement Guidelines.

**Section II. Selection of Consultant Services**

Without limitation upon the provisions of Schedule 2 to this Agreement or the Consultant Guidelines, 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. 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 I.I.2 of the Consultant Guidelines are met.
2. 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 the Recipient's authorities.
3. Foreign consultants shall not be required to be registered in the Recipient's National Registry of Consultants (*Registro Nacional de Consultoría*).
4. Consultants (firms and individuals) shall not be required to present bid and performance securities as a condition to present proposals and sign a contract.

**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.	1.25%
Commencing February 15, 2028, to and including August 15, 2042.	2.50%

\* 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.
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 by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “DILOS” means *Directorios Locales de Salud*, created pursuant to the Recipient’s Law No. 2426, dated November 21, 2007.
5. “FPS” means *Fondo Nacional de Inversión Productiva y Social*, the Recipient’s national productive and social investment fund established pursuant to Article 14 of the Recipient’s Supreme Decree No. 25984 of November 16, 2000.
6. “FPS Subsidiary Agreement” means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement, pursuant to which the Recipient shall make part of the proceeds of the Financing available to FPS.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
8. “Indicators” means the impact and implementation indicators set forth in the Operational Manual.
9. “Inter-Institutional Agreement” means the agreement referred to in Section I.A.4 of Schedule 2 to this Agreement.
10. “MSD” means *Ministerio de Salud y Deporte*, the Recipient’s Ministry of Health and Sports.
11. “MSD Subsidiary Agreement” means the agreement referred to in Section I.A.3 of Schedule 2 to this Agreement.
12. “Municipality” means an entity with legal personality established pursuant to the Recipient’s Law No. 2028, dated October 28, 1999.



13. “Municipal Agreement” means the agreement referred to in Section I.A.5 of Schedule 2 to this Agreement.
14. “Operational Manual” means the manual referred to in Section I.C of Schedule 2 to this Agreement.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 12, 2007 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.
17. “Procurement Supreme Decree” means the Recipient’s Supreme Decree No. 29190 (*Decreto Supremo* N° 29190) of July 11, 2007, as amended and as in effect on the date of this Agreement.
18. “SNIS” means *Sistema Nacional de Información en Salud*, the Recipient’s National Health Information System.
19. “SU SALUD” means *Seguro Universal de Salud*, the Recipient’s universal health insurance to be created pursuant to the Recipient’s Bill No.005, dated 2007, submitted to the Recipient’s Congress for approval.
20. “Target Areas” means the Recipient’s rural Municipalities and poor neighborhoods in urban Municipalities which meet the eligibility criteria set forth in the Operational Manual to be beneficiaries of the Project.
21. “Technical Area” means the unit within MSD, created pursuant to the Recipient’s Resolution No. 1059, dated December 13, 2007.
22. “UCOFI” means the administrative unit within MSD which will carry out financial management and procurement activities, created pursuant to the Recipient’s Resolution No. 1059, dated December 13, 2007.