

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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June 17, 2010

CONFORMED COPY FOR PUBLIC DISCLOSURE

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

Re: Plurinational State of Bolivia: Advance Agreement for Preparation of Proposed
Community Investment Project in Rural Areas
Project Preparation Advance No. Q7220

Excellency:

In response to the request for financial assistance made on behalf of the Plurinational State of Bolivia ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed five hundred twenty thousand United States Dollars (\$520,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to improve the access to basic socio-economic infrastructure and services, and food security activities of selected disadvantaged rural communities in some of the poorest municipalities in the Recipient's territory ("Project"), for the carrying out of which the Recipient has requested the World Bank's financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Upon receipt by the World Bank of: (a) the countersigned copy of this Letter Agreement; and (b) a legal opinion satisfactory to the World Bank showing that this Letter Agreement has been duly authorized or ratified by the Recipient and is legally binding upon the Recipient in accordance with its terms, this Letter Agreement will become effective as of the date of countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

AGREED:

PLURINATIONAL STATE OF BOLIVIA

By /s/ E. Viviana Caro Hinojosa
Authorized Representative

Title: *Ministra de Planificación del Desarrollo*

Date: September 24, 2010

Enclosures:

- (1) “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated January 15, 2008.
- (2) Disbursement Letter dated June 17, 2010 for the Advance, together with “World Bank Disbursement Guidelines for Projects”, dated May 1, 2006.

ANNEX

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated January 15, 2008 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) “*Project Environmental and Social Management Framework/Plan*” means the Environmental and Social Management Framework or Plan, as the case may be, of the Recipient, to be disclosed in the territory of the Recipient before Project Appraisal, including details of a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions, measures and policies, as the said framework or plan, as the case may be, may be amended and/or supplemented from time to time with the prior written consent of the World Bank.

(b) “*Administrative and Financial Manual*” means the manual to be adopted by the Recipient pursuant to Section 2.01 (a) of this Agreement, outlining the administrative, procurement, financial management and accounting arrangements for the implementation of the Project, as the same may be amended from time to time with the prior written consent of the World Bank, and such term includes any schedules to such manual.

(c) “*Project Implementation Manual*” means the manual to be adopted by the Recipient in accordance with Section 2.01(a) of this Agreement, outlining, *inter alia*: (i) the organizational and technical procedures that govern the Project; (ii) mechanisms and criteria for identifying and selecting the beneficiary areas and communities; (iii) fiduciary and technical procedures for Subprojects, including eligibility criteria, financing, complaint-handling and implementation; (iv) remedies for non-compliance and abuse of funds in Subprojects; (v) training mechanisms of communities and other stakeholders prior to Subproject implementation; (vi) model form templates for Sub-grant Agreements incorporating good governance and transparency clauses as well as complaint-handling mechanisms; (vii) the composition and operating mechanisms for the selection and approval of subprojects; and (viii) an annex setting forth a simplified version of the Manual, as the same may be amended from time to time with the prior written consent of the World Bank, and such term includes any schedules to such manual.

(d) “*PPA Coordination Unit*” means the PAR coordination and implementation unit, an entity under the Recipient’s Ministry of Rural Development and Lands, established by *Decreto Supremo* N. 28304 dated August 28, 2005, currently the coordination unit of the Rural Alliances Project (CR-4068-BO), responsible for the implementation of the Activities of the Advance pursuant to Section 2.02 of this Agreement.

(e) “*Project Preparation Unit*” means the Project Preparation Unit of the Proposed Project (as defined) required to be established pursuant to Section 2.01(b) of this Agreement and coordinated by the PPA Coordination Unit.

(f) “*Pilot Subprojects*” means, collectively, investment sub-projects concerning socio-economic investments and/or other services in a target area to be carried out by eligible beneficiary organizations financed or proposed to be financed pursuant to Section 2.01 (c) of this Agreement in order to test and refine the implementation mechanisms of the Proposed Project; Pilot Subprojects shall represent a diversified sample of the type of subprojects potentially eligible for financing under the Proposed Project. Criteria and procedures for selection, financing and implementation of Pilot Subprojects, as well as the preliminary list of selection, shall be furnished to the World Bank for prior approval.

(g) “*Proposed Project*” means the Community Investment Project in Rural Areas Project (P107137).

Article II

Execution of the Activities

2.01. ***Description of the Activities.*** The Activities for which the Advance is provided consist of the following parts:

(a) *Component 1: Capacity Building and Institutional Support*

Provision of technical assistance and carrying out of studies and consulting services for the preparation of the Proposed Project, including, but not limited to: (i) development of the monitoring and evaluation system and establishment of a baseline database; (ii) preparation of the Administrative, Financial and Accounting Manual; (iii) preparation of the Project Implementation Manual; (iv) drafting of the Project Environmental and Social Management Framework/Plan; (v) establishment of the Project information management system; and (vi) audit of the Advance.

(b) *Component 2: Project Preparation Unit*

Establishment and operation of a Project Preparation Unit, through *inter alia* the: (i) recruitment and selection of technical advisor, socio-economist, infrastructure specialist, financial management specialist, and procurement specialist; (ii) acquisition of goods; and (iii) provision of financial support for its operation.

(c) *Component 3: Pilot Subprojects*

Provision of support for the preparation and implementation of about 10 Pilot Subprojects, including the definition, in connection therewith, of the operational instruments and arrangements relating to, *inter alia*, disbursement and procurement arrangements of future community investments implemented under the Project.

2.02. ***Execution of the Activities Generally.*** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through PPA Coordination Unit in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, with the modifications set forth in the Appendix to this Agreement.

2.03. ***Monitoring, Reporting and Evaluation of the Activities.*** The Recipient, through PPA, shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.04. **Financial Management.** (a) The Recipient, through PPA, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient, through PPA, shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than 45 days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient, through PPA, shall have the Financial Statements in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions and the following additional provisions:

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If no Refinancing Agreement has been executed by all of its parties, on or before two years after the date of the first withdrawal of proceeds of the Advance, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after such period.

2.06. **Procurement**

(a) General. All goods and services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures:

- (A) A merit point system shall not be used in the pre-qualification of bids.
- (B) 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.
- (C) The Recipient shall open all bids at the stipulated time and place in accordance with a procedure satisfactory to the World Bank.
- (D) The Recipient shall use a single envelope procedure.
- (E) Whenever there is a discrepancy between the amounts in figures and in words of a bid, the amounts in words shall govern.
- (F) Except as the World Bank 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.
- (G) Any standards and technical specifications (quoted in the bidding documents) that are at least substantially equivalent to the national standards and technical specifications shall be acceptable.
- (H) Foreign bidders shall be allowed to participate.
- (I) Foreign bidders shall not be required to legalize any documentation related to their bids with Recipient's authorities as a prerequisite for bidding.
- (J) No margin of preference shall be granted for any particular category of bidders.
- (K) The auction procedure (*Puja Abierta*) shall not be used.
- (L) 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.

- (M) Foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.
- (N) No other procurement rules or regulations of the Recipient's agencies or of any state-owned entity shall apply without the prior review and consent of the Association.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts which are specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; and (C) Community Participation procedures which have been found acceptable to the World Bank.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants' Qualifications; (D) Single-source Selection; (E) Selection of Individual Consultants; and (F) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III Withdrawal of the Advance

3.01. ***Eligible Expenditures.*** The Recipient, through PPA, may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Advance Allocated (expressed in United States Dollars)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods	55,000	100%
(2) Consultants' services, including audits	220,000	100%
(3) Operating costs	45,000	100%
(4) Pilot subprojects	200,000	100%
TOTAL	520,000	

For the purpose of this Paragraph the term:

- (a) "Goods" means reasonable expenditures including acquisition of vehicle, and basic office furniture such as computers, printers and photocopier incurred by the PPA and directly related to the preparation of the Proposed Project and which would not have incurred absent the preparation of the Proposed Project.
- (b) "Operating costs" means reasonable expenditures including office rental and utilities, communication costs, operation and maintenance of vehicles, travels and *per diem* incurred by the PPA and directly related to the preparation of the Proposed Project and which would not have incurred absent the preparation of the Proposed Project.
- (c) "Pilot subprojects" means reasonable expenditures incurred by the PPA and directly related to the preparation and implementation of the Pilot Subprojects, as defined in Section 1.02 (f) and which would not have incurred absent the preparation of the Proposed Project.

3.02. ***Withdrawal Conditions.*** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. ***Refinancing Date.*** The Refinancing Date is July 1, 2011.

Article IV Terms of the Advance

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent ($3/4$ of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) *Refinancing under the Refinancing Agreement:* If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) *Repayment in the absence of a Refinancing Agreement:* If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and

(ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent ($3/4$ of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V

Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is the Minister of Development Planning.

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

Ministerio de Planificación del Desarrollo
 Vice Ministerio de Inversión Pública y Financiamiento Externo (VIPFE)
 Palacio de Comunicaciones, Piso 11
 La Paz, Bolivia

Facsimile: (591) 2- 231-7408 or 2-231-2641

5.03. **World Bank's Address.** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

APPENDIX**Modifications to the Anti-Corruption Guidelines**

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”