

**CONFORMED COPY**

**CREDIT NUMBER 4379-BO**

# **Financing Agreement**

**(Lake Titicaca Local Sustainable Development Project)**

**between**

**REPUBLIC OF BOLIVIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated February 11, 2008**

**CREDIT NUMBER 4379-BO**

**FINANCING AGREEMENT**

AGREEMENT dated February 11, 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 twelve million eight hundred thousand Special Drawing Rights (SDR 12,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 objective of the Project. To this end, the Recipient shall carry out the Project through MPM and VMT and with the assistance of FPS, the Recipient's Ministry of Water through its Vice-Ministry of Basic Services, and the Implementing Entities, 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 or the Implementing Entities shall have failed, in the opinion of the Association, to perform any of their obligations under the Subsidiary Agreement or the Implementation Agreements, as the case may be.
  - (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.
  - (c) Any Implementation Agreement or any of its provisions has been amended, suspended, abrogated, terminated, waived or not enforced, so as to affect materially and adversely, in the opinion of the Association, the ability of the FPS and the Implementing Entities to perform their obligations as contemplated under the provisions of this Agreement.
- 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 Subsidiary Agreement has been executed on behalf of the Recipient and FPS.
  - (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 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 June 22, 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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF BOLIVIA

By /s/ Mario Gustavo Guzmán Saldaña

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ C. Felipe Jaramillo

Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to contribute to local sustainable development in the Recipient's side of the Lake Titicaca watershed.

The Project consists of the following parts:

#### Part 1. Support to Tourism Development and Cultural Protection

- (a) Carrying out by Municipalities and Recipient's community groups with FPS support, of infrastructure investments to facilitate the enhancement of cultural, social, economic and environmental assets, including, *inter alia*: (i) the improvement of tourist sites; (ii) the provision of public rest areas and bathrooms; and (iii) the establishment of interpretation centers, bike paths and small docks.
- (b) Carrying out of community investments with VMT support to enhance cultural, social, economic, and environmental assets, including, *inter alia*: (i) local environmental improvements; (ii) guest houses; and (iii) markets and tourist attractions.
- (c) (i) Protection of cultural heritage monuments in Lake Titicaca's *Isla del Sol* and *Isla de la Luna*; and (ii) restoration of pre-Hispanic agricultural landscapes, trails and artistic and historic assets in colonial churches.
- (d) Provision of grants for community development for tourism activities, including the production of handicrafts and the financing of cultural events and strategic studies.

#### Part 2. Basic Services

- (a) Carrying out of: (i) water and sanitation infrastructure for Lake Titicaca's small rural communities; and (ii) training and provision of technical assistance to the EPSA.
- (b) Provision of technical assistance, goods and works to develop sanitation facilities and extend and rehabilitate existing sewerage networks and treatment plans in the cities of Copacabana, Tiquina, Achacachi, Tiwanaku and Viacha.
- (c) Provision of technical assistance, goods and works to improve solid waste collection for the cities of Copacabana, Achacachi and Tiwanaku, including: (i) street cleaning; (ii) transportation; (iii) recycling; and (iv) final disposal in sanitary landfills.

- (d) Provision of technical assistance to ensure sustainable service provision, through the creation of EPSA that will manage water, wastewater and solid waste services and whose operating and maintenance costs are to be covered by the users fees by the end of the Project.
- (e) Provision of FPS Operating Costs for the carrying out of basic service activities under Parts 2 and 1 (a) of the Project and financing of audits for the parts of the Project executed by FPS.

Part 3. Institutional Strengthening and Project Management

- (a) Provision of technical assistance to: (i) carry out tourism studies to support a long term program for tourism development in the Lake Titicaca basin and neighboring areas; and (ii) develop a marketing strategy to promote the Recipient's international tourism potential, including the provision of training in communications and technology for VMT.
- (b) Provision of technical assistance to strengthen the Recipient's municipalities' capacity, including the design of medium term and long term plans for their sustainable development.
- (c) Provision of technical assistance to strengthen the local communities' capacity to participate in tourism development activities.
- (d) Provision of technical assistance to strengthen the capacity of the Implementing Entities, including the creation of an advisory group on lake management comprised of Recipient's representatives and international experts.
- (e) (i) Provision of technical assistance to update annually the technical, tourism and social data of the State of the Lake Report; and (ii) execution of a communication strategy summarizing the State of the Lake Report, with a specific focus on the community living within the Project Area.
- (f) Provision of technical assistance to the VMT to strengthen its capacity for project coordination and management, including the operation of its PCU and the carrying out of audits.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Subsidiary Agreement and Implementation Agreements**

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 (“Subsidiary Agreement”), including, *inter alia*, FPS’s obligation to provide all the necessary information and documentation to VMT 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).
2. The Recipient shall maintain all of the necessary conditions for FPS to comply with its obligations under the Subsidiary Agreement.
3. Without limitation to the provisions of paragraph 1 above, FPS shall enter into an agreement with each of the Implementing Entities (“Implementation 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 the Implementing Entities.
4. The Recipient shall exercise its rights under the Subsidiary Agreement, and cause FPS to exercise its rights under the Implementation 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 Subsidiary Agreement or any of its provisions.
5. In the case of a conflict between the provisions of the Subsidiary Agreement or the Implementation 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 shall, with the assistance of FPS and the Implementing Entities, carry out the Project, or cause the Project to be carried out, in accordance with the provisions of:
  - (a) this Agreement;
  - (b) the Subsidiary Agreement;



- (c) the Implementation Agreements; and
  - (d) the Operational Manual.
2. At all times during the execution of the Project, VMT shall maintain a qualified team responsible for the implementation of the Project (“PCU”), with staffing 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 qualified staff responsible for the implementation of Parts 1 (a) and 2 of the Project with staffing qualifications, functions and responsibilities satisfactory to the Association. The above-mentioned staff shall carry out quality control activities, coordination, monitoring and oversight of Parts 1 (a) and 2 of the Project.
  4. The Recipient shall establish not later than three months after the Effective Date, and thereafter maintain throughout the implementation of the Project, a committee (Inter-Institutional Committee) to facilitate information sharing among relevant stakeholders. The Inter-Institutional Committee shall meet at least twice per year to discuss activities in the Lake Titicaca watershed and progress on the Project.

### **C. Operational Manual**

1. The Recipient, through MPM and VMT, 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, 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, the Resettlement Framework, and the mechanisms to address the culturally specific needs of the Aymara 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 to remedy any problems identified during the review.
2. The Recipient shall maintain throughout the implementation of the Project, the units referred to in paragraph B.4 of Section IV to this Schedule.

**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 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 prepare (or cause to be prepared) and furnish to the Association not later than 45 days after the end of each calendar quarter, interim un-audited financial reports for each Part of the Project covering the calendar quarter, in form and substance satisfactory to the Association.
3. The Recipient shall, through VMT, and cause FPS to, have the Financial Statements for each part of the project to 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 earlier of: (a) the fiscal year in which the first withdrawal under the Project Preparation Advance was made; and (b) 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 and works 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 VMT shall:
  - (a) not later than April 30 of each year during the implementation of the Project, beginning on April 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 July 31 of each year during the implementation of the Project, beginning on July 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 September 30 of each year during the implementation of the Project, beginning on September 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) (a) Works, goods, Training, consultants services under Part 1 (a) of the Project; and	3,450,000	100%
(b) Works, goods, Training, consultants services and VMT Operating Costs under Parts 1 (b), (c) and (d) of the Project	1,650,000	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>
(2) Works, goods, consultants services and Training under Part 2 of the Project, including audits	5,300,000	100%
(3) Goods, consultants services, Training and VMT Operating Costs under Part 3 of the Project, including audits	1,300,000	100%
(4) FPS Operating Costs	500,000	5% of the total cost of the works under the Project paid in tranches as set forth in the Operational Manual
(5) Refund of Project Preparation Advance	600,000	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL AMOUNT</b>	12,800,000	

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 VMT 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 VMT 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) “VMT Operating Costs” means reasonable recurrent expenditures (other than those for consultants’ services) incurred by VMT 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 VMT and the Recipient’s Vice Ministry of Basic Services 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 \$1,000,000 equivalent may be made for payments made one year prior to such date but in no case before November 9, 2007 for Eligible Expenditures.
2. No withdrawals shall be made for payments under Categories (1) and (2) of the table in paragraph A above, until the respective Implementation Agreement with each Implementing Entity has been executed.
3. No withdrawals shall be made for payments under Categories (1) (b) and (3) of the table in paragraph A above, until a financial management system within VMT, satisfactory to the Association, is operational.
4. No withdrawals shall be made for payments under Categories 1 (a) and 2 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.
5. The Closing Date is June 30, 2013.
6. 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 and Works**

Without limitation upon the provisions of Schedule 2 to this Agreement or the Procurement Guidelines, the following additional provisions shall apply to all goods and works 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 bids.
2.      The award of goods and works contracts shall be based exclusively on price and, whenever appropriate, shall also take into account factors similar to those referred to in paragraph 2.51 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.
3.      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.      Except as the Association shall otherwise agree, the bidding process shall not be declared void if only three (3) bids or less have been submitted unless such bids have been determined not to be responsive.
7.      Any standards and technical specifications (quoted in the bidding documents) that are at least substantially equivalent to the national standards and technical specifications shall be acceptable.
8.      Foreign bidders shall be allowed to participate.
9.      Foreign bidders shall not be required to legalize any documentation related to their bids with Bolivian authorities as a prerequisite for bidding.

10. No margin of preference shall be granted for any particular category of bidders.
11. The auction procedure (*Puja Abierta*) shall not be used.
12. 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.
13. Foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.
14. 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.

## **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*).

**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. “EPSA” means a *Entidad Prestadora de Servicios de Agua Potable y Alcantarillado Sanitario*, a public or private company with legal capacity which provides water and wastewater services in the Recipient’s territory, and which was created pursuant to the Recipient’s law No. 2066, dated April 11, 2000, as amended and as in effect on the date of this Agreement.
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. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
7. “Implementation Agreements” means the agreements referred to in Section I.A.3 of Schedule 2 to this Agreement, to be entered between FPS and the Implementing Entities.
8. “Implementing Entities” means any of the Recipient’s municipalities, *Prefecturas*, other public entities and non-government organizations, which meet the eligibility criteria set forth in the Operational Manual to carry out activities under the Project.
9. “Indicators” means the impact and implementation indicators set forth in the Operational Manual.
10. “Inter-Institutional Committee” is the committee referred to in Section I.B.4 of Schedule 2 to this Agreement, comprised of: (i) relevant public sector agencies; and (ii) community and private sector representatives, chaired by the Vice

Minister of Tourism, in coordination with other Ministries such as the Ministry of Water.

11. “MPM” means the Recipient’s Ministry of Production and Micro enterprise, created pursuant to the Recipient’s Law No. 3351, dated February 8, 2006.
12. “Municipality” means an entity with legal personality established pursuant to the Recipient’s Law No. 2028, dated October 28, 1999.
13. “Operational Manual” means the manual referred to in Section I.C of Schedule 2 to this Agreement.
14. “PCU” means the unit referred to in Section I.B.2 of Schedule 2 to this Agreement.
15. “*Prefectura*” means the departmental representations of the Recipient’s executive branch, as established in the Recipient’s Law No. 1654, dated July 28, 1995 and published in the Recipient’s Official Gazette on the same date.
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 8, 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.
18. “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.
19. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on December 20, 2006 and on behalf of the Recipient on January 22, 2007.
20. “Resettlement Framework” means *Marco de Reasentamiento*, dated October 4, 2007, published in the VMT’s webpage (<http://lago.titikaka.googlepages.com>) on October 4, 2007.
21. “State of the Lake Report” means *Reporte del Estado del Lago*, an annual report published by VMT that includes annual social, environmental and tourism indicators for the Recipient’s region of Lake Titicaca.

22. “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.
23. “VMT” means the Recipient’s Vice Ministry of Tourism, a unit within MPM, created pursuant to the Recipient’s Law No. 3351, dated February 8, 2006.