

CONFORMED COPY

CREDIT NUMBER 5003-BO

Financing Agreement

(Agricultural Innovation and Services Project)

between

PLURINATIONAL STATE OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 22, 2011

CREDIT NUMBER 5003-BO

FINANCING AGREEMENT

AGREEMENT dated August 22, 2011, entered into between PLURINATIONAL STATE OF BOLIVIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty four million four hundred thousand Special Drawing Rights (SDR24,400,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are January 15 and July 15 in each year.

- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by INIAF in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) the INIAF Legislation 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 INIAF to perform any of its obligations under this Agreement and/or the Subsidiary Agreement;
 - (b) INIAF shall have failed to comply with any of its obligations under the Subsidiary Agreement; and
 - (c) the Recipient's legislative provisions, including as set forth in the Supreme Decree ("*Normas Básicas del Sistema de Administración de Bienes y Servicios*") which allow procurement under the Project to comply with Section III of Schedule 2 to this Agreement (i) shall have been amended, suspended, abrogated, repealed or waived so as to render ineffective, in the opinion of the Association, the procurement of the Project in accordance with said Section III; and (2) no provision analogous to said legislative provisions shall have been adopted to replace them in a manner and substance satisfactory to the Association.
- 4.02. The Co-Financing Deadline for the effectiveness of the Co-Financing Agreements is June 1, 2012.

- 4.03. The Additional Event of Acceleration consists of the following:
- (a) any of the events specified in paragraphs (a) or (c) of Section 4.01 of this Agreement occurs.
 - (b) the event specified in paragraph (b) of Section 4.01 occurs and is continuing for a period of 60 days after notice of the events shall have been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following:
- (a) the Subsidiary Agreement shall have been executed on behalf of the Recipient and INIAF;
 - (b) INIAF shall have finalized, approved and adopted the Operational Manual for the Project, in a manner and substance satisfactory to the Association.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement shall have been duly authorized or ratified by the Recipient and INIAF and shall be legally binding upon the Recipient and INIAF in accordance with its terms.
- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline shall be the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association's approval of the Credit which expire on January 22, 2013.
- 5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister of Development Planning.

6.02. The Recipient's Address is:

Ministerio de Planificación del Desarrollo
Avenida Mariscal Santa Cruz No. 1092
La Paz, Bolivia

Facsimile: +591-2-23107-93

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at La Paz, Plurinational State of Bolivia, as of the day and year first above written.

PLURINATIONAL STATE OF BOLIVIA

By /s/ Viviana Caro Hinojosa

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Susan G. Goldmark

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the *Instituto Nacional de Innovación Agropecuaria y Forestal* (“INIAF”) and the Recipient’s National Agricultural and Forestry Innovation System (“SNIAF”) in order to contribute to productivity growth, food security, sustainable rural development and the income-earning potential of Recipient’s families dependent on agriculture and forestry.

The Project consists of the following parts:

Part 1: Strengthening the SNIAF

The provision of support to INIAF in relation to:

- (a) the development of policies, strategies and governance of the SNIAF through, *inter alia*: (i) assistance with the formulation of policies in matters relevant to the optimized implementation of the SNIAF; (ii) development of a communication and information strategy to connect actors of the SNIAF; and (iii) establishment of a national council for agriculture and forestry innovation consisting of representatives of the public and private sectors; and
- (b) the coordination and management of a research fund supporting strategic collaborations among national and international research entities and producers’ groups for purposes of providing Subgrants to carry out Research Subprojects in applied research on eco-regional and climate change issues not covered under Part 2 (a) below.

Part 2: Strengthening the INIAF’s core activities

The provision of support to INIAF in relation to:

- (a) the improvement of INIAF’s research programs and INIAF’s core research capacity, through the provision of Subgrants for the carrying out of Strategic Alliance Research Subprojects (“SAR Subproject”) in critical areas, including wheat, potato, quinoa, dual purpose cattle, horticulture, and forestry;
- (b) the improvement of INIAF’s provision of technical assistance, and coordination thereof, to Recipient’s sub-national authorities and public and private extension providers, including NGOs, through, *inter alia*, (i) the preparation of technical assistance capacity development programs; (ii) the creation of Departmental Agricultural and Forestry Innovation Councils (“DAFICs”) responsible, in the Recipient’s nine Departments, for planning and carrying out agriculture

innovation strategies and associated technical assistance; and (iii) the carrying out, with INIAF's support, of two technical assistance and rural extension pilots identified by the DAFICs;

- (c) the consolidation of the national seed system of the Recipient, through, *inter alia*: (i) increasing the use of quality seed in the western departments of the Recipient's territory; (ii) improving/upgrading INIAF's seed program laboratories; and (iii) strengthening the regulatory framework (norms and standards) in seed commercialization; and
- (d) the management of national genetic resources through, *inter alia*, the creation of a national network of germplasm banks consisting of base banks, active banks and work banks.

Part 3: Supporting INIAF's institutional development

The provision of support to INIAF in relation to:

- (a) improving the organizational and internal capacities of INIAF through, *inter alia*: (i) consolidating an institutional management model that takes into account INIAF's national and sub-national roles; and (ii) carrying out training and capacity building activities to sustain the efficient functioning of its administrative and institutional staff; and
- (b) the development of INIAF's external leadership and associated collaboration capacities through, *inter alia*: (i) the carrying out of training programs to strengthen simultaneously the technical and the social capacity of INIAF's leadership and professional staff and to promote outreach to other public institutions, private sector and civil society, as well as international contacts; and (ii) building capacity of the board of directors of INIAF to strengthen its oversight functions with respect to both INIAF and the SNIAF.

Part 4: Project Management, Monitoring and Evaluation

The provision of support to INIAF in relation to:

- (a) Project administration, communication, management, monitoring, reporting, auditing and evaluation activities, including all related fiduciary aspects and the compliance with the Association's Safeguard Policies, including through pertinent training; and
- (b) the development of an information and monitoring system for INIAF to, *inter alia*: (i) support Project implementation, (ii) strengthen INIAF activities towards impact and results; and (iii) allow INIAF, in the long term, to measure and showcase its added value to the agricultural and forestry innovation system in the Recipient's territory.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall cause INIAF to:
 - (a) assign responsibility internally for the overall implementation, coordination, monitoring and reporting of the Project among corporate departments, directorates, divisions, subdivisions, central or regional units described in detail in the OM, including, *inter alia*, its Executive, Technical Coordination, Research Fund Management, Research, Seeds, Technical Assistance, and Financial Administration Directorates;
 - (b) maintain throughout Project implementation, a Technical Coordination Team ("TCT") within INIAF, which shall be:
 - (i) operating with a structure, mandate and resources satisfactory at all times to the Association and staffed with a dedicated team of professionals consisting of at least five technical experts, two safeguards specialists, two fiduciary specialists in financial managements and/or procurement and an M&E specialist, each having qualifications and experience satisfactory to the Association, including among them, specialists selected and appointed in accordance with the relevant provisions of Section III of Schedule 2 to this Agreement;
 - (ii) entrusted with exclusive responsibility for ensuring the overall, day to day management and coordination of the Project; and
 - (iii) headed by a Coordinator with qualifications and experience, and under terms of reference, satisfactory to the Association, who shall report to the Executive Director of INIAF on Project implementation progress and coordinate the implementation responsibilities of the selected staff of the directorates mentioned in paragraph 1 (a) of this Schedule, all as further described in the OM;
 - (c) maintain throughout Project implementation, a Board of Directors vested with the responsibility to act as the Steering Committee for the Project and the obligation to oversee Project implementation on a regular basis and provide overall guidance to the TCT as described in the OM,

including, *inter alia*, the responsibility for: (i) reviewing the performance of INIAF in discharging the implementation of the relevant Part of the Project assigned to it; (ii) deciding on strategic issues regarding Project implementation, including suggestions for adjustments to Project implementation based on the results of the M&E system, (iii) approving the OM its updates and the compliance thereof; and (iv) approving the Project's POAs and Project Reports; and

- (d) ensure that its staff is hired and managed according to the categorization and selection process satisfactory to the Association and detailed in the Letter MDRyT/Despacho 1073, dated June 7, 2011 from MRDL.
2. The Recipient shall cause INIAF to establish by no later than November 1, 2011, and thereafter maintain throughout Project implementation, a Research Fund Management Unit comprised of a small team of professionals having experience and qualifications described in the OM and satisfactory to the Association, to be responsible for the managing of the Research Fund and the prioritization and planning of other innovation policy activities referred to in Part 1(b) of the Project.
 3. The Recipient shall cause INIAF to establish by no later than November 1, 2011 and thereafter maintain throughout the Project implementation, an Evaluation Committee comprised by a small team of technical staff as with experiment and qualifications described in the OM and satisfactory to the Association, in order to support the Research Fund Management Unit by reviewing and selecting Research Subprojects to be submitted to the Steering Committee for approval.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project by INIAF, the Recipient shall make the proceeds of the Financing available to INIAF under a subsidiary agreement to be entered into between the Recipient and INIAF, under terms and conditions approved by the Association, including, *inter alia*, the requirement that INIAF shall comply with the terms of this Agreement, the OM and the Anti-corruption Guidelines (“Subsidiary Agreement”).
2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

C. Operational Manual

1. The Recipient shall cause INIAF to approve through the Steering Committee, an operational manual (“OM”), in form and substance satisfactory to the Association, and consisting of different schedules setting forth, respectively, rules, methods, guidelines, specific development plans, standard documents and procedures for the carrying out of the Project, including the following:
 - (a) (i) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; (ii) the qualification, experience, functions, responsibilities, structure of key staff of INIAF, (iii) the composition of the Steering Committee under the Project, all the institutional arrangements in respect thereof and the ensuing assignment of respective responsibilities for the Project activities among INIAF’s departments (*direcciones*), including, *inter alia*, the financing, reporting and auditing aspects thereof;
 - (b) (i) the detailed procedural guidelines for the public call for Research Subproject proposals; (ii) the eligibility criteria for Research Subprojects and Beneficiaries; (iii) the Beneficiaries’ co-financing requirements; (iii) the terms of reference, membership and operational procedures of the Evaluation Committee, including the proposals’ screening protocols; and (iv) the ceiling amounts, terms and conditions of the Research Subproject Subgrants and the defraying arrangements therefor;
 - (c) (i) the detailed procedural guidelines for the establishment of the SAR Subproject; (ii) the eligibility criteria for SAR Subprojects and Beneficiaries; (iii) the Beneficiaries’ co-financing requirements; (iii) the TUC selection procedures and screening protocols for proposals; and (iv) the ceiling amounts, terms and conditions of the SAR Subproject Subgrants and the defraying arrangements therefor;
 - (d) (i) the integration, powers, functions, resources, and procedural rules and operating modalities of the DAFICs; (ii) the criteria for the identification, selection and implementation of the Pilot Subprojects by selected Departments; and (iii) the terms and conditions for the Pilot Subproject Subgrants;
 - (e) (i) the Project administrative, financial, accounting, auditing, procurement and disbursement procedures, including all relevant standard documents and SBDs; and (ii) the procurement thresholds in respect of the procurement methods set forth in Section III of this Schedule and all associated reviews by the Association under this Project;

- (f) the Environmental Management Framework, including: (i) the procedures to follow in case of degradation or conversion of natural habitats or forests; and (ii) the Pest Management Plan;
 - (g) the overview of planned capacity building and training activities, including workshops and study tours, to be carried out for purposes of the Project;
 - (h) the final form of the interim unaudited financial reports and Financial Statements for the Project, and the terms of reference for the financial audits of the Project;
 - (i) the plan for the monitoring, evaluation and supervision of the Project, including all technical, environmental, and social aspects in relation thereto;
 - (j) the administrative arrangements and procedural guidelines for a grievance redressal mechanism; and
 - (k) the performance indicators for the Project.
2. The Recipient shall cause INIAF to: (a) maintain the OM throughout Project implementation; (b) take all measures necessary to ensure that the Project is carried out in conformity with the OM; and (c) only amend the OM, from time to time, with the Associations' prior written consent. Except as the Association shall otherwise agree, the Recipient shall not, and shall cause INIAF not to, (including not allowing any party to any contract or agreement entered into with INIAF for purposes of this Financing), amend, abrogate, waive or fail to enforce the OM, including the EMF and the PMP, or any provisions thereof.
 3. In the event of a conflict between any provision of the Operational Manual and any one under this Agreement, the provisions of this Agreement shall prevail.

D. Anti-Corruption

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

E. Research Subprojects and SAR Subprojects

1. Upon approval of any given Research Subproject or SAR Subproject, and prior to the carrying out of the pertinent type of Subproject, the Recipient shall cause INIAF to make available the corresponding Research Subproject Subgrant or SAR Subproject Subgrant (as the case may be) to the pertinent Beneficiary under a sub-financing agreement (the Sub-Financing Agreement) to be entered

into between INIAF and said Beneficiary on terms and conditions approved by the Association, which shall include the following:

- (a) The Research Subproject Subgrant or SAR Subproject Subgrant (as the case may be) shall not finance any activity and/or investment included in the negative list set forth in the OM.
- (b) INIAF shall obtain rights adequate to protect its interests and those of the Recipient and the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Research Subproject Subgrant or SAR Subproject Subgrant (as the case may be), or obtain a refund of all or any part of the amount of the Research Subproject Subgrant or SAR Subproject Subgrant (as the case may be) then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the pertinent Sub-financing Agreement; and (ii) require each Beneficiary to:
 - (A) carry out its Research Subproject or SAR Subproject, as the case may be, with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines (applicable to recipients of loan proceeds other than the Recipient) and the OM;
 - (B) provide, promptly as needed, the resources required for the purpose of co-financing the Research Subproject or SAR Subproject in the proportion set forth in the OM;
 - (C) procure the goods, works, consultants' services and Non-consultant Services to be financed out of the Research Subproject Subgrant or SAR Subproject Grant (as the case may be), all in accordance with the provisions of this Agreement;
 - (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the respective Research Subproject or SAR Subproject, and the achievement of its objectives;
 - (E) (I) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the respective Research Subproject or

SAR Subproject, as the case may be; and (II) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;

- (F) enable the Recipient and the Association to inspect its operation and any relevant records and documents related to the respective Research Subproject or SAR Subproject; and
- (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

2. The Recipient shall cause INIAF to exercise its rights and carry out its obligations under each Sub-financing Agreement in such manner as to protect the interests of the Recipient, INIAF and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall cause INIAF not to assign, amend, abrogate, terminate, waive or fail to enforce any Sub-financing Agreement or any provision thereof.

F. Pilot Subprojects

1. Upon approval of a Pilot Subproject, and prior to the carrying out of said Pilot Subproject, the Recipient shall cause INIAF to make available the Pilot Subgrant to the selected Department under an agreement (the "Pilot Subproject Agreement") to be entered into between INIAF and said Department on terms and conditions satisfactory to the Association which agreement shall mandate:
 - (a) the compliance with, and application of, the Anti-corruption Guidelines, the Procurement Guidelines, the Consultant Guidelines, the EMF and PMP, and the OM.
 - (b) the undertakings by the selected Department to: (i) carry out its respective technical assistance and rural extension Pilot Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, and social standards and practices satisfactory to the Association; (ii) provide, promptly as needed, any co-financing resources for said Pilot Subproject; (iii) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association; (iv) maintain policies and procedures adequate to enable INIAF to monitor and evaluate the Pilot Subproject; and (v) enable the Recipient and the Association to inspect the Pilot

Subproject site, and examine any relevant records and documents related thereto.

2. The Recipient shall cause INIAF to exercise its rights and carry out its obligations under each Pilot Subproject Agreement in such manner as to protect the interests of the Recipient, INIAF and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall cause INIAF not to assign, amend, abrogate, terminate, waive or fail to enforce any Pilot Agreement or any provision thereof.

G. Safeguards

1. The Recipient shall, and shall cause INIAF, to comply with the provisions of the EMF, and the PMP, including through the carrying out of the specific plans derived from such frameworks, and ensure that same obligations are appropriately upheld and shared under any pertinent contract or agreement further entered into for purposes of the Project.
2. The Recipient shall ensure, and shall cause INIAF to ensure, that:
 - (a) no activities (including Subprojects) that could potentially cause significant, irreversible, sensitive, diverse and/or unprecedented environmental and social damage are carried out under the Project;
 - (b) no activities (including Subprojects) give raise to Displaced Persons; and
 - (c) all necessary actions have been taken in order to: (i) avoid to the extent possible any social and culturally incompatible effect of Project activities (including Subprojects) on the Indigenous Peoples; and (ii) ensure that benefits derived from the Project shall be culturally appropriate for the Indigenous Peoples and are gender and intergenerationally inclusive.
3. The Recipient shall ensure, and shall cause INIAF to ensure, that the terms of reference for any consultancy in respect of any Project activity under Part 1(a) of the Project shall be satisfactory to the Association following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Association's Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

H. Additional Implementation Arrangements

1. The Recipient, shall ensure and shall cause INIAF to ensure, that:
 - (a) the Research Subprojects, SAR Subprojects, and Pilot Subprojects are identified, appraised, selected, approved, implemented, managed and

evaluated in accordance with the procedures set forth or referred to in the OM;

- (b) each annual Project work plan, including internal audit plans and budgets (“POA”), is: (i) prepared by the pertinent Directorate of INIAF identified in the OM; (ii) subsequently reviewed and approved by the Steering Committee; (iii) then submitted to the Association by November 30 of the calendar year preceding the year when such POA is intended to be executed; and (iv) thereafter implemented with due diligence and efficiency duly applying the Association’s comments, views and recommendations thereon; and
 - (c) the terms of reference of any consultancy work required during Project implementation in connection with the preparation of additional environmental and/or social studies or mitigation measures, actions and policies under the EMF and the PMP, or any advice associated therewith, and to be financed out of the proceeds of this Financing, shall duly incorporate all pertinent and current Association’s operational safeguards requirements in each such respect.
2. The Recipient shall, under each budget proposal to its legislature for the corresponding year during Project implementation, make adequate arrangements to assume, for that year, the counterpart portion of the costs related to staff and day to day operational costs of the Project carried out by INIAF.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall cause INIAF to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the performance indicators for the Project agreed with the Association and set forth in the OM. Each Project Report shall cover the period of one calendar semester and shall be furnished by INIAF to the Recipient and the Association respectively not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain and cause INIAF to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. The Recipient shall cause INIAF to prepare and furnish to the Association not later than one month after the end of each calendar semester, as part of the

Project Reports, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.

3. The Recipient shall cause INIAF to have its financial statements, including therein the Financial Statements for the Project, audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of INIAF's Financial Statements shall cover the period of one fiscal year of INIAF and/or any other period agreed with the Association. The Recipient shall cause INIAF to ensure that the audited Financial Statements for each such period shall: (a) be furnished to the Recipient and the Association not later than six months after the end of such period; and (b) made publicly available in a timely fashion and in manner acceptable to the Association.

Section III. Procurement

A. General

1. **Goods, Works and Non-consultant Services.** All goods, works and Non-consultant Services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works and Non-consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and Non-consultant Services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consultant services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Non-consultant Services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method

(a) National Competitive Bidding (NCB), subject to the following additional procedures :

- i. A merit point system shall not be used in the pre-qualification of bidders.
- ii. The award of contracts for goods and Non-consultant Services 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.
- iii. All bids shall be opened at the stipulated time and place in accordance with a procedure satisfactory to the Association.
- iv. The single envelope procedure shall be used.
- v. Whenever a discrepancy shall occur between the amounts in figures and in the words of a bid, the amounts in words shall govern.
- vi. No prescribed minimum number of bids shall be required to be submitted for a contract to be subsequently awarded.
- vii. Foreign bidders shall be allowed to participate.
- viii. Foreign bidders shall not be required to legalize any documentation related to their bids with Recipient's authorities as a prerequisite for bidding.
- ix. No margin of preference shall be granted for any particular category of bidders.
- x. 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.
- xi. Foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.
- xii. No procurement rules or regulations of neither of the Recipient's agencies, including INIAF, nor of any Recipient state-owned entity shall apply without the prior review and consent of the Association.
- xiii. Recipient state-owned enterprises shall be allowed to participate in bids only upon their compliance with the provisions of paragraph 1.10(b) of the Procurement Guidelines.
- xiv. No contractor or supplier shall be denied fair and equitable treatment in any resolution of dispute with the Recipient and/or any of its executing agencies; and
- xv. SBDs for NCB shall include anti-corruption clauses that shall be substantially identical to those pertaining to the Association/Bank SBDs for ICB.

(b) Shopping, subject to the additional procedures set forth above for NCB except (iii), (iv), (xii) and (xv).

(c) Limited international Bidding, in accordance with the provisions of

paragraph 3.2 of the Procurement Guidelines.
(d) Direct Contracting in accordance with the provisions of paragraphs 3.7 of the Procurement Guidelines.
(e) Force Account in accordance with the provisions of paragraph 3.8 of the Procurement Guidelines.

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services, subject to the following additional procedures which shall equally apply in respect of any of the other methods set forth below:
 - (i) 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 1.15 of the Consultant Guidelines are met;
 - (ii) 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 Recipient’s authorities;
 - (iii) foreign consultants shall not be required to be registered in the Recipient's National Registry of Consultants (*Registro Nacional de Consultoría*);
 - (iv) consultants, either firms or individuals, shall not be required to present bid and performance securities as a condition to present proposals and sign an award contract;
 - (v) no consultant, individually or as a firm, shall be denied a fair and equitable treatment in its resolution of dispute with the Recipient (including any of its executing agencies) and/or INIAF; and
 - (vi) request for proposals documents for consultancy contracts shall include anti-corruption clauses identical to those of the SBD.

The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-based Selection.
(b) Selection under a Fixed Budget.
(c) Least Cost Selection.
(d) Selection Based on Consultant's Qualifications.
(e) Single Source Selection.
(f) Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

1. The Procurement Plan shall set forth all contracts, including 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 Recipient shall cause INIAF to carry out, procurement audits, under the following terms and conditions:
 - (a) not later than December 15_of each year during the implementation of the Project, beginning on December 15, 2012, INIAF shall select and contract independent auditors with experience and qualifications satisfactory to the Association, operating under terms of reference satisfactory to the Association, to perform a procurement audit of all the procurement records and documentation for the Project, relating to the Recipient's previous fiscal year of implementation of the Project, in accordance with procurement auditing principles acceptable to the Association ("Procurement Audit");

 - (b) not later than April 30_of each year during the implementation of the Project, beginning on April 30, 2013, INIAF shall furnish to the Association the report, in form and substance satisfactory to the Association, on the Procurement Audit completed for the Recipient's prior fiscal year;

 - (c) at all times during the implementation of the Project, INIAF shall furnish to the Association and to the auditors performing a Procurement Audit, such other information concerning the procurement records and documentation for the Project as the Association or the auditors may from time to time reasonably request; and

- (d) not later than May 31 of each year during the implementation of the Project, beginning on May 31, 2013, INIAF shall exchange views with the Association on the results of the Procurement Audit completed for the Recipient's prior fiscal year and thereafter implement such recommended measures, taking into account the Association's views on the matter.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to (a) repay the Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance of Eligible Expenditures.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Financing Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods, works, Non-consultant Services, consultants' services, Training, and Operating Costs for Parts 1(a), 2(a) (other than Subprojects), 2(b)(i) and (ii), 2(c), 2(d), 3 and 4 of the Project	13,250,000	100%
(2) Goods, works, Non-consultant Services, consultants' services, Training, and Operating Costs for Subprojects under Parts 1(b); 2(a) and 2(b)(iii)	10,600,000	100% of amounts disbursed under the relevant Subgrant

of the Project		
(3) Refund of Preparation Advance	550,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	24,400,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is February 15, 2017.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each July 15 and January 15:	
commencing January 15, 2017 to and including July 15, 2026	1.65%
commencing January 15, 2027 to and including July 15, 2036	3.35%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Association’s Safeguard Policies” means the Association’s operational policies and procedures set forth in the Bank’s OM under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.
3. “Beneficiary” means:
 - (i) in respect of a Research Subproject: an individual or entity in the territory of the Recipient, including, *inter alia*, NGOs or research group or alliances described in the OM, eligible pursuant to the criteria, terms and conditions defined in the OM, which has been competitively selected for the provision of Research Subproject Subgrant; and
 - (ii) in respect of a SAR Subproject: an alliance of universities, research institutes, governmental laboratories, experimental stations, NGOs and/or agribusiness or producers organizations, whether public or private, eligible pursuant to the criteria, terms and conditions defined in the OM, which have been established for the provision of a SAR Subproject Subgrant.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Co-financier” means, individually, any of: (i) the Danish International Development Assistance of the Ministry of Foreign Affairs of the Kingdom of Denmark; and (ii) the Swiss Agency for Development and Cooperation of the Swiss Confederation.
6. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General conditions, the aggregate amount of approximately four million nine hundred thousand United States Dollars (US\$4,900,000) to be provided by the Co-financiers to assist in financing the Project.
7. “Co-financing Agreement” means any of the individual agreements to be entered into between the Recipient and the Co-financiers providing of the Co-financing.

8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
9. “Coordinator” means the person selected by the INIAF’s Executive Director to carry out the coordination of activities to be financed under this Financing, as referred to in Section I.A.1 (b) (iii) of Schedule 2 to this Agreement.
10. “DAFIC” means any of the Departmental Agricultural and Forestry Innovation Councils, to be established under Part 2 (b) (ii) of the Project in accordance with rules, modalities and procedures all as set forth in the OM (as hereinafter defined).
11. “Department” means an administrative subdivision of the Recipient.
12. “Displaced Persons” means persons who, on account of the execution of activities under the Project, have experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.
13. “Environmental Management Framework” and “EMF” mean a document of the Recipient prepared by INIAF to establish a framework of policies, actions and measures for the management of social and environmental aspects of the Project dated May 2010 and disclosed to the public on November 26, 2010, as may be amended from time to time only with the express prior consent of the Association.
14. “Evaluation Committee” means a technical committee, to be established pursuant to Section I.A.3 of Schedule 2 to this Agreement.
15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modification set forth in Section II of this Appendix.
16. “Indigenous Peoples” means “Indigenous People” means distinct, vulnerable, social and cultural groups possessing any of the following characteristics: (a) self-identification as a members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitat or ancestral territories in the areas covered by Project activities, and/or to natural resources in these habitats and territories; (c) customary

cultural, economic, social or political institutions that are separate from those of the dominant society and culture; or (d) an indigenous language.

17. “INIAF” means the *Instituto Nacional de Innovación Agropecuaria y Forestal*, the Recipient’s National Institute for Innovation in Agriculture and Forestry.
18. “INIAF’s Legislation” means Recipient’s Decree No. 29611 dated June 25, 2008 which established INIAF as an entity with full legal, administrative and financial autonomy responsible for the implementation of SNIAF, and the *Estatuto Orgánico* of INIAF (Charter) approved by the Recipient’s Ministry of Rural Development and Land, dated January 2009, which regulates the operations of INIAF.
19. “M&E” means Monitoring and Evaluation.
20. “NGO” means a Non-Governmental Organization established and operating pursuant to the laws of the Recipient.
21. “Non-consultant Services” means the reasonable costs of services for which the physical aspects of the activity predominate and are bid and contracted on the basis of performance of measurable physical outputs, which include, but are not limited to, cleaning, maintenance, transport, data management, translation, printing, communication, publication and repairs.
22. “Operating Costs” means the reasonable incremental expenses incurred on account of implementation of Project activities, including travel expenses, operation and maintenance of office equipment, maintenance and repair of vehicles, vehicle insurance, rental of offices, utilities, nondurable and/or consumable office materials, but excluding salaries of civil servants or permanent employees.
23. “Operational Manual” and “OM” mean the manual to be prepared and approved by INIAF referred to in Section I.C.1 of Schedule 2 to this Agreement.
24. “Pest Management Plan” and the acronym “PMP” mean the section of the EMF identifying, *inter alia*: (i) the series of alternative strategies that may be applied and disseminated during the implementation of the Project in order to avoid pesticide based control of insects and diseases; (ii) a blacklist of chemical compounds forbidden by the Recipient’s legislation and the Associations’ rules; (iii) guidelines for the application of low toxicity pesticides and, if needed, toxicity mitigation actions; (iv) the needs for training and capacity building on acceptable pest management practices to various stakeholders in their own languages; and (v) a permanent evaluation system in order to continuously improve the pest management practices.

25. “Pilot Subproject” means any of the pilot activities referred to in Part 2 (b) (iii) of the Project.
26. “Pilot Subproject Agreement” means any of the agreements referred to in Section I. F.1 of Schedule 2 to this Agreement.
27. “Pilot Subproject Subgrant” means a grant made out of the proceeds of the Financing to a selected Department to finance the carrying out of a Pilot Subproject.
28. “POA” means the annual Project work plan referred to in Section I. H.1(b) of Schedule 2 to this Agreement.
29. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on May 14, 2009 and on behalf of the Recipient on June 25, 2009 (Q677-BO).
30. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
31. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 8, 2011 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
32. “Research Fund” means the fund to be established under Part 1(b) the Project and managed by INIAF for the financing, on a competitive basis, of Research Subprojects.
33. “Research Subproject” means a specific research activity or investment in applied research on eco-regional and climate change issues (outside of the products prioritized for the SAR Subprojects) or any other research activity or investment in the area of applied research identified in the Operational Manual and determined eligible for financing hereunder.
34. “Research Subproject Subgrant” means a grant made out of the proceeds of the Financing to a selected Beneficiary to finance the carrying out of a Research Subproject.
35. “SBD” means the standard bidding documents agreed with the Association to be used for procurement related activities under the Project, as referred to in Section I.C.1(e)(i) of Schedule 2 to this Agreement.

36. “SNIAF” means the *Sistema Nacional de Innovación Agropecuaria y Forestal*, the Recipient’s National Agricultural and Forestry Innovation System, comprised of organization concerned with research extension and innovation activities regarding agricultural production and food security in the Recipient’s territory.
37. “Strategic Alliance Research Subproject” and the acronym “SAR Subproject” mean a specific collaborative research project or investment within the prioritized areas set forth in Part 2(a) of the Project, as identified in the OP and determined eligible for financing hereunder.
38. “Strategic Alliance Research Subproject Subgrant” and the acronym “SAR Subproject Subgrant” means a grant made out of the proceeds of the Financing to a selected Beneficiary to finance the carrying out of a SAR Subproject.
39. “Subgrant” means, indistinctly, either a Pilot Subproject Subgrant, or a Research Subproject Subgrant or a SAR Subproject Subgrant.
40. “Sub-financing Agreement” means any of the agreements referred to in Section E.1 of Schedule 2 to this Agreement.
41. “Subproject” means a Pilot Subproject, a Research Subproject and/or a SAR Subproject.
42. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to INIAF.
43. “Steering Committee” means the Committee referred to in Section I.A.1(c) of Schedule 2 to this Agreement, consisting of the Board of Directors of INIAF, acting in such capacity for Project purposes.
44. “TCT” means the technical coordination team referred to in Section I.A.1(b) of Schedule 2 to this Agreement.
45. “Training” means the reasonable expenditures (other than those for consultants’ services and Non-consultant Services) for the carrying out of training activities, including the reasonable costs of trainers fees, travel and *per diem* of trainers and trainees, printing and reproduction services of training materials (e.g. books, manuals, leaflets, etc.), training logistics such as hotel services, travel services, rental of training facilities and equipment.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

- (a) *Service Charge*. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
 - (b) *Interest Charge*. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”
2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”
4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02(a).