

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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CONFORMED COPY FOR PUBLIC DISCLOSURE

April 6, 2010

Her Excellency
Elba Viviana Caro Hinojosa
Minister of Development Planning
Ministry of Development Planning
Palacio de Comunicaciones, Piso 5
Ave. Mariscal Santa Cruz, esq. Oruro
La Paz, Bolivia

Re: Credit No. 4366-BO (Land for Agricultural Development Project)
Amendment and Restatement to the Development Credit Agreement

Excellency:

Please refer to the Development Credit Agreement dated February 11, 2008 between the Plurinational State of Bolivia (the Borrower) and the International Development Association (the Association). Capitalized terms used in this amendment letter and not defined herein have the meaning ascribed to them in the Development Credit Agreement.

Pursuant to your request dated January 19, 2009, as well as our recent discussions on the subject, the Association hereby agrees to amend and restate the Development Credit Agreement to incorporate the new modalities for land acquisition and to eliminate the participation of the *Banco de Desarrollo Productivo* (BDP).

Consequently the Development Credit Agreement is hereby amended and restated as set forth in Annex I to this Amendment Letter.

Please confirm your agreement with the foregoing amendment by signing and dating this amendment letter in the spaces provided below. This amendment letter shall be executed in two counterparts each of which shall be an original. Upon confirmation please return one fully executed original to us.

The provisions set forth in this amendment letter shall become effective as of the date above written upon receipt by the Association of: (i) one fully executed original of this amendment letter; and (ii) the amended *Decreto Supremo* No. 28160, acceptable to the Association.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ C. Felipe Jaramillo
Director
Bolivia, Ecuador, Perú and Venezuela
Latin America and the Caribbean Region

AGREED:

REPUBLIC OF BOLIVIA

By: /s/ Elba Viviana Caro Hinojosa
(Authorized Representative)

Title: Minister of Development Planning

Date: May 31, 2010

Development Credit Agreement

(Land for Agricultural Development Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 11, 2008

As amended and restated on April 6, 2010

CREDIT NUMBER 4366-BO**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated February 11, 2008, as amended and restated on April 6, 2010, between REPUBLIC OF BOLIVIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) 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 May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods, works or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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

(a) “Beneficiary Association” and “BA” mean a legal entity established pursuant to either *Ley No. 2235* or *Decreto Supremo No. 28160*, as amended to date by *Decreto Supremo No. 28495* of the Borrower, dated December 10, 2005 (as hereinafter defined) and determined to be eligible to receive, pursuant to the criteria and guidelines specified in the POM (as hereinafter defined): (i) a Land Credit Facility under Part A (2) of the Project; and thereafter, (ii) an Investment Grant under Part B (1) of the Project;

(b) “Council for Local Agrarian Development” and “CODAL” mean a local level committee consisting of municipal officials and representatives of civil society mainly and responsible for approving Land Acquisition Subprojects and Investment Subprojects (as hereinafter defined) eligible for financing under the Project;

(c) “Eligible Categories” means Categories (1) through (3) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(d) “Eligible Expenditures” means the expenditures under the Land Credit Facility and for the Investment Subprojects, the goods, works and consultants’ services referred to in Section 2.02 of this Agreement;

(e) “Interim Financial Report” or “IFR” means each report prepared in accordance with Section 4.02 of this Agreement.

(f) “Investment Grant” means a matching grant made or proposed to be made under Part B of the Project to a BA for the carrying out of an Investment Subproject (as hereinafter defined);

(g) “Investment Grant Agreement” means an agreement to be entered into under the Project between a BA and MDRYT for the financing of an Investment Subproject under Part B of the Project;

(h) “Investment Subproject” means: (i) a specific project in land infrastructure or land productivity increase; (ii) specific technical advisory services in relation thereto; and (iii) such other activity and project as shall be identified by a BA and determined to be eligible pursuant to the POM (as hereinafter defined) and to be carried

out by or, for the benefit of, such BA, utilizing the proceeds of an Investment Grant made under Part B of the Project;

(i) “Land Credit Facility” means a credit facility extended or proposed to be extended to a BA by a PFI (as hereinafter defined) for Land Acquisition in the territory of the Borrower, utilizing the proceeds of the Credit;

(j) “Land Acquisition” means the acquisition of *Pequeña Propiedad and/or Propiedades Comunitarias* through the following methods of acquisition contemplated in the Borrower’s legal framework: (i) purchase (*compra-venta*); (ii) leasing (*arrendamiento*); and (iii) rights for land use (*derechos de uso de suelo*) and community shares (*aparcería communal*).”

(k) “Land Acquisition Agreement” means the agreement between a BA and a PFI (as hereinafter defined) setting forth the terms and conditions under which a Land Credit Facility shall be made available to a BA for the purpose of financing a Land Acquisition under Part A (2) of the Project;

(l) “Land Acquisition Subproject” and “LP Subproject” mean: (i) a specific project for the market acquisition of privately-held productive land; and (ii) a productive investment plan in relation thereto, determined to be eligible under the POM (as hereinafter defined) and to be carried out by or, for the benefit of, a BA utilizing the proceeds of a Land Credit Facility made under Part A (2) of the Project;

(m) “MDRYT” means *Ministerio de Desarrollo Rural y Tierras*, the Borrower’s Ministry of Rural Development and Land;

(n) “Municipality Partner” means each participating municipality under the Project which has entered into a Partnership Agreement with MDRYT for the carrying out of selected activities under the Project;

(o) “NGO” means a non-governmental organization operating under the laws of the Borrower;

(p) “Participation Agreement” means the Agreement to be entered into between the Borrower, through MDRYT, and a PFI (as hereinafter defined) pursuant to which proceeds of the Credit shall be made available to the PFI for the financing of land acquisition by eligible BAs;

(q) “Participating Financial Institution” and “PFI” mean a public or private sector institution, agency or NGO selected in accordance with the guidelines set forth in the POM for the financing of Land Acquisition Subprojects;

(r) “Partnership Agreement” means the agreement entered into between MDRYT and each participating municipality under the Project for the purpose of carrying out Project activities in the relevant municipality;

(s) “PCU” means the Project Coordinating Unit established under the administrative authority of MDRYT and responsible for the coordination of Project activities;

(t) “*Pequeña Propiedad*” means small property as defined in paragraph 2 of Article 41, Chapter I of Title III of the Borrower’s *Ley No. 1715* dated October 18, 1996;

(u) “Procurement Plan” means the Borrower’s procurement plan, dated April 24, 2007, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(v) “Project Decree” means the *Decreto Supremo* No. 28160 dated May 17, 2005 and published in the Borrower’s official gazette on May 18, 2005, setting forth the enabling legislation and all institutional arrangements concerning the implementation of the Project, and as amended to date by *Decreto Supremo* No. 28495 dated December 10, 2005 and *Decreto Supremo* No. 28734 dated June 10, 2006;

(w) “Project Operational Manual” and “POM” mean the comprehensive manual referred to in Section 3.04 of this Agreement;

(x) “Project Preparation Advance” means the project preparation advance granted by the International Development Association (the Association) to the Borrower pursuant to the letter agreement signed on behalf of the Association on April 07, 2005 and on behalf of the Borrower on May 11, 2005;

(y) “Project Year” and “PY” mean each twelve month period during Project Implementation starting from the day after the Effective Date and ending twelve calendar months thereafter, and each subsequent twelve month period thereafter until completion of the Project;

(z) “*Propiedades Comunitarias*” means community property as defined in paragraph 6 of Article 41, Chapter I of Title III of the Borrower’s *Ley No. 1715* dated October 18, 1996;

(aa) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.4 of Schedule 1 to this Agreement;

(bb) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement; and

(cc) “Subproject” means, depending on the context: (i) either the Investment Subproject or the Land Acquisition Subproject taken separately; or (ii) collectively, an Investment Subproject and a Land Acquisition Subproject.

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 this Agreement, an amount in various currencies equivalent to nine million eight hundred thousand Special Drawing Rights (SDR 9,800,000).

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: (i) 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 (ii) amounts paid (or, if the Association shall so agree, to be paid: (A) by a PFI on account of withdrawals made out of the proceeds of the Credit to benefit a BA under the Land Credit Facility described in Part A (2) of the Project; or (B) by MDRYT, on account of withdrawals made out of the proceeds of the Credit to meet the reasonable cost of goods, works and services required for the carrying out of an Investment Subproject under Part B(1) of the Project, and in respect of which the withdrawal from the Credit Account is requested.

(b) 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 June 29, 2012 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 February 15, 2018 and ending August 15, 2042. Each installment to and including the installment payable on August 15, 2027 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) 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 Association shall consider the Borrower creditworthy

for Association 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 through MDRYT, assisted by its Vice Ministry of Land and PCU, with due diligence and efficiency and in conformity with appropriate public utility, administrative and financial practices, and with due regard for environmental 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 this Agreement and the POM.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association no later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

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 no later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

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

Section 3.04. (a) No later than the Effective Date, the Borrower shall adopt a Project operational manual, satisfactory in form and substance to the Association, setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following:

- (i) the detailed description of: (A) Project activities; and (B) institutional arrangements in respect thereof;
- (ii) the Project administrative, accounting, auditing and financial procedures;
- (iii) the procurement methods and procedures for the Project, including standard bidding documents in relation thereto;

- (iv) the eligibility criteria for lands to be acquired with the proceeds of the Land Credit Facility, in accordance with Article 7 of the Project Decree, and including the criterion that the land has not been subject to reversion by the Borrower as described: (A) in Chapter I of Title IV of the Borrower's *Ley No. 1715* dated October 18, 1996 as amended by Borrower's *Ley No. 3545* dated November 28, 2006 (*Ley de Reconducción Comunitaria de la Reforma Agraria, Modificatoria de la Ley del Servicio Nacional de Reforma Agraria No. 1715 de 18 Octubre de 1996*); or (B) in Borrower's law in effect prior to the amendment of *Ley no.1715*;
- (v) the selection method for PFIs, the model form of the Participation Agreements, the eligibility criteria for BAs, and the procedures for carrying out activities under Land Acquisition Subprojects and the terms and conditions for the Land Acquisition Agreements and the Investment Grant Agreements, including, whenever applicable, all standard documents in relation thereto; and
- (vi) the plan for the monitoring and supervision of the Project, including, whenever applicable, the measures relating to the development of the Borrower's indigenous population and the preservation of natural habitats.

(b) The Borrower shall: (i) maintain the POM throughout Project implementation; (ii) take all measures necessary to ensure that the Project is carried out in conformity with the POM; and (iii) amend the POM from time to time, as necessary, solely with the Association's prior written consent.

(c) In the event that any provision of the POM shall enter in conflict with anyone under this Agreement, the terms of this Agreement shall prevail.

Section 3.05. The Borrower shall:

(a) no later than three (3) months after the Effective Date, appoint an independent auditor, with experience, qualifications and terms of reference satisfactory to the Association, to carry out a technical audit of a pilot operation of the Project financed under the Project Preparation Advance;

(b) furnish to the Association, no later than six (6) months thereafter, satisfactory in form and substance to the Association, said technical audit report; and thereafter

(c) promptly implement the recommendations of said audit, taking into consideration the recommendations of the Association thereon.

Section 3.06. No later than three (3) months after the Effective Date the Borrower shall appoint independent financial auditors for the Project with experience, qualifications and terms of reference satisfactory to the Association and in accordance with the provisions of Section III of Schedule 3 to this Agreement.

Section 3.07. The Borrower shall:

(a) establish and thereafter maintain at all times during the implementation of the Project, a Project coordinating unit:

- (i) with staff appointed in accordance with the provisions of section III of Schedule 3 to this Agreement, and with form, functions and resources satisfactory to the Association;
- (ii) under the administrative authority, and subject to the monitoring and supervision of MDRYT assisted by the Vice Minister of Lands within it, to whom it will report on a semi-annual basis; and
- (iii) responsible for the effective coordination of the Project, including procurement, financial management, audit, and monitoring and evaluation in relation thereto.

(b) ensure that PCU, through MDRYT, submit annual work plans and budget to the Association for its review and approval.

Section 3.08. The Borrower shall:

- (a) ensure, through CODAL, that the Land Acquisition Subprojects and the Investment Subprojects are identified, appraised, approved, implemented and evaluated in accordance with the procedures set forth or referred to in the POM;
- (b) carry out, on an annual basis, under terms of reference satisfactory to the Association, an independent technical audit and procurement review of the implementation of the Land Acquisition Subprojects and the Investment Subprojects, focusing on the adherence to the guidelines and procedures set forth in the POM; and

- (c) carry out, under terms of reference satisfactory to the Association, an assessment of the impact of the Project on BAs, covering a period to be agreed with the Association.

Section 3.09. The Borrower shall:

- (a) enter into Participation Agreements with participating financial institutions setting forth therein the terms, conditions, modalities and respective obligations pursuant to which they will provide financing to eligible BAs under eligible Land Acquisition Agreements, in accordance with the provisions set forth in the POM;
- (b) enter into a Partnership Agreement with each participating municipality of the Borrower's territory to undertake selected activities under the Project, as described in the POM;
- (c) ensure that PFIs enter into Land Acquisition Agreements with eligible BAs, on terms and conditions that will be consistent with: (i) the obligations contained in their own Participation Agreements with PFI; and (ii) the Land Credit Facility scheme and related arrangements set forth in the POM;
- (d) through MDRYT, enter into an Investment Grant Agreement with each BA setting forth the respective obligations of both parties in carrying out the Investment Subproject; and
- (e) ensure that payments under the Land Credit Facility and the Investment Subprojects shall be made in accordance with the conditions specified under Part A.2 (b) and (c) of Schedule 1 to this Agreement.

Section 3.10. 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 agreed with the Association, the carrying out of the Project and the achievement of the objectives thereof;
- (b) prepare, under terms of reference satisfactory to the Association and furnish to the Association, on or about March 30 in each year during Project implementation, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting

out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by May 15 in each year during Project implementation, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, 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 Association's views on the matter.

Section 3.11. The Borrower shall ensure that the lands acquired with the proceeds of the Land Credit Facility shall not be subject to reversion as described in Chapter I of Title IV of the Borrower's *Ley No. 1715* dated October 18, 1996 as amended by Borrower's *Ley No. 3545* dated November 28, 2006 (*Ley de Reconducción Comunitaria de la Reforma Agraria, Modificatoria de la Ley del Servicio Nacional de Reforma Agraria No. 1715 de 18 Octubre de 1996*). To ensure the above, these lands shall be purchased exclusively to serve, and shall be titled, immediately upon their purchase as *Propiedades Comunitarias* or *Pequeña Propiedad*.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall:

A. (i) establish and thereafter maintain throughout Project implementation, notably in MDRYT and PCU; and (ii) cause to be established and maintained in each PFI, a financial management system, including records and accounts; and

B. (i) prepare through PCU, consolidated financial statements for the Project; and (ii) cause to be prepared by each PFI, financial reports to be used by PCU in the preparation of said consolidated financial statements, all in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made,

audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case no later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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 reports referred to in Part A.4 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, 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;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 3.10 of this Agreement, the Borrower shall prepare and furnish to the Association an interim financial 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 IFR shall be furnished to the Association no later than 45 days after the end of the first calendar quarter 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 calendar quarter; thereafter, each IFR shall be furnished to the Association no later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that the Borrower's *Ley No. 1715*, dated October 18, 1996, as amended by Borrower's *Ley No. 3545*, dated November 28, 2006 (*Ley de Reconducción Comunitaria de la Reforma Agraria, Modificatoria de la Ley del Servicio Nacional de Reforma Agraria No. 1715 de 18 Octubre de 1996*) shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the Borrower to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified, namely that the events described in Section 5.01 of this Agreement shall occur and shall continue for a period of 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 event is specified as additional conditions to the effectiveness of the Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower has established the accounting and financial management system for the Project, referred to in Section 4.01 of this Agreement, satisfactory to the Association.

Section 6.02. Without prejudice to the provisions of the General Conditions, the date specified for purposes of Section 12.04 of the General Conditions is the date (90) days after the date of this Agreement, but in no case later than the eighteenth (18) month after the Association's approval of the Credit which expire on April 30, 2009.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01 The Borrower's Minister of Development Planning 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 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)

For the Association:

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

| | | |
|-----------------------------|--------------------------------|----------------|
| Cable address: | Telex: | Facsimile: |
| INDEVAS Washington, D.C. | 248423 (MCI) or 64145 (MCI) | (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/ Mario Gustavo Guzmán Saldaña

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ C. Felipe Jaramillo

Authorized Representative

SCHEDULE 1**Withdrawal of the Proceeds of the Credit****A. General**

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)</u> | <u>% of Expenditures to be Financed</u> |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------|
| (1) Land Credit Facility and consultants' services under Part A of the Project | 2,622,464.00 | 100% of amounts disbursed by PFIs to BAs to finance Land Acquisition Subprojects. |
| (2) Investment Subprojects | 5,000,000.00 | 100% of amounts disbursed by MDRYT to BAs to finance Investment Subprojects. |
| (3) Goods, works and consultants' services under Part C of the Project | 1,366,070.18 | 100% |
| (4) Refunding of Project Preparation Advance | 811,465.82 | Amount due under Section 2.02 (c) of this Agreement |
| TOTAL | <u>9,800,000.00</u> | |

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement.

(b) Category (1): (i) unless for Land Acquisition Agreements that have been entered into between eligible PFIs and BAs pursuant to all legal requirements in effect in the territory of the Borrower concerning real estate transactions and the ensuing transfer

of valid title or contractually agreed-upon rights to BAs acquiring land under the Project, and in accordance with the procedures and the terms and conditions referred to in the POM, including, whenever applicable, all environmental mitigation measures, and indigenous peoples rights protection in respect thereof, set forth in detail in the POM; and (ii) unless the Association has received: (A) acceptable terms of reference and the selection criteria for the PFI; and (B) an updated POM which shall contain the flow of funds and monitoring arrangements for Part A of the Project in a manner satisfactory to the Association.

(c) Category (2): unless for Investment Grant Agreements that have been entered into between MDRYT and BAs, in accordance with the procedures and the terms and conditions referred to in the POM, including, whenever applicable, all environmental mitigation measures in respect thereof, set forth in detail in the POM.

3. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure under such terms and conditions as the Association shall specify by notice to the Borrower, including for expenditures under contracts not subject to Association Prior Review, pursuant to the terms of Section IV of Schedule 4 to this Agreement.

4. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the IFR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in Dollars, a special deposit account in a bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.4 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) 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: (i) the records and accounts for the Special Account; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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.

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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.

Annex A

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.
2. 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 in the aggregate do not exceed the Authorized Allocation. 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.
 - (b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions 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 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.

Annex B

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.4 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (a) establishing an alternative decentralized beneficiary-driven land distribution mechanism for organized landless or poor farmers; and (b) supporting productive investments thereon to allow increased and more sustainable livelihoods for such beneficiaries.

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: Supporting Increased Access to Land by the Borrower's Poor Population

Strengthening the Borrower's program for access to land in selected Municipality Partners of the Borrower's territory by devising new systems for the market purchase of productive land by Beneficiary Associations, through:

1. the carrying out of a communication strategy, advocacy activities and information campaigns, to raise awareness of potential beneficiaries about the opportunities and the responsibilities brought about by the Land Credit Facility mechanism and the procedures in respect thereof;
2. the establishment and operation of a Land Credit Facility mechanism for the financing of eligible Land Acquisition Subprojects; and
3. the provision of technical advisory services in relation to: (a) the preparation of Land Acquisition Subprojects determined to be eligible for financing through the Land Credit Facility mechanism; and thereafter (b) the completion of all technical, administrative, tax, legal procedures and other requirements needed for Land Acquisition.

PART B: Implementing Productive Investments on Newly Acquired Land

Enhancing productivity of land and strengthening BAs' income generation potential through:

1. the provision of Investment Grants to BAs for the carrying out of Investment Subprojects; and
2. the provision of technical advisory services and support to BAs for: (a) the preparation and implementation of Investment Subprojects; and (b) strengthening their market and commercial linkages.

PART C: Project Administration and Monitoring

Ensuring optimum implementation of project activities through:

1. the provision of support for Project implementation, evaluation and monitoring and data collection activities in relation thereto, including the provision of technical advisory services, capacity building and training, and the acquisition of goods for PCU and Partner Municipalities; and
2. the carrying out of monitoring and other evaluative activities, including studies related to the Borrower's land policy and sustainable development, more generally.

* * *

The Project is expected to be completed by December 31, 2011.

SCHEDULE 3

Procurement

Section I. General

A. (1) goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule;

(2) in procuring goods, works and services (other than consultants' services) under part A of Section II hereafter, the Borrower shall use standard bidding documents acceptable to the Association.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Association Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. (a) National Competitive Bidding: (i) Goods and services (other than consultants' services) estimated to cost less than \$200,000 equivalent per contract and works estimated to cost less than \$3,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding; and (ii) in the

procurement of goods and services or works under this paragraph, the Borrower shall use standard documents acceptable to the Association and included in the POM.

(b) Special Provisions

In addition to and without limitation upon any other provision set forth in this Schedule or the Guidelines, the following rules shall govern the procurement of goods and services (other than consultants' services) and works under National Competitive Bidding method:

- (i) a merit point system shall not be used in the prequalification of bids;
- (ii) the award of goods and services 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 2.52 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;
- (iii) the Borrower shall open all bids at the stipulated time and place in accordance with a procedure satisfactory to the Association;
- (iv) the Borrower shall use a single envelope procedure;
- (v) whenever there is a discrepancy between the amounts in figures and in words of a bid, the amounts in words shall govern;
- (vi) 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 to be non-responsive;
- (vii) any standards and technical specifications (quoted in the bidding documents) which are at least substantially equivalent to the Borrower's standards and technical specifications shall be acceptable;
- (viii) foreign bidders shall be allowed to participate;
- (ix) foreign bidders shall not be required to legalize any documentation related to their bids with the Borrower's authorities as a prerequisite of bidding;

- (x) no margin of preference shall be granted for any particular category of bidders;
- (xi) the auction procedure (*Puja Abierta*) shall not be used;
- (xii) 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 bid with the second lowest evaluated price; and
- (xiii) foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.

2. Shopping. Goods and services estimated to cost less than \$50,000 equivalent per contract and works estimated to cost less than \$250,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Community Participation. Goods and services and works required for the carrying out of Investment Subprojects under Part B.1 of the Project may be procured on the basis of community participation in accordance with paragraph 3.17 of the Guidelines.

4. Direct Contracting. Goods and services and works which the Association agrees meet the requirements for Direct Contracting may, with the Association's prior agreement, be procured in accordance with the provisions of said procurement method.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in

accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

C. Special Provisions

In addition to and without limitation upon any other provisions set forth in this Schedule or the Consultant Guidelines, the following rules shall govern the 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 1.13 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 authorities of the Borrower's country.

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

Section IV. Review by the Association of Procurement Decisions

A. (1) Except as the Association shall otherwise determine by notice to the Borrower, 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) The Borrower shall arrange the publication of a summary of the Procurement Plan and any update thereof in the UN Development Business Magazine.

(3) The Borrower and the Association shall meet from time to time to review progress in the implementation of the Procurement Plan.

(4) Without any limitation to the provisions of Section 3.02 of this Agreement, any modification to the Procurement Plan shall require the Association's prior review and approval.

B. Records and Audits

1. Records:

(a) The Borrower shall:

(i) maintain or cause to be maintained Procurement Records (as hereinafter defined) adequate to reflect in accordance with sound procurement practices (including related supervision, review and auditing) the procurement activities of PCU, PFI and BAs; 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, the term "Procurement Records" means:

(i) with respect to procurement of goods 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 annually, 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 six (6) months after the end of each calendar year of Project implementation, 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.