

CONFORMED

CREDIT NUMBER 3788-BO

Development Credit Agreement

(Decentralized Infrastructure for Rural Transformation Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 23, 2003

CREDIT NUMBER 3788-BO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 23, 2003, between REPUBLIC OF BOLIVIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated May 16, 2003, describing a program designed to expand and improve delivery of infrastructure services to promote rural development in the Borrower's territory (the Program) and declaring the Borrower's commitment to the execution of such program; and

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

(a) Paragraph (c) of Section 9.06 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Country Gateway” means a locally owned and managed public-private partnership program to facilitate and catalyze the use of ICT (as hereinafter defined) for development and poverty reduction and which consists of country-level portals and other offline initiatives within the Development Gateway program (as hereinafter defined);

(b) “Development Gateway” is an internet interactive portal for information and knowledge sharing on sustainable development and poverty reduction;

(c) “Financial Monitoring Reports” or “FMRs” means all and each report prepared in accordance with Section 4.02 of this Agreement;

(d) “ICT” means information and communication technology;

(e) “OBA” means output based aid;

(f) “PCU” means the Project coordination unit, established within the Borrower’s Ministry in charge of services and public works and referred to in paragraph 2 (b) of Schedule 4 to this Agreement;

(g) “Project Operational Manual” means the manual referred to in paragraph 1 of Schedule 4 to this Agreement;

(h) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on June 11, 2002 and on behalf of the Borrower on June 24, 2002;

(i) “Service Management Contracts” means any or all the agreements executed between the Borrower and private sector service providers under Part B.1 and B.3 of the Project; and

(j) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in

various currencies equivalent to fifteen million Special Drawing Rights (SDR 15,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in its Central Bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2007, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 2013 and ending February 15, 2023. Each installment to and including the installment payable on February 15, 2023 shall be five percent (5%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, social, environmental, financial and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project, including Service Management Contracts under Parts B.1 and B.3 of the Project, and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project and designed to ensure its sustainability; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including as part of the information to be provided in each report a management letter concerning internal controls; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first semester; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent semester, and shall cover such semester.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out; and

(b) Service Management Contracts shall have been amended, suspended, abrogated, repealed, waived or not enforced, in whole or in part, so as to, in the opinion of the Association, affect materially and adversely the implementation of Parts B.1 or B.3 of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The Borrower has adopted operational financial management arrangements satisfactory to the Association;

(b) the Borrower has adopted the Project Operational Manual, in form and substance satisfactory to the Association;

(c) the Borrower has established the PCU in the Ministry in charge of services and public works and appointed its key staff, including a Project Director, a procurement officer, a financial management officer, an electricity technical specialist and a telecommunication technical specialist, all in numbers and with terms of reference, qualifications and experience acceptable to the Association and appointed in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(d) the Borrower has furnished to the Association: (i) the bidding documents related to Parts B.1 and B.3 of the Project; and (ii) the detailed procurement plan for the Project; all in form and substance satisfactory to the Association; and

(e) the Borrower has appointed the auditors referred to in Section 4.01 (b) (i) of this Agreement in accordance with the provisions of Section II of Schedule 3 to this Agreement.

Section 6.03. The date October 21, 2003 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Hacienda
Palacio de Comunicaciones, Piso 19
Av. Mariscal Santa Cruz, esq. Calle Oruro s/n
La Paz, Bolivia

Cable address:
FINANZA
La Paz, Bolivia

Facsimile:

(591-2) 235-9955

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(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 Otero

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ David de Ferranti

Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	750,000	85%
(2) Goods	400,000	85%
(3) Expenditures under Service Management Contracts		
(a) under Part B.1 of the Project	5,900,000	100% of allocated OBA payments for photovoltaic systems
(b) under Part B.3 of the Project	3,000,000	100% of allocated OBA payments for cellular phone expansion
(4) Consultants services		
(a) under Part A of the Project	800,000	85%
(b) under Parts B and C of the Project	700,000	85%
(c) under Parts D and E of the Project	700,000	85%
(d) Project audits	200,000	85%
(5) Operating Costs	300,000	85%

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(6) Refunding of Project Preparation Advance	1,450,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	800,000	
TOTAL	<u>15,000,000</u>	

2. For the purposes of this Schedule:

(a) the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office furniture and supplies, vehicle operation and maintenance, communication and insurance costs, rental expenses, office maintenance costs, utilities, training and travel cost for Project staff and for other Borrower’s officials directly involved in Project implementation (but excluding salaries of officials of the Borrower’s civil service), none of which would have been incurred absent the Project;

(b) the term “OBA payments for photovoltaic systems” means an amount or amounts paid ex-post by the Borrower to private sector service providers upon installation of solar home systems and delivery of market development services under Parts B.1 of the Project, which amount cannot exceed the agreed price set forth in the relevant Management Service Contract for such installation and delivery and cannot include any sales tax and transaction taxes; and

(c) the term “OBA payments for cellular phone expansion” means an amount or amounts paid ex-post by the Borrower to private sector service providers upon installation of cellular phones, delivery of training for marketing personnel and roaming services with other operators under Part B.3 of the Project, which amount cannot exceed the agreed price set forth in the relevant Management Service Contract for such installation and delivery and cannot include any sales tax and transaction taxes.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures under category (3) above unless the Association has received confirmation by the PCU in form and substance satisfactory to the Association that the related service performed under Parts B.1 and B.3 of the Project has been completed; and (b) payments made for expenditures prior to the date of this agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than \$500,000 equivalent each; (b) goods under contracts costing less than \$250,000 equivalent each; (c) services under consulting contracts with firms costing less than \$100,000 equivalent each; (d) services under consulting contracts with individuals costing less than \$50,000 equivalent each; and (e) operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to expand and improve the delivery of infrastructure services through private sector-led mechanisms as a catalyst for the development of rural areas in the Borrower's territory.

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

Part A: National Rural Infrastructure Strategy

Development of effective strategies to improve and accelerate electricity and ICT coverage in rural areas through the: (i) design of rural infrastructure expansion programs; (ii) carrying out of a demand analysis; (iii) design of legal and regulatory frameworks; (iv) design of subsidy and access policies; (v) strengthening of policy making and implementing institutions; and (vi) design of adequate mechanisms for carbon credit utilization; all through the acquisition of goods and the provision of technical advisory services, capacity building activities, and training for the Borrower's civil service staff working in regulatory, policy-making and implementing institutions.

Part B: Rural Coverage Expansion

1. Solar Photovoltaic System Installation and Market Development

Provision of rural electricity services by contracting private sector service providers to: (i) acquire, install, operate, maintain and pass ownership of solar home systems to rural households, micro-enterprises, schools, health posts and other rural establishments in defined areas; and (ii) deliver specified local market development services.

2. Grid Densification

Increase of electricity access in areas in close proximity to the existing power distribution grids by: (i) developing a grid densification strategy; (ii) setting access policies; (iii) modifying existing regulatory and technical standards; and (iv) implementing a pilot initiative to increase the density of existing grids; all through execution of works, the acquisition of goods and equipment and the provision of technical advisory services.

3. Telephone Coverage Expansion

Extension of cellular telephone coverage in rural areas by contracting private sector providers to install repeater stations and other necessary equipment and provide cellular service in defined areas.

4. Other Energy and ICT Investment

Carrying out of pilot small interventions related to coverage expansion, such as, by installing household-based pico-hydro units, computers and other ICT equipment and by expanding local television and radio station coverage; all through the execution of works, the acquisition of goods and equipment and the provision of technical advisory services.

C. Productive and Social Uses

1. Productive Uses

Identification, development, facilitation and promotion of productive uses of electricity, primarily solar-based, in rural areas, focusing on income and employment-generating activities, such as refrigeration, water pumping and appliances for agro-processing; all through the execution of works, the acquisition of goods and equipment and the provision of technical advisory services (including capacity-building initiatives) to policy-making, regulatory and implementing institutions, as well as the private sector.

2. Social Uses of Electricity

Identification, development, facilitation and promotion of social uses of electricity, primarily solar-based, in rural areas, focusing on electrification of schools and health centers; all through the acquisition of goods and services and the provision of technical advisory services (including capacity building initiatives) to policy-making, regulatory and implementing institutions.

3. Productive and Social Uses of ICT

Identification, development, facilitation and promotion of productive and social uses of ICT, focusing on income and employment-generating activities, such as: (i) expansion of access to agricultural prices and other relevant agro-information using ICT tools, including internet, radio and television programs; and (ii) development of an internet-based portal (Country Gateway) which will include sub-portals for agriculture, energy, rural finance and other relevant economic and social themes, all through the acquisition of goods and equipment and the provision of technical advisory services (including capacity building initiatives) to policy-making, regulatory and implementing institutions, as well as the private sector.

D. Promotion, Communication and Capacity-Building

Provision of a common platform for community consultations, by promoting campaigns for rural infrastructure expansion programs and training of end-users, private sector service providers and intermediary and community associations, in order to benefit from the new infrastructure efficiently and productively and to promote and disseminate ICT-based services; all through the acquisition of goods and the provision of technical advisory services and training.

E. Project Management, Monitoring and Evaluation

1. Project Management

Management of project implementation through acquisition of goods and provision of technical advisory services, including training for the PCU.

2. Monitoring and Evaluation

Monitoring and evaluation of Project implementation by: (i) developing indicators, baselines and methodologies; (ii) making a periodic evaluation of progress toward achieving the identified targets; (iii) making a final evaluation upon project completion; and (iv) preparing follow-up operations; all through the acquisition of goods and the provision of technical advisory services.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods, Non-Consultant Services and Works

1. Guidelines

Goods, non-consultant services and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines), as such Guidelines may be revised by the Bank from time to time; and (b) the applicable provisions of this Schedule.

2. Grouping of Contracts

(a) Contracts for goods, non-consultant services and works shall be packaged in sizes adequate to attract maximum competition and to ensure economy and efficiency in the procurement process. Contracts shall not be divided into smaller units in order to make them less appropriate for competitive procedures. Any proposal to divide a contract into smaller packages shall require the prior approval of the Association.

(b) To the extent practicable: (i) contracts for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each; (ii) contracts for non-consultant services shall be grouped in bid packages estimated to cost \$1,000,000 equivalent or more each; and (iii) contracts for works shall be grouped in bid packages estimated to cost \$3,000,000 equivalent or more each.

3. Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

4. Standard documents

In the procurement of goods, non-consultant services and works under NCB, SI/N and PSW (as hereinafter defined) the Borrower shall use standard documents acceptable to the Association.

Section II: Employment of Consultants

Consultant Guidelines

Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of

Consultants by World Bank Borrowers” published by the Association in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), as such Consultant Guidelines may be revised by the Bank from time to time; and (b) the applicable provisions of this Schedule.

Section III. Records and audits

1. Records

- (a) The Borrower shall:
 - (i) maintain or cause to be maintained Procurement Records adequate to reflect in accordance with sound procurement practices (including related supervision, review and auditing) the procurement activities of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof; and
 - (ii) ensure that all such Procurement Records evidencing such procurement activities are retained until at least two (2) years after the Closing Date.

- (b) For the purposes of this Section, Procurement Records mean:
 - (i) with respect to procurement of goods, non-consultant services and works: public notices of bidding opportunities; bidding documents and addenda; bid opening information; bid evaluation reports; formal appeals by bidders and outcomes; signed contracts, addenda and amendments; records on claims and dispute resolution; and records of time taken to complete key steps in the process; and
 - (ii) with respect to selection of consultants: public notices for expressions of interest; requests for proposals and addenda; technical and final evaluation reports; formal appeals by firms and related outcomes; signed contracts, addenda and amendments; records on claims and dispute resolution, and records of time taken to complete key steps in the process.

2. Audits:

The Borrower shall:

(a) have the Procurement Records audited each of the Borrower's fiscal years, in accordance with internationally accepted procurement standards consistently applied, by independent procurement experts acceptable to the Association;

(b) furnish to the Association, as soon as available, but in any case no later than four months after the end of each such fiscal year, the report of said audit, of such scope and in such detail as the Association shall have reasonably requested; and

(c) at any time during Project implementation, furnish to the Association such other information concerning said audit, as the Association may reasonably request.

Section IV. Review of Procurement Action

1. Prior to the issuance of (a) any invitations to bid for goods, non-consultant services or works; or (ii) any requests for proposals to consultants, the proposed procurement plan for the Project shall be furnished to the Association by the Borrower for the Association's review and approval, in accordance with the provisions of paragraphs 1 of Appendices 1 to the Guidelines and the Consultant Guidelines. Procurement of all goods, non-consultant services and works and selection of all consultants' services shall be undertaken in accordance with such procurement plan as shall have been approved by the Association (the Procurement Plan), and with the provisions of said paragraphs.

2. Not later than June 1 and December 1 of each year of Project implementation, the Borrower shall furnish to the Association, for its review and approval, a detailed update of the Procurement Plan for the upcoming calendar semester. Such update shall include: (a) a firm list of contracts to be procured in the upcoming calendar semester and a tentative list of contracts to be procured in the subsequent semester; (b) estimated contract costs; (c) schedule for bidding; and (d) particular methods of procurement of goods, non-consultant services works and selection of consultants.

3. The Borrower shall arrange the publication of a summary of the Procurement Plan and any update thereof in the UN Development Business Magazine*.

4. The Borrower and the Association shall meet from time to time to review implementation progress of the Procurement Plan.

* See footnote 19 to paragraph 2.7 of the Guidelines.

5 Any modification to the Procurement Plan shall require the Association’s prior review and approval.

Section V. Specific Provisions for the Procurement of Goods, Non-Consultant Services, Works, and Employment of Consultants

Procurement item as per the Procurement Plan	Contract Value (Threshold)	Procurement Method	Bank Review
1. Civil Works	\$3,000,000 or more	ICB	Prior Review of each contract
	Less than \$3,000,000 but more than \$250,000	NCB	Prior review of each contract estimated to cost \$500,000 or more
	\$250,000 or less	Three Quotations (PSW)	Prior Review: twice-yearly review of contracting program. Post Review: random sample of contracting documents.
	As provided in the Procurement Plan	Other Methods of Procurement	As provided in the Procurement Plan
2. Goods and Services	\$200,000 or more	ICB	Prior Review: each contract estimated to cost \$250,000 equivalent or more
	Less than \$200,000 but more than \$50,000	NCB	Prior Review: None Post Review: twice-yearly review of contracting program. Program to specify which contracts to be reviewed.
	\$50,000 or less	Shopping (International /National) - S(I/N)	Prior Review: twice-yearly review of contracting program. Program to specify which contracts to be reviewed. Post Review: random sample of contracting documents.
	As provided in the Procurement Plan	Other Methods of Procurement	As provided in the Procurement Plan

Procurement item as per the Procurement Plan	Contract Value (Threshold)	Procurement Method	Bank Review
3. Consultant Services 3.1 Firms	As provided in the Procurement Plan	QCBS	Prior Review for Consultants: all TORs, short lists (including full review of technical and combined evaluations) of each contract estimated to cost \$100,000 or more: Twice-yearly review of contracting program under agreed TORs. Post Review for Consultants: random sample review of contracts estimated to cost less than \$100,000.
	As provided in the Procurement Plan	Other Methods of Selection	As provided in the Procurement Plan
3.2 Individual Consultants	As provided in the Procurement Plan	IC	Prior Review for Consultants: each contract estimated to cost \$50,000 or more: twice-yearly review of contracting program under agreed standard TORs Post Review for Consultants: random sample of contracting documents
4. Amendments and extensions of contracts	Increase in contract value above threshold established in the Bank Review column		Prior Review or Prior Review for Consultants, as the case may be.

Definitions:

1. "ICB" means the International Competitive Bidding procedure set forth in Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. "IC" means the Individual Consultants selection procedure set forth in paragraphs 5.1 through 5.3 of the Consultant Guidelines.

3. “NCB” means the National Competitive Bidding procedure set forth in paragraphs 3.3 and 3.4 of the Guidelines.
4. “Other Methods of Procurement” means the methods of procurement set forth in Section III of the Guidelines.
5. “Other Methods of Selection” means the methods of selection set forth in Section III of the Consultant Guidelines.
6. “Post Review for Consultants” means the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines, provided, however, that if the Association determines, at any time, that the proposed selection is inconsistent with the provisions of the Consultant Guidelines or this Schedule, it shall promptly inform the Borrower and state of the reasons for its determination.
7. “Post Review” means the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines, provided, however, that if the Association determines, at any time, that the proposed procurement is inconsistent with the provisions of the Guidelines or this Schedule, it shall promptly inform the Borrower and state of the reasons for its determination.
8. “Prior Review for Consultants” means the procedures set forth in paragraphs 1, 2 and 5 of Appendix 1 to the Consultant Guidelines.
9. “Prior Review” means the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines.
10. “PSW” means the procurement of small works procedure for lump sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.
11. “QCBS” means the Quality and Cost-based selection procedure set forth in Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the applicable provisions of paragraphs 3.13 through 3.18 thereof.
12. “S(I/N)” means the Shopping (International and National) procedure referred to in paragraphs 3.5 and 3.6 of the Guidelines.
13. “TORs” means terms of reference.

Section VI. Special Provisions for Bolivia

A. In addition to, and without limitation on, any other provision set forth in this Schedule or the Guidelines, the following rules shall govern all procurement of goods under NCB:

1. A merit point system shall not be used in the prequalification 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 Borrower shall open all bids at the stipulated time and place in accordance with a procedure satisfactory to the Association.
4. The Borrower 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) which 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 of 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. However, successful bidders for Parts

B.1 and B.3 of the Project, will be required to establish a legal local entity in the territory of the Borrower.

14. No other procurement rules or regulations of the Borrower's agencies or of any state-owned entity shall apply without the prior review and consent of the Association.

B. In addition to and without limitation on any other provisions set forth in this Schedule or the Consultant Guidelines, the following rules shall govern all procurement of consultants' services referred to in this Schedule:

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 1.12 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 Bolivian authorities.

3. Foreign consultants shall not be required to be registered in the Borrower's National Registry of Consultants (*Registro Nacional de Consultoría*).

SCHEDULE 4

Implementation Program

1. General

The Borrower shall carry out the Project in accordance with procedures, guidelines, timetables and criteria set forth in a manual issued by the Borrower for the Project (the Project Operational Manual) and, except as the Association shall otherwise agree, the Borrower shall not amend, cancel or waive any provision thereof if, in the opinion of the Association, such amendment cancellation or waiver may materially and adversely affect the implementation of the Project. In case of any conflict between the provisions of said manual and those of this Agreement, the provisions of this Agreement shall prevail.

2. Coordination and Management

The Borrower shall:

(a) Maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Project Operational Manual and summarized in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof.

(b) (i) Maintain a Project coordination unit (the PCU) during Project implementation, in a form and with functions and resources acceptable to the Association; (ii) cause the PCU to maintain during Project implementation its key staff with qualifications and experience acceptable to the Association and personnel in adequate numbers, all of whom shall be appointed on terms and conditions satisfactory to the Association and in accordance with the provisions of Section II of Schedule 3 to this Agreement; and (iii) cause the PCU to carry out the daily facilitation, implementation, procurement, monitoring, evaluation and coordination of the Project.

3. Annual Reviews and Midterm Review

The Borrower shall:

(a) prepare, under terms of reference satisfactory to the Association and furnish annually to the Association, for review and comments, without limitation to the Borrower's obligations under Sections 3.03 and 4.02 of this Agreement, a combined report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 2 (a) of this Schedule 4, on the progress achieved in the carrying out the Project during the twelve-month period preceding the date of said report, and a draft work program and related budget, including the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof

during the twelve months' period following such date (Annual Review). The first such report shall be furnished to the Association no later than December 31, 2003 or such later date as the Borrower and the Association shall determine;

(b) review with the Association, within four weeks following the submission of each report referred to in subparagraph (a) of this paragraph, said report, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the views of the Association on the report;

(c) by June 30, 2005, or such other date as the Association shall agree upon, carry out jointly with the Association a mid-term review of the implementation of operations under the Project (Midterm Review). The Midterm Review shall cover the progress achieved in the implementation of the Project; and

(d) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the Association.

4. Procurement Plans

The Borrower shall, until the completion of the execution of the Project: (a) furnish to the Association no later than November 30 each year, starting on November 30, 2003, a procurement plan acceptable to the Association covering the period remaining for the completion of the execution of the Project; (b) review with the Association within four weeks following the submission of the procurement plan referred to in subparagraph (a) of this paragraph said procurement plan; and (c) thereafter take all measures required to ensure the efficient completion and achievement of the procurement plan based on its conclusions and recommendations and on the views of the Association on the said procurement plan.

5. Private Sector Service Providers under Parts B.1 and B.3 of the Project

Without limitation under the provisions of paragraph 1 above, the Borrower shall select the private sector service providers in accordance with the provisions of Schedule 3 to this Agreement and shall make payments to said service providers in accordance with Service Management Contracts and with the Project Operational Manual upon the completion of specific installation, operation, maintenance, user training and market development outputs over a medium-term contracted period.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR700,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested; and

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is

requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Performance Indicators

The performance indicators for the Project shall include the following, said indicators being subject to modifications by agreement between the Borrower and the Association:

Performance Indicators	Target Dates	
	Mid Term	End of Project
1. Number of Equivalent Photovoltaic Solar Home Systems Installed	4,000	15,000
2. Number of Service Management Contracts for Part B.1 of the Project	3	6
3. Number of New Users Connected under Part B.2 (iv) of the Project	100	300
4. Number of New Cellular Phone Connections in Rural Areas	5,000	25,000
5. Rural Population covered by the New Cellular Phone Services	200,000	1,000,000
6. Number of New Productive Users of Electricity under Parts B.1 and C.1 of the Project	20	100
7. Tons of Carbon Dioxide Abated	3,000	14,000
8. Country Gateway fully operational by End of Project		X

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