

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
Washington, D.C. 20433
U.S.A.(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS**CONFORMED COPY**

March 11, 2011

Mr. Mariano Curicama
Prefecto
Chimborazo Provincial Council
Primera Constituyente y Carabobo
Sector la Estación
Chimborazo Province, Ecuador

Re: ECUADOR: JSDF Grant for Growing with our Guaguas Project
Grant No. TF098887

Dear Sir:

In response to the request for financial assistance made on behalf of the Province of Chimborazo, represented by the Provincial Council of Chimborazo (the Recipient), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), as administrator of grant funds provided by Japan under the Japan Social Development Fund, proposes to extend to the Recipient, for the benefit of the Republic of Ecuador ("Member Country"), a grant in an amount not to exceed two million two hundred eighteen thousand three hundred ninety seven United States Dollars (US\$2,218,397) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This Grant is funded out of the Japan Social Development Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement with 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 this countersigned copy and the approved Operational Manual, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement by June 13, 2011, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Laura Frigenti
Acting Country Director
Bolivia, Chile, Ecuador, Perú, and Venezuela
Latin America and the Caribbean Region

AGREED:

**PROVINCIAL COUNCIL OF CHIMBORAZO
PROVINCE OF CHIMBORAZO**

By: /s/ Mariano Curicama Guamán

Name: /s/ Mariano Curicama Guamán

Title: *Prefecto del Gobierno Autónomo Descentralizado de la Provincia de Chimborazo*

Date: March 11, 2011

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010.
- (2) Disbursement Letter dated March 11, 2011, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

Article I

Standard Conditions; Definitions

1.01. *Standard Conditions.* The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 31, 2010 (“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) “Beneficiary” means a community and/or health facility, all of which meet the criteria set forth in the Operational Manual.

(b) “Chimborazo” means a province situated in the central Andes of the Member Country’s territory.

(c) “WHO” means World Health Organization, a specialized agency of the United Nations.

(d) “NGO” means a non-governmental organization established and operating in the Member Country’s territory which has met the eligibility criteria set forth in the Operational Manual to carry out Part IV (a)(iii) of the Project, and “NGOs” means all of such non-governmental organizations.

(e) “Operational Manual” means the manual referred to in Section 2.03 (a) of this Agreement, as the same may be amended from time to time with the agreement of the World Bank.

(f) “Positive Deviation Model” means a health approach to be developed and to be used by the Recipient to identify mothers with good child care and nutrition practices, whose children have shown positive nutritional performances and facilitate their knowledge sharing with other mothers.

(g) “Sub-grant” means a grant made or proposed to be made by the Recipient, through an NGO, to a Beneficiary to finance, in whole or in part, the carrying out of an activity under Part IV (a)(iii) of the Project, and “Sub-grants” means all of such grants.

(h) “Sub-grant Agreement” means the agreement satisfactory to the World Bank to be entered into between the Recipient and the NGO for the benefit of the Beneficiary, such agreement to provide, *inter alia*, for the responsibility of the NGO in the implementation of Subprojects under Part IV (a)(iii) of the Project, and “Sub-grant Agreements” means all of such agreements.

(i) “Subproject” means an activity implemented by NGOs for the benefit of a Beneficiary under Part IV(a)(iii) of the Project, and “Subprojects” means all of such activities.

Article II Project Execution

2.01. ***Project Objectives and Description.*** The objective of the Project is to contribute to the reduction of chronic malnutrition in children under five in the ten cantons of the province of Chimborazo. The Project consists of the following parts:

Part I: Community Based Growth Promotion System

(a) Design and elaboration of a community-based growth monitoring strategy including: (i) defining easy to understand standards based on the WHO growth monitoring charts to be used by families and local authorities for surveillance; (ii) validating these standards at the community level and creating data collection mechanisms articulated with the Member Country’s Ministry of Public Health and child development programs; (iii) designing community based registry system complementary to the national nutrition monitoring system; and (iv) validating said system with the CPHC.

(b) Implementation of a community monitoring strategy through: (i) carrying out a training program for health personnel, child care centers and health promoters; and (ii) monitoring the implementation of the community registry system for its continuous improvement in order to support the decision making process at the community level, in health centers and child care centers.

(c) Implementation of a Positive Deviation Model through: (i) elaborating a baseline to identify mothers with good practices and child outcomes; and (ii) carrying out workshops with mothers to share best practices.

Part II: Participatory Culturally Appropriate Communication Strategy

(a) Assessment of current communications materials and strategy and elaboration of a technical proposal to improve tools and materials based on, *inter alia*: (i) formative research about practices and conducts related to complementary feeding; (ii) an assessment of existing health norms and materials about individual and community nutritional counseling; (iii) survey to assess perceptions of families about nutritional standards and their children’s performance; and (iv) assessment of perception of health providers on intercultural barriers.

(b) The design and implementation of the community based communication strategy including: (i) the development of a communication strategy and communicational materials; (ii) the production of materials and communicational products; (iii) the dissemination of materials and communicational products; and (iv) the implementation of communicational activities at provincial, cantonal and parroquial levels.

Part III: Training Plan to Improve Provision of Health and Nutrition Services

(a) Assessment of human resources including: (i) institutional capacities for individual and community counseling; and (ii) ability to deal with intercultural issues.

(b) Carrying out of training (said training to include knowledge sharing) for health staff, health promoters and child care to improve counseling at individual and community level.

Part IV: Strengthening the Provincial Health Council and Nutrition Committee

(a) Strengthening the information systems and the decision making process by:
(i) designing and validating a module of information for nutritional monitoring at the local level;
(ii) carrying out technical assistance to local authorities and social actors to improve the decision making process at the Chimborazo province; and (iii) provision of small grants (Sub-grants) to finance productive purposes initiatives (Subprojects) carried out by communities and health facilities at Chimborazo to improve their efficiency of nutritional counseling and share good practices with communities or health facilities with lower results, in coordination with the existing participatory budget process.

(b) Strengthening the relationship with midwives and intercultural health practices by:
(i) standardizing criteria for practices held by midwives; and (ii) certifying selected midwives as further detailed in the Operational Manual through a capacity building process including training and evaluation.

Part V: Monitoring, Evaluation, Project Management and Administration

(a) The monitoring, evaluation, management and administration of the Project's activities.

(b) (i) Development of a baseline survey and a final survey to assess changes in practices; (ii) the carrying out of a qualitative study based on focus groups and community consultations; (iii) dissemination of lessons learned at the local and national levels; and (iv) the carrying out of annual financial audits of the Project.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project (with the assistance of NGOs for Part IV (a)(iii) of the Project) in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); (c) the Operational Manual and (d) this Article II.

2.03. ***Institutional and Other Arrangements.*** For the purposes of carrying out the implementation of the Project, the Recipient shall:

(a) prepare and maintain throughout Project implementation an operational manual (the Operational Manual) satisfactory in form and substance to the World Bank, therein setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following:

- (i) the Project's organization structure;
- (ii) the procedures for the carrying out, monitoring, evaluation and supervision of the Project (including the administrative, financial,

accounting, auditing, procurement, disbursement, social requirements including for indigenous people thereof);

- (iii) the identification of priority training activities financed under the Project;
- (iv) the Performance Indicators;
- (v) the eligibility criteria and procedures for the selection of Beneficiaries;
- (vi) the eligibility criteria for the selection and provision of Sub-grants;
- (vii) the terms of the Sub-grant Agreements; and
- (viii) the procedural arrangements for the selection, implementation, supervision and evaluation of Subprojects.

(b) The Operational Manual may be amended by the Recipient from time to time with the prior approval of the World Bank. In the case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

(c) Upon selection of any given Subproject, and prior to the carrying out of said Subproject, the Recipient shall enter into a separate agreement with an NGO responsible for carrying out said Subproject, under terms and conditions acceptable to the World Bank (the "Sub-grant Agreement"), which shall provide, *inter alia*, the terms and conditions for the carrying out of the Subproject, in accordance with the terms of this Agreement and the Operational Manual, including the NGO's obligations to carry out the operation, management and maintenance of the Subproject in accordance with the terms and requirements of the Operational Manual, the Anti-Corruption Guidelines and the Recipient's obligation to transfer parts of the proceeds of the Grant to the NGOs for the implementation of the Subprojects.

(d) The Recipient shall exercise its rights and carry out its obligations under each of the Sub-grant Agreements, in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, terminate, abrogate, waive or fail to enforce any of the Sub-grant Agreements or any provision thereof.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five days (45) after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited

Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.05. ***Procurement.***

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

- (i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in January 2011 (“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 January 2011 (“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 Project 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 and Non-consultants services.

- (i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
- (ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan:

(A) National Competitive Bidding; and (B) Shopping subject to the following additional special provisions:

1. In addition and without limitation or restriction to any other provisions set forth in this Section or the Procurement Guidelines or the Operational Manual, the following provisions shall govern the procurement of goods and non-consultants services with National Competitive Bidding procedures under this Section:

- (a)(a) Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder who meets appropriate technical and financial standards of capability and whose bid has been determined to be the lowest evaluated bid in a manner

satisfactory to the Bank. Such determination shall be made exclusively on the basis of the specifications, conditions and evaluation criteria, stipulated in the bidding documents. Evaluation criteria other than price shall be expressed in monetary terms. For purposes of bid evaluation and comparison, the only bid amount or amounts to be used as a factor shall be the bid amount or amounts as quoted in the corresponding bid, including correction of arithmetic errors.

- (b)(b) No reference value shall be required for publication in the bidding documents or used for the purpose of evaluation.
- (c)(c) There will be no prescribed minimum number of bids submitted for a contract to be subsequently awarded.
- (d)(d) Foreign bidders shall not be required to authenticate (*legalizar*) their bidding documents or any documentation related to such bidding documents with Ecuadorian authorities as a prerequisite of bidding.
- (e)(e) The Borrower shall use standard bidding documents and standard evaluation formats, all satisfactory to the Bank.

(C) Direct Contracting;

(D) Community Participation in Procurement which have been found acceptable to the World Bank; and

(E) Commercial Practices 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 may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection; (F) Established Private or Commercial Practices which have been found acceptable to the World Bank; (G) Selection of Service Delivery Contractors which have been found acceptable to the World Bank; (H) Selection of Individual Consultants; and (I) Sole Source Procedures for the Selection of Individual Consultants.

1. In addition and without limitation or restriction to any other provisions set forth in this Section or the Consultant Guidelines or the Operational Manual, the following provisions shall govern all employment of consultants:

- (a)(a) Foreign consultants shall not be required to be locally registered as a condition of participation in the selection process.
- (b)(b) Foreign consultants shall not be required to authenticate (legalizar) any documentation related to their participation in the selection process with Ecuadorian authorities as a condition of participation in said selection process.
- (c)(c) Foreign consultants shall not be required, either directly or indirectly, to give any participation in or share of any consulting contracts to any local firm or person.
- (d)(d) Foreign consultants, either individuals or firms, shall not be required to pay fees to the Ecuadorian Consultants' Association that are different from those required for Ecuadorian consultants.
- (e)(e) Foreign consulting firms shall not be required, as a condition to participate to provide services, to be registered in Ecuador with a minimum capital different from that required for Ecuadorian firms.
- (f)(f) The invitation to submit proposals should be sent to the consultant firms included in a short list only as approved by the Bank. The invitation to submit proposals should not be open to any other consulting firm.
- (g)(g) No consultant financed out of the proceeds of the Loan shall, at the time he or she is carrying out his or her contractual obligations as consultant, hold civil service office or any other position in any agency of the Borrower, nor shall such consultant have any right to re-entry into any such office or position upon the conclusion of his or her consulting services.
- (h)(h) The Borrower shall use standard requests for proposals and standard evaluation formats, all satisfactory to the Bank.
- (i)(i) Consultants (firms and individuals) shall not be required to present Bid and Performance securities as a condition to present proposals and sign a contract.

(e) Review by the 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 Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant 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 the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in U.S. \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods	174,000	100%
(2) Consultants’ services	441,000	100%
(3) Training	1,073,397	100%
(4) Goods, Services, Training, Workshops and Operating costs financed by Sub-grants	500,000	100
(5) Operating costs	30,000	100%
TOTAL AMOUNT	2,218,397	

For the purposes of this Section the term:

(a) “Training” means training conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; and

(b) “Operating costs” means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.

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. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is four years after the date of countersignature of this Agreement by the Recipient.

**Article IV
Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its *Prefecto*.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Primera Constituyente y Carabobo
Riobamba, Ecuador

Facsimile:
592 (03) 2947397

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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