

CONFORMED COPY

CREDIT NUMBER 4377-BO

Financing Agreement

(Emergency Recovery and Disaster Management Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 11, 2008

CREDIT NUMBER 4377-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.

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 eight million Special Drawing Rights (SDR 8,000,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The 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 VPPTA and VIDEICODI and with the assistance of FPS 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) The Implementation Agreements or any of its provisions have been amended, suspended, abrogated, terminated or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the FPS and the Implementing Entities to perform its 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 ninety (90) 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.
- 5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Development Planning.
- 6.02. The Recipient's Address is:

Ministerio de Planificación del Desarrollo
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 objectives of the Project are: (i) to support the Recipient in the implementation of its National Plan for Sustainable Rehabilitation and Reconstruction following the El Niño 2006-2007 event; and (ii) to strengthen the Recipient's ability to respond to future adverse natural events.

The Project consists of the following parts:

Part 1. Policy Development for Sustainable Reconstruction

- (a) Provision of technical assistance to improve the Recipient's disaster vulnerability and recovery program, including the prioritization of rehabilitation works, institutional strengthening and capacity building within the Recipient's municipalities, *Prefecturas* and the Recipient's sectoral ministries, and the carrying out of coordination activities between the national and local governments.
- (b) Development and implementation of methodologies for risk management and risk mitigation and their incorporation in the Recipient's territorial planning, including: (i) the carrying out of pilot projects which integrate risk management concepts; (ii) the drafting of a law for the incorporation of risk management into territorial planning; and (iii) the development of a national framework for resettlement of people living in areas of recurrent non-mitigable risks of natural disasters.
- (c) Integration of risk management and risk mitigation concepts in the planning and execution of public sector investment, including: (i) the development of legislation, regulations, and policies designed to improve the performance of public sector investments through vulnerability reduction; and (ii) the carrying out of training and workshop activities.
- (d) Development of information collection, management systems, and communications to improve risk identification and management.
- (e) Systematization and analysis of the Recipient's National Risk Management System, including: (i) the drafting of legislation to formalize recovery operations responsibilities and authorities at the national, subnational and sectoral level; (ii) development of a methodology and implementation models for the execution of emergency work; and (iii) carrying out of workshops and training events on cross-sectoral considerations.

- (f) Provision of technical assistance for the institutional strengthening at the sectoral and territorial level to improve communication and participation in future recovery operations, including: (i) provision of technical assistance for the creation of sectoral risk management units; (ii) strengthening and development of disaster risks management units at the territorial level; and (iii) provision of technical assistance to VPPTA for the organization, design, development, and integration of a sectoral focused program for risk management.
- (g) Development of a contingency plan for the anticipated La Niña 2007-08 event, including the identification of small mitigation and rehabilitation works to be implemented under Part 2 of the Project.

Part 2. Rehabilitation and Reconstruction Works

- (a) Carrying out of: (i) civil works costing less than \$20,000 equivalent; and (ii) civil works costing more than \$20,000 equivalent, for the reconstruction and rehabilitation of the infrastructure damaged by the El Niño 2006-07 event in the Recipient's territory.
- (b) Provision of technical assistance and engineering support to the Implementing Entities, to assist with the planning, design and supervision of the works referred to in Part 2 (a) above.
- (c) Carrying out of small mitigation and rehabilitation works for the La Niña 2007-08 event.
- (d) Provision of operating costs to FPS for the implementation of works under Part 2 of the Project and carrying out of FPS audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. **Subsidiary Agreement and Implementation Agreements**

1. To facilitate the carrying out of Part 2 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 VPPTA related to the implementation of Part 2 of 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, the 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 in the carrying out of civil works under Part 2 of the Project.
4. The Recipient shall exercise its rights under the Subsidiary Agreement and the Implementation Agreements, as the case may be, 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 any Subsidiary Agreement or any Implementation 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, carry out Part 2 of the Project, or cause said Part to be carried out, in accordance with the provisions of:
 - (a) this Agreement;
 - (b) the Subsidiary Agreement; and

- (c) the Operational Manual.
2. At all times during the execution of the Project, VPPTA shall maintain a qualified team responsible for the implementation of the Project, with functions, responsibilities and qualifications satisfactory to the Association, including the following responsibilities:
 - (a) overall planning, coordination and monitoring 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 Part 2 of the Project, including the carrying out of quality control activities, coordination, monitoring and oversight of Part 2 of the Project.
 4. The Recipient shall establish and thereafter maintain during the implementation of the Project, a steering committee comprised of representatives of the Ministry of Planning and Development and the Recipient's civil defense department, with functions and responsibilities satisfactory to the Association, including the overall supervision of the Project.

C. Operational Manual

1. The Recipient 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;
- (e) the eligibility criteria for the selection of the Implementing Entities which will assist FPS in the carrying out of Part 2 of the Project; and
- (f) guidelines for the carrying out of rehabilitation and reconstruction works under the Project and the mechanisms to address the culturally specific needs of the Recipient's indigenous peoples 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. Safeguard Policies

If required by the Association, the Recipient shall: (i) carry out an environmental assessment and a social assessment, both in accordance with the Association's policies; and (ii) carry out preventive and/or remedial actions as recommended by such assessments, in a manner satisfactory to the Association.

F. Other Covenants

The Recipient shall maintain throughout the implementation of the Project, the units referred to in paragraph B.3 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 VPPTA, 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 and Works.** All goods and works 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 and Works

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 and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>
(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 under Part 1 of the Project.
(d) Community Participation in Procurement (in the case of procurement carried out by Communities to whom a Recipient’s municipality has entrusted the carrying out of all or part of works under Part 2 of the Project).

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.

<u>Procurement Method</u>
(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 VPPTA, shall:
 - (a) not later than August 31 of each year during the implementation of the Project, beginning on August 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 December 31 of each year during the implementation of the Project, beginning on December 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 January 31 of each year during the implementation of the Project, beginning on January 31, 2010, 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:

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods, consultants' services, Training and VPPTA Operating Costs under Part 1 of the Project, including audits	1,350,000	100%
(2) (a) Works under Part 2 (a) (i) of the Project;	1,050,000	100%
(b) works and consultants services under Part 2 (a) (ii) of the Project, including audits; and	2,000,000	100%
(c) FPS Operating Costs under Part 2 of the Project	400,000	5% of the total cost of the civil works under Part 2 of the Project paid in tranches as set forth in the Operational Manual

<u>Category</u>	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(3) Refund of Project Preparation Advance	3,200,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	8,000,000	

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 VPPTA 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 VPPTA 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 and printing of materials; and
 - (c) “VPPTA Operational Costs” means reasonable recurrent expenditures (other than those for consultants’ services) incurred by VPPTA for the purposes of the Project and directly related to the activities described in the Project, including, *inter alia*, office materials and supplies, transportation, phone and fax charges, media campaigns 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 \$2,000,000 equivalent may be made for payments made one year prior to such date but in no case before September 24, 2007 for Eligible Expenditures.

2. No withdrawals shall be made for payments under Categories 2 (a) and 2 (b) of the table in paragraph A above, until the respective Implementation Agreement with the Implementing Entity has been executed.
3. No withdrawals shall be made for payments under Category 2 (b) of the table in paragraph A above, until FPS has established to the satisfaction of the Association: (a) the control and monitoring unit under FPS's executive office; (b) the environmental unit; and (c) the procurement monitoring unit.
4. The Recipient, through VPPTA, 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.
5. The Closing Date is June 30, 2011.

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. 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.
12. Foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.
13. 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*).
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**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
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. “Communities” means any of the Recipient’s communities with legal personality and organized structure which meet the eligibility criteria set forth in the Operational Manual to carry out all or part of works under Part 2 of the Project.
4. “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.
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, dated 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* or other public entities which meet the eligibility criteria set forth in the Operational Manual to carry out civil works under Part 2 of the Project.
9. “Indicators” means the impact and implementation indicators set forth in the Operational Manual.
10. “National Plan for Sustainable Rehabilitation and Reconstruction” means *Plan de Reconstrucción y Rehabilitación Sostenible* (PRES), the Recipient’s plan for rehabilitation and reconstruction, established after the El Nino 2006-2007 event, pursuant to the Recipient’s Decree 29040, dated February 28, 2007.
11. “National Risk Management System” means *Sistema Nacional para la Reducción de Riesgos y Atención de Desastres y/o Emergencias*, the Recipient’s

prevention and emergency management system set by the Recipient's Law No. 2140, dated October 25, 2000.

12. "Operational Manual" means the manual referred to in Section I.C of Schedule 2 to this Agreement.
13. "*Prefectura*" means the departmental representation 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.
14. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated November 14, 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.
16. "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.
17. "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 13, 2007 and on behalf of the Recipient on January 8, 2008.
18. "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.
19. "VIDECICODI" means *Vice-Ministerio de Defensa Civil y Cooperacion al Desarrollo Integral*, the Vice-Ministry of Civil Defense and Comprehensive Development, within the Recipient's Ministry of Defense, created pursuant to the Recipient's Law No. 3351, dated February 21, 2006 and the Recipient's Regulatory Decree No. 28631, dated March 14, 2007.
20. "VPPTA" means *Vice-Ministerio de Planificacion Territorial y Ambiental*, the Vice Ministry of Territorial and Environmental Planning within the Recipient's Ministry of Development Planning, created pursuant to the Recipient's Law No. 3351, dated February 21, 2006 and the Recipient's Regulatory Decree No. 28631, dated March 14, 2007.

