

CONFORMED COPY**The World Bank**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
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April 25, 2009

His Excellency
Noel Aguirre Ledezma
Minister of Development Planning
Ministry of Development Planning
La Paz, Bolivia

Subject: Rural Alliances Project (IDA Credit No. 4068-BO): Amendment and Restatement of Financing Agreement to incorporate Additional Financing (IDA Credit No. 4558-BO)

Excellency:

We refer to the Financing Agreement (“Agreement”), dated September 7, 2005 entered between the Republic of Bolivia (“Recipient”) and the International Development Association (“Association”).

We also refer to the Recipient’s request for assistance as received by the Association through a letter from its Minister of Development Planning dated July 17, 2008 and to our recent discussions, and pursuant to which the Recipient and the Association have agreed to amend the Agreement, to provide therein additional financing in support of the implementation of the Recipient’s Rural Alliances Project (“Project”), all in the manner hereinafter set forth.

Consequently, the Agreement is hereby amended and restated in its entirety so as to read as set forth in the Annex hereto.

This amendment shall become effective upon receipt by the Association of a legal opinion satisfactory to the Association, establishing that the Agreement, as hereby amended and restated, has been duly authorized, executed and delivered on behalf of the Recipient and is legally binding upon the Recipient in accordance with its terms.

If this amendment shall not have come into force and effect by a date one hundred and twenty (120) days after the date first above written, the unamended Agreement dated September 7, 2005, between the Recipient and the Association, shall continue in full force and effect, as if this amendment had not been executed.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this amendment to be signed in their respective names as of the day and year first above written.

REPUBLIC OF BOLIVIA

By /s/ Noel Aguirre Ledezma

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Carlos Felipe Jaramillo

Authorized Representative

ANNEX

CREDIT NUMBER 4068-BO

CREDIT NUMBER 4558-BO

Financing Agreement

(Rural Alliances Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

**Dated September 7, 2005
and restated on April 25, 2009**

CREDIT NUMBER 4068 -BO
CREDIT NUMBER 4558 -BO

FINANCING AGREEMENT

AGREEMENT dated September 7, 2005, and restated on April 25, 2009, 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, an initial credit in an amount equivalent to eighteen million nine hundred thousand Special Drawing Rights (SDR 18,900,000) (Initial Financing or Initial Credit), and an additional credit in an amount equivalent to nineteen million nine hundred thousand Special Drawing Rights (SDR 19,900,000) (Additional Financing or Additional Credit) (collectively Financing or Credit) 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. The Commitment Charge with respect to the Initial Financing accrues from a date sixty (60) days after the date of this Agreement; the Commitment Charge with respect to the Additional Financing accrues from a date sixty (60) days of the restated date of this Agreement.
- 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 for the Initial Financing are February 15 and August 15 in each year and the Payment Dates for the Additional Financing 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 MDRT, 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 to perform any of their respective obligations under the FPS Agreement.
 - (b) Any Eligible Producer Organization or Eligible Market Agent or Eligible Municipality shall have failed to perform any of their obligations under the respective Subproject Implementation 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 Recipient has adopted the Operational Manual in a manner acceptable to the Association;
 - (b) the Recipient has established the UCN, and selected the Project manager and the procurement and financial experts referred to in Section I.A.1(b) of Schedule 2 to this Agreement with respect to the UCN; and

(c) the Supreme Decree has been issued and published in the Recipient's *Official Gazette* in form and substance acceptable to the Association.

- 5.02. The Effectiveness Deadline is December 6, 2005.
- 5.03. 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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF BOLIVIA

By /s/ Jaime Aparicio

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Marcelo Giugale

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to test a model to improve accessibility to markets for poor rural producers in the Pilot Areas by:

- (a) promoting strategic productive alliances between different economic players at the local level;
- (b) empowering rural producers through the development of self-managed grass-root organizations;
- (c) increasing access to productive assets and technology; and
- (d) promoting more effective, responsive and accountable service organizations at the local level.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective:

Part A: Institutional Strengthening

Provision of technical assistance and training to provide the institutional and organizational support needed for the creation of Rural Alliances in the Pilot Areas including, *inter alia*:

1. The carrying out of a communication and dissemination campaign to inform potential stakeholders about the scope and rules of the Project through local workshops and mass-media outlets.
2.
 - (a) Strengthening of the institutional capacity of producer groups to: (i) form Rural Alliances and prepare investment plans; (ii) improve their marketing and business skills; and (iii) strengthen their skills for negotiating with potential purchasers in a Rural Alliance.
 - (b) Preparation of pre-feasibility and feasibility studies of Rural Alliances and their investment plans, and provision of training to relevant stakeholders on specific themes relevant to working with small, rural and/or indigenous producers.
3. Strengthening of the capacity of technical service providers and Eligible Municipalities to support the Rural Alliances through, *inter alia*:

- (a) training of officials of Eligible Municipalities in the Pilot Areas to familiarize them with the Rural Alliance concept and processes;
 - (b) training of staff of Rural Alliances' service providers on the Project and its fiduciary management, evaluation, organizational strengthening, business management and environmental aspects; and
 - (c) management of an information system with a service provider database in the UORs, including an outreach program to expand the number of available relevant providers.
4. (a) Publication and dissemination of Project activities including, *inter alia*, the results of the call-for-proposals for Subprojects, pre-feasibility and feasibility studies of Rural Alliances and their business plans; and
- (b) carrying out of financial, social, environmental and technical evaluations of Rural Alliances with the assistance of external evaluators.

Part B: Subprojects

1. Carrying out of subprojects consisting of, among others, one or more of the following activities (Producer Organization Subprojects):
- (a) on farm infrastructure such as minor irrigation canals, storage facilities and community centers for product processing and water harvesting structures;
 - (b) soil conservation measures such as terracing, land leveling and watershed treatments;
 - (c) provision and utilization of equipment, tools, machinery, veterinary supplies, seeds and other vegetative material and agriculture inputs; and
 - (d) provision of expert services and carrying out of studies in market and marketing, information technology, surveys, laboratory tests, publicity, organic certification and other technical productive services.
2. Carrying out of subprojects in support of the productive goals of the Rural Alliance and consisting of, among others, one or more of the following activities (the Municipal Subprojects):
- (a) rural road improvement; and
 - (b) provision of water, gas, electricity or other utility services.

Part C: Project Management

1. Establishment and operation of the UCN and UORs.
2. Setting up and operation of a financial management information system in MDRT.
3. Carrying out of technical studies relevant to the Project, including studies on market opportunities in rural areas, rural investment climate, social analysis of potential beneficiaries of the Project and selection of new pilot areas to be added to the Project, all as shall be proposed by the Recipient and agreed to by the Association.
4. Establishment of a functional, transparent, participatory and efficient monitoring and evaluation system for the Project, including external and independent evaluations conducted at the time of mid-term review and Project completion.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of implementing the Project, the Recipient shall:
 - (a) establish and maintain at all times during Project implementation:
 - (i) within MDRT, a national coordination unit with operational autonomy, established pursuant to Supreme Decree No. 28304, dated August 26, 2005 (the UCN); and
 - (ii) within the UCN in each of the Pilot Areas, a regional operation unit (UOR),

all with structures, functions and responsibilities acceptable to the Association and set forth in the Operational Manual, including, *inter alia*, the responsibility of the UCN to coordinate, monitor and supervise the carrying out of the Project, and the UORs' responsibilities in Subproject processing, field supervision and monitoring;
 - (b) ensure that the UCN and the UORs are, at all times during Project implementation, headed by a Project manager for the UCN, and staffed with adequate professional, fiduciary, administrative and technical personnel (including procurement and financial experts), all with qualifications, experience and terms of employment acceptable to the Association;
 - (c) ensure that the staff of the UCN and UORs are hired following a competitive and transparent selection process detailed in the Operational Manual; and
 - (d) not later than November 30, 2009, complete the staffing of the UORs.
2. (a) The Recipient shall, prior to the implementation of Subprojects in a Pilot Area or a part thereof, enter into an agreement with the respective *Prefectura* or *Prefecturas* with jurisdiction over such area, under terms and conditions which shall have been approved by the Association, which shall include, *inter alia*, the *Prefectura's* obligation to enable the Recipient to carry out the Project as set forth in the Operational Manual, including the operation of the respective UOR.

- (b) The Recipient shall exercise its rights under each of the *Prefectura* Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any of the *Prefectura* Agreements or any provision thereof.
- 3. The Recipient shall, prior to the implementation of any Municipal Subproject, enter into an agreement with FPS under terms and conditions which shall have been approved by the Association which shall include, *inter alia*:
 - (i) FPS' obligation to supervise the Municipal Subprojects, including all procurement carried out by Eligible Municipalities;
 - (ii) FPS' obligation to enter into, together with the Recipient, the Municipal Implementation Subproject Agreements; and
 - (iii) the conditions for the Recipient's payment, out of the proceeds of the Credit, of selected operating costs related to FPS' discharge of its responsibilities under the FPS Agreement.
- 4. The Recipient shall, prior to implementation of any Producer Organization Subproject, enter into an agreement with the Eligible Producer Organization and/or Eligible Market Agent, substantially in accordance with the terms of the respective Model Producer Organization Subproject Implementation Agreement which shall include, *inter alia*, the Eligible Producer Organization's and/or Eligible Market Agent's obligation to:
 - (i) carry out the Producer Organization Subproject in accordance with the requirements of the Operational Manual; and
 - (ii) procure the goods, works and services in accordance with the provisions of this Agreement.
- 5. The Recipient shall, prior to carrying out a Municipal Subproject, enter into an agreement with the Eligible Municipality, together with FPS, substantially in accordance with the terms of the Model Municipal Subproject Implementation Agreement, including, *inter alia*, the Eligible Municipality's obligation to:
 - (i) carry out the Municipal Subproject in accordance with the requirements of the Operational Manual; and
 - (ii) procure the goods, works and services in accordance with the provisions of this Agreement.

6. The Recipient shall exercise its rights under the FPS Agreement, and each of the Producer Organization Subproject Implementation Agreements and Municipal Subproject Implementation Agreements, in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the FPS Agreement or any of the Producer Organization Subproject Implementation Agreements and Municipal Subproject Implementation Agreements, or any provision thereof.

7. (a) Without limitation to the provisions of Section 3.01 of this Agreement, the Recipient shall carry out the Project in accordance with a manual (the Operational Manual), acceptable to the Association, said manual to include, *inter alia*:
 - (i) the environmental management plan for the Project including a pest management plan for the Project and the Subprojects;
 - (ii) the guidelines for the preparation of Annual Operational Plans and the financial management and procurement procedures of the Project (including an acceptable procurement filing system);
 - (iii) the criteria for the selection and monitoring of Rural Alliances and Eligible Producer Organizations and Eligible Market Agents;
 - (iv) the criteria and procedures for the eligibility (including the non-eligibility of any activity that would entail relocation or loss of shelter; loss of assets or access to assets; or loss of income sources or means of livelihood, whether or not the affected persons must move to another location), selection, approval, carrying out, monitoring and supervision of Subprojects;
 - (v) models of agreements for: (A) Producer Organization Subprojects; and (B) Municipal Subprojects; and
 - (vi) the organizational structure for implementation of the Project, including the functions of the UCN, and the UORs and the procedure to hire the UCN and UORs staff.
- (b) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

8. The Recipient shall:
 - (a) not later than November 15 of each year of Project implementation, starting in year 2005, furnish to the Association, for its approval, an

annual operational plan (the Annual Operational Plan), each said plan to include, *inter alia*: (i) the Project activities to be carried out by the Recipient, during the calendar year following the presentation of each said plan; (ii) the updated disbursement schedule for each said Project activities; (iii) a budget plan; (iv) a procurement plan; and (v) a Project schedule with timing of activities, linkages between activities and responsibilities; and (vi) the training program to be carried out the following calendar year; and

(b) thereafter implement and cause to be implemented said Annual Operational Plan, in accordance with its terms.

9. The Recipient shall:

(a) ensure that consultants and service contracts entered into to assist in the implementation of Producer Organization Subprojects are awarded on the basis of the selection criteria, evaluation process and form of contract set forth in the Operational Manual;

(b) carry out the communication campaign referred to in Part A.1 of the Project and set forth in the letter from the Recipient to the Association dated April 7, 2005, in accordance with its terms; and

(c) not later than January 31, 2006, select the experts required to carry out the financial evaluations referred to in Part A.4 (b) of the Project for the activities financed under the Additional Financing.

10. It is agreed by the parties to this Agreement that MDRT shall, yearly, prioritize within its overall budget allocation, the budget necessary for implementation of the Project during the following year.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association and as set forth in the Indicators Letter. 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.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Closing Date.

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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have the Project's Financial Statements 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. 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, and with the provisions of this Section.
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.
(d) Commercial Practices.
(e) Community Participation in Procurement (in accordance to the procedures set forth in the Operational Manual).

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.

<u>Procurement Method</u>	
(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 MDRT, 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 Initial Credit Allocated (expressed in SDR)</u>	<u>Amount of the Additional Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods	490,000	30,000	100%
(2) Special Services	150,000	220,000	100%
(3) Consultants’ services (including procurement financial audits) and Training	3,000,000	3,940,000	100%
(4) Producer Organization Subprojects	13, 130,000	10,900,000	100% of the amounts disbursed by the Recipient on account of the cost of goods, works and services under a Subproject
(5) Municipal Subprojects	1,290,000	2,850,000	100% of the amounts disbursed by the Recipient on account of the cost of goods, works and services under a Subproject

<u>Category</u>	<u>Amount of the Initial Credit Allocated (expressed in SDR)</u>	<u>Amount of the Additional Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(6) Deleted Category	0	0	0
(7) Operating Costs	740,000	1,000,000	100%
(8) Unallocated	100,000	960,000	
TOTAL AMOUNT	18,900,000	19,900,000	

B. Withdrawal Conditions; Withdrawal Period

1. For purposes of the table in paragraph 2 above, the terms:
 - (a) “Special Services” means expenditures incurred for implementation of the communication campaign referred to in Section A.1 of Schedule 1 to this Agreement, for consultants and other services, goods and materials;
 - (b) “Training” means expenditures (other than those for consultants’ services) incurred by the Recipient to finance reasonable transportation costs and *per-diem* of trainees and trainers (if applicable), rental of training facilities and equipment under the Project; and
 - (c) “Operating Costs” means reasonable recurrent expenditures that would not have been incurred by the Recipient and FPS absent the Project, for *inter alia*, salaries, transportation and *per-diem* costs of its staff including those for Eligible Producer Organizations participating in Project activities other than Training, office rent and utilities, operation and maintenance of office equipment, non-durable goods (all needed for the preparation and implementation of the Project) and health benefits only for the UCN and UOR staff who work for the Project.

2. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:
 - (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 660,000, may be made on account of payments made for expenditures before that date but after March 15, 2005;

- (b) payments covered by Categories (4) and (5) of the table in paragraph 2 above in each Pilot Area unless the required *Prefectura* Agreement or Agreements have been entered into;
- (c) payments covered by Categories (4) and (5) of the table in paragraph 2 above for a Subproject unless the environmental license required for implementation of the Project has been issued by any competent authority;
- (d) payments covered by Category (5) of the table in paragraph 2 above for a Subproject unless:
 - (i) the FPS Agreement and the respective Municipal Subproject Implementation Agreement have been entered into; and
 - (ii) 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; and
- (e) payments covered by Category (4) of the table in paragraph 2 above for a Subproject unless the respective Producer Organization Subproject Implementation Agreement has been entered into.

2. The Closing Date is March 31, 2014.

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 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:

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 1.13 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**

1. For the Initial Financing:

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15:	
Commencing August 15, 2015 to and including February 15, 2025.	1.25%
Commencing August 15, 2026 to and including February 15, 2040.	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.

2. For the Additional Financing:

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15:	
Commencing August 15, 2019 to and including February 15, 2029.	1.25%
Commencing August 15, 2029 to and including February 15, 2044.	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. “Additional Credit” or “Additional Financing” means the additional credit referred to in Section 2.01 of this Agreement.
2. “Annual Operational Plan” means any of the plans referred to in Section I.A.8 (a) of Schedule 2 to this Agreement.
3. “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.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “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.
6. “Eligible Market Agent” means a market agent or a legally established organization of market agents of a Rural Alliance eligible for implementation of any of the activities included in Part B.1 (d) of the Project as a Producer Organization Subproject.
7. “Eligible Municipality” means a municipality included in a Pilot Area and eligible for implementation of Municipal Subprojects in accordance with the provisions of the Operational Manual.
8. “Eligible Producer Organization” means a legally established producer organization of a Rural Alliance eligible for implementation of a Producer Organization Subproject in accordance with the provisions of the Operational Manual.
9. “Fiscal Year” means the Recipient’s fiscal year which commences on January 1 and ends on December 31.
10. “FPS” means *Fondo Nacional de Inversión Productiva y Social*, the Recipient’s Productive and Social Investment Fund, established pursuant to the Recipient’s Law Number 2235 of July 31, 2001.
11. “FPS Agreement” means the agreement referred to in Section I.A.3 of Schedule 2 to this Agreement.

12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
13. “Indicators Letter” means the letter dated February 11, 2009, from the Recipient to the Association, setting forth the Project monitoring indicators.
14. “Initial Credit” or “Initial Financing” means the initial credit referred to in Section 2.01 of this Agreement.
15. “MDRT” means *Ministerio de Desarrollo Rural y Tierras*, the Recipient’s Ministry of Rural Development and Land or its successor thereto.
16. “Model Municipal Subproject Implementation Agreement” means any of the agreements referred to in Section I.A.7 (v)(B) of Schedule 2 to this Agreement.
17. “Model Producer Organization Subproject Implementation Agreement” means any of the agreements referred to in I.A.7(v)(A) of Schedule 2 to this Agreement.
18. “Municipal Subproject” means a subproject to be carried out under Part B.2 of the Project by an Eligible Municipality selected, carried out, supervised and monitored in accordance with the provisions of the Operational Manual.
19. “Municipal Subproject Implementation Agreement” means any of the agreements referred to in Section I.A.5 of Schedule 2 to this Agreement.
20. “Operational Manual” means the manual referred to in Section I.A.7 of Schedule 2 to this Agreement.
21. “Pilot Area” means any of the areas listed in the Pilot Areas Letter, and any other pilot area as the Association shall agree, provided that the necessary environmental and social screenings for the additional area have been carried out and are satisfactory to the Association.
22. “Pilot Areas Letter” means the letter dated February 12, 2009, from the Recipient to the Association, setting forth the pilot areas.
23. “*Prefectura*” means any of the departmental representations of the Recipient’s executive branch as set forth in its Law Number 1654 of July 28, 1993, and/or their successors thereto (*Gobiernos Autonomos Departamentales*), pursuant to article 277 of the Recipient’s Constitution approved on February 7, 2009.
24. “*Prefectura Agreement*” means the agreement referred to in Section I.A.2 of Schedule 2 to this Agreement.

25. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
26. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 10, 2009 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.
27. “Producer Organization Subproject” means a subproject to be carried out under Part B.1 of the Project by an Eligible Producer Organization and/or and Eligible Market Agent selected, carried out, supervised and monitored in accordance with the provisions of the Operational Manual.
28. “Producer Organization Subproject Implementation Agreement” means any of the agreements referred to in Section I.A.4 of Schedule 2 to this Agreement.
29. “Rural Alliance” means a potential association or established association, as the case may be, of producers and market agents eligible for participation in Part A of the Project in accordance with the provisions of the Operational Manual.
30. “Subprojects” means collectively Producer Organization Subprojects and Municipal Subprojects.
31. “Subproject Implementation Agreement” means any of the agreements referred to in Sections I.A.3 or I.A.4 or I.A.5 of Schedule 2 to this Agreement.
32. “Supreme Decree” means the Recipient’s decree No. 28304, dated August 26, 2005, required to enable the financing of Producer Organization Subprojects, as per the terms of this Agreement.
33. “UCN” means the national coordination unit referred to in Section I.A.1(a)(i) of Schedule 2 to this Agreement.
34. “UOR” means any of the regional operating units referred to in Section I.A.1(a)(ii) of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

