Her Excellency
E. Viviana Caro Hinojosa
Minister of Development Planning
Ministerio de Planificación del Desarrollo
Avenida Mariscal Santa Cruz Esquina Oruro #1092
Ex Edificio Comibol
La Paz, Bolivia

Re: Plurinational State of Bolivia: Credit No. 4378-BO (Second Participatory Rural Investment Project—Proyecto De Desarrollo Concurrente Regional-PDCR Project)
Second Amendment to the Financing Agreement

Excellency:

We refer to the Financing Agreement between the International Development Association (the “Association”) and the Plurinational State of Bolivia (the “Recipient”) dated February 11, 2008, as amended and restated on July 15, 2009, with respect to the above-captioned Project (“Agreement”).

Pursuant to your letter dated November 21, 2011, requesting the Association to amend the Agreement, we are pleased to inform you that the Association agrees to amend the terms of the Agreement as set forth in Attachment A to this letter (the Amended and Restated Financing Agreement):

1. The designation of “Republic of Bolivia” is hereby amended and replaced throughout the Agreement by “Plurinational State of Bolivia”.

2. Section 3.01 of Article III of the Agreement is hereby amended and replaced in its entirety to read as follows:

“3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through MA, and with the assistance of FPS and the Eligible Subnational Governments, in accordance with the provisions of Article IV of the General Conditions.”

3. Section 4.01 (a) of Article IV of the Agreement is hereby amended and replaced in its entirety to read as follows:

“(a) FPS or the Eligible Subnational Governments or the AMDES or the Mancomunidades, shall have failed, in the opinion of the Association, to perform any of their obligations under the Subsidiary Agreement or the Inter-Institutional Agreements, or the TOU Agreement, as the case may be.”
4. Part 1 of Schedule 1 to the Agreement is hereby amended and replaced in its entirety to read as follows:

"Part 1. Institutional Strengthening

1.1. Provision of technical assistance and training to MA, SEA and NCA to support the process of implementing the Recipient’s recently adopted territorial organization in autonomies.

1.2. Provision of technical assistance to MMAyA to draft the environmental legislation to be implemented as part of the autonomy process.

1.3. Provision of technical assistance and training to Eligible Subnational Governments and Mancomunidades to inter alia: (a) assist in the implementation process of becoming autonomous territorial entities, including the preparation of their constituent documents; (b) formulate the rules and design the instruments for subnational cofinancing; and (c) formulate territorial and sector development plans.

1.4. Provision of technical assistance, training and necessary goods to Eligible Subnational Governments and Mancomunidades for the implementation and evaluation of the plans referred to in paragraph 1.3 (c) above.

1.5. Provision of technical assistance and training to Eligible Subnational Governments and Mancomunidades on pre-investment and investment contract management, including workshops with local stakeholders to disseminate good practices.

1.6. Provision of technical assistance and training to Eligible Municipalities and Departments, to formulate and implement operation and maintenance plans for municipal infrastructure and communities’ productive investments.

1.7. Carrying out of sector studies, implementation of the FPS Action Plan and financing of audits for FPS."

5. Paragraph 3.4. of Part 3 of Schedule 1 to the Agreement is hereby amended and replaced in its entirety to read as follows:

"3.4. “Carrying out of: (a) technical studies including social and institutional assessments to incorporate new Eligible Subnational Governments in the Project Area; and (b) carrying out of independent financial and procurement audits and implementation and impact evaluations for the Project.”"

6. Paragraph 3.5. of Part 3 of Schedule 1 to the Agreement is hereby amended and replaced in its entirety to read as follows:
3.5. Provision of operating costs to FPS for the carrying out of the pre-investment studies referred to in Part 2.1 of the Project, and the implementation of Investment Subprojects.

7. Section I.A.3 of Schedule 2 to the Agreement is deleted (and the existing paragraphs are consequently renumbered to keep the alphabetical order).

8. Section I.A.4 of Schedule 2 to the Agreement is hereby amended and replaced in its entirety to read as follows:

"4. Without limitation to the provisions of paragraph 1 above, the Recipient, through MA, shall enter into an agreement with each of the Eligible Subnational Governments and/or Mancomunidades ("Inter-Institutional Agreement"), under terms and conditions satisfactory to the Association, including those set forth in the Operational Manual, with respect to the roles and responsibilities of each of the Eligible Subnational Governments and Mancomunidades for the implementation of the Project."

9. Section I.A. 5 of Schedule 2 to the Agreement is hereby amended and replaced in its entirety to read as follows:

"5. Without limitation to the provisions of paragraphs 1 and 3 above, the Recipient, through MA, shall enter into an agreement with the AMDES ("TOU Agreement"), under terms and conditions satisfactory to the Association, including those set forth in the Operational Manual, with respect to the roles and responsibilities of the AMDES for the implementation of the Project."

10. Section I.A. 6 of Schedule 2 to the Agreement is hereby amended and replaced in its entirety to read as follows:

"6 The Recipient shall exercise its rights under the Subsidiary Agreement, the Inter-Institutional Agreements and the TOU Agreements, and cause FPS to exercise its rights under the Subgrant Agreements, in such a 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, or shall cause FPS not to, assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement, the Inter-Institutional Agreements, the TOU Agreement and the Subgrant Agreements or any of their provisions."

11. Section I.A.7 of Schedule 2 to the Agreement is hereby amended and replaced in its entirety to read as follows:

"7. In the case of a conflict between the provisions of the Subsidiary Agreement, the Inter-Institutional Agreements, the TOU Agreements or the Subgrant Agreements and the provisions of this Agreement, the Recipient will ensure that the provisions of this Agreement will prevail."
12. Section I.B.1(c) of Schedule 2 to the Agreement is deleted (and the existing subparagraphs are consequently renamed).

13. Section I.C.2(e) of Schedule 2 to the Agreement is hereby amended and replaced in its entirety to read as follows:

“(e) the eligibility criteria for the selection of the Eligible Subnational Governments;”

14. Section I.C.2(k) of Schedule 2 to the Agreement is hereby amended and replaced in its entirety to read as follows:

“(k) co-financing arrangements of Eligible Subnational Governments for cost of pre-investment studies and Investment Subprojects; and”

15. Section I.C.2 of Schedule 2 to the Agreement is hereby amended to add a new subparagraph as follows:

“(l) the Resettlement Policy Framework.”

16. Section I of Schedule 2 to the Agreement is hereby amended to add a new paragraph (E) (and subsequent paragraphs are consequently renamed):

“E. Safeguards

1. Environmental and Social Management Framework (ESMF)

The Recipient shall, and shall cause FPS, and jointly with FPS shall cause each of the Eligible Subnational Government to: (a) implement the Project in accordance with the ESMF; (b) adopt the procedures detailed in said ESMF for environmental screening, evaluation, implementation and monitoring of Investment Subprojects, including the procedures for the preparation of environmental management plans, when applicable; and (c) implement and/or cause to be implemented, the pertinent environmental management plan, in accordance with their terms and in a manner acceptable to the Association.

2. Indigenous People

The Recipient shall insure, and shall cause FPS to ensure, and jointly with FPS shall cause each of the Eligible Subnational Government to ensure, that 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 Investment 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. Resettlement Policy Framework

3.1. The Recipient shall, and shall cause FPS, and jointly with FPS shall cause each of the Eligible Subnational Government to: (a) implement the Project in accordance with the Resettlement Policy Framework; (b) adopt the procedures detailed in said Resettlement Policy Framework for screening, evaluation, implementation and monitoring of works under Part II of the Project; and (c) implement and/or cause to be implemented, the pertinent resettlement action plan or abbreviated plan (for cases where 200 or less persons are affected, or where they are not physically relocated or would lose 20% or less of productive assets), as the case may be, all in accordance with their terms and in a manner acceptable to the Association.

3.2. The Borrower shall ensure that the terms of reference for any consultancies related to the technical assistance provided under Part 1.2 of the Project, shall be satisfactory to the Association and, to that end, such terms of reference shall require that the advice conveyed through such consultancies and technical assistance be consistent with the requirements of the Association’s Safeguard Policies.”

17. Section 1.E of Schedule 2 is hereby renamed as Section 1.F (Terms and Conditions for Subgrants).

18. Section 1.F of Schedule 2 is hereby renamed as Section 1.G (Other Covenants).

19. Section I.E.2.of Schedule 2 to the Agreement is hereby amended and replaced in its entirety to read as follows:

“2 Each Subgrant shall be made pursuant to an agreement, to be entered into by FPS and one or more of the Eligible Subnational Governments, whereby FPS shall obtain rights adequate to protect the interests of the Recipient and the Association, including the right to:

(a) require the Eligible Subnational Government to carry out the respective pre-investment study or carry out (or cause to be carried out by Communities) the respective Investment Subproject with due diligence and efficiency and in accordance with sound administrative, technical, engineering, financial, social, ecological and environmental standards and to provide the necessary information to FPS to enable FPS to comply with its obligations under the Subsidiary Agreement;

(b) require that: (i) the works, goods and services to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Section III below; and (ii) such works, goods and services shall be used exclusively in the carrying out of the respective pre-investment study or Investment Subproject;
(c) inspect the goods and works in the respective Investment Subproject and any relevant records and documents;

(d) require the Eligible Subnational Government to co-finance part of the cost of the pre-investment study or Investment Subproject, such financing to be made either: (i) in cash; (ii) in kind; (iii) through the provision of labor; or (iv) by means of any combination thereof as defined in the Operational Manual;

(e) require the Eligible Subnational Government to: (i) prepare and furnish to FPS an action plan, satisfactory to the Association, to mitigate any potential negative environmental impact resulting from the carrying out of the corresponding Investment Subproject, all in accordance with environmental criteria acceptable to the Association as set forth in the Operational Manual; and (ii) carry out the plan referred to in (i) herein in accordance with its terms; and

(f) suspend or terminate the right of the Eligible Subnational Government to benefit from the proceeds of the Financing upon failure by such Eligible Subnational Government to comply with any of its obligations under the corresponding Subgrant Agreement.”

20. Section II.A. of Schedule 2 to the Agreement is hereby amended and replaced in its entirety as follows:

“A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare or cause to be prepared Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report. The Recipient shall review the most recent Project Report with the Association during the Association’s semi-annual meetings with the Recipient, or on such later dates as the Association may request.”

21. Section IV.A.2. of Schedule 2 to the Agreement is hereby amended and replaced in its entirety to read as follows:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) (a) Goods, Training and consultants’ services under Parts 1.1, 1.2, 1.3, 1.4, 1.5 and 1.6 of the Project; and</td>
<td>1,967,672</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Goods, consultants’ services and Training under Part 1.7 of the Project, including audits.</td>
<td>756,463</td>
<td>100%</td>
</tr>
<tr>
<td>(2) (a) Subgrants under Part 2.1 of the Project;</td>
<td>64,060</td>
<td>100% of the cost of services financed by the Subgrants</td>
</tr>
<tr>
<td>(b) Subgrants under Part 2.2 of the Project; and</td>
<td>7,401,470</td>
<td>100% of the cost of goods, works and services financed by the Subgrants</td>
</tr>
<tr>
<td>(c) consultants’ services under Part 2.1 of the Project.</td>
<td>31,450</td>
<td>100%</td>
</tr>
<tr>
<td>(3) (a) Goods, consultants’ services, Training and Operational Costs under Part 3 of the Project, including audits; and</td>
<td>1,878,357</td>
<td>100%</td>
</tr>
<tr>
<td>(b) FPS Operating Costs under Part 3.5 of the Project.</td>
<td>505,648</td>
<td>5% of the total cost of the Investment Subprojects paid in tranches as set forth in the Operational Manual</td>
</tr>
<tr>
<td>(4) Refund of Project Preparation Advance</td>
<td>194,880</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>12,800,000</td>
<td></td>
</tr>
</tbody>
</table>
22. Section IV.A. 3 (c) of Schedule 2 to the Agreement is hereby amended and replaced in its entirety to read as follows:

“(c) Operational Costs” means reasonable recurrent expenditures (other than those for consultants’ services) incurred by MA and the AMDES for the purposes of the Project and directly related to the activities described in the Project, including, inter alia, office rental, utilities, materials and supplies, travel costs (including transportation costs, accommodation), bank charges on the Designated Account, vehicle (including insurance) and equipment operation and maintenance, phone, internet and fax charges, media campaigns and printing of materials.”

23. Section I of the Appendix to the Agreement is hereby amended as follows:

(a) The following definitions are deleted (and the existing definitions are consequently renumbered to keep the alphabetical order):

(i) “Prefectura” means the departmental representation of the Recipient’s executive branch, as established in the Recipient’s Law No. 1654, dated July 28, 1995 and published in the Recipient’s Official Gazette on the same date.

(ii) “Prefectura Agreement” means any of the agreements referred to in Section I.A.3 of Schedule 2 to this Agreement, to be entered between VMD and a Prefectura.

(b) The following definitions are amended and replaced in its entirety to read as follows:

(i) “Eligible Subnational Governments” means any of the autonomous territorial entities (Department, Region, Municipality or Indigenous Original Peasant Autonomy), pursuant the Recipient’s Constitution, dated January 25, 2009, and the Autonomies and Decentralization Law, dated July 19, 2010, which has met the eligibility criteria set forth in the Operational Manual to: (a) carry out a pre-investment study under Part 2.1 of the Project; and/or (b) carry out an Investment Subproject (as hereinafter defined) under Part 2.2 of the Project; and/or (c) carry out activities under Part 1 of the Project.

(ii) “Environmental Management Framework” means Estudio de Evaluacion de Impacto Ambiental, the Recipient’s environmental and social management framework dated September 2007 and published and made available in MA’s website on October 26, 2007, which contains the environmental protection measures in respect of the Project, including: (a) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project; (b) guidelines for the carrying out of
environmental assessments and the preparation of environmental management plans, when applicable; (c) the recommendation of mitigation measures for each negative impact identified; and (d) measures for enhancing each identified positive impacts, as may be amended from time to time with the World Bank’s prior approval.

(iii) “Inter-Institutional Agreement” means any of the agreements referred to in Section I.A.4. of Schedule 2 to this Agreement, to be entered between MA and an Eligible Subnational Government for the carrying out of Part 1 of the Project.

(iv) “Mancomunidades” means any of the Recipient’s local municipal associations created pursuant article 273 of the Recipient’s Constitution, dated January 25, 2009 and which have met the eligibility criteria set forth in the Operational Manual.

(v) “NOU” means the team within MA (as hereinafter defined) referred to in Section I.B.2 of Schedule 2 to this Agreement.

(vi) “Project Implementation Plan” means a plan satisfactory to the Association to be issued by MA, with the assistance of FPS, and which will include all the activities under the Project.

(vii) “Subgrant” means a grant made or to be made by FPS out of the proceeds of the Credit to an Eligible Subnational Government for the financing of a pre-investment study under Part 2.1 of the Project or an Investment Subproject under Part 2.2 of the Project.

(viii) “Subgrant Agreement” means any of the agreements to be entered into by FPS and an Eligible Subnational Government pursuant to Section I.F.2. of Schedule 2 to this Agreement.

(ix) “TOU Agreement” means the agreement referred to in Section I.A.4. of Schedule 2 to this Agreement, to be entered between MA and the AMDES for the carrying out of Parts 1 and 3 of the Project.

(c) The Following definitions are added, placed in alphabetical order (and the existing definitions are consequently renumbered to keep the alphabetical order), to read as follows:

(i) “Department” means an autonomous department, one of the autonomous territorial entity in the Recipient’s territory established pursuant the Recipient’s Constitution, dated January 25, 2009.

(ii) “Indigenous Original Peasant Autonomy” means Autonomía Indígena Originaria Campesina, the indigenous original peasant territories that have agreed to become autonomous by means of the procedure defined in the Recipient’s Constitution dated January 25,
2009, and further developed in the Autonomies and Decentralization Law, dated July 19, 2010.

(iii) “MA” means *Ministerio de Autonomía*, the Recipient’s Ministry of Autonomy established pursuant to the Recipient’s Supreme Decree No. 29894, dated February 7, 2009 and Supreme Decree No. 802, dated February 23, 2011, and/or any successor thereto acceptable to the Association.

(iv) “NCA” means *Consejo Nacional de Autonomías*, the Nacional Council of Autonomies which is a consultative body responsible of the coordination and consultation process between the Plurinational Government and the autonomous territorial entities, as established pursuant Article 122 of the Autonomies and Decentralization Law, dated July 28, 2010.

(v) “Region” means an autonomous region, one of the autonomous territorial entities in the Recipient’s territory established pursuant the Recipient’s Constitution, dated January 25, 2009.

(vi) “Resettlement Policy Framework” means the document prepared by the Recipient, and dated August 2011, and published and made publicly available on September 15, 2011, outlining general implementation procedures, mitigation measures and monitoring procedures for involuntary resettlement under the Project, including the procedures for preparation and implementation of resettlement plans, as said framework may be amended from time to time with the Association’s prior approval.

(vii) “SEA” means “State Service of Autonomies”, the *Servicio Estatal de Autonomías*, established pursuant the Autonomies and Decentralization Law, dated July 18, 2010 to support the implementation of the autonomy process.

Please confirm your agreement with the foregoing amendment by signing, dating and returning to us the enclosed copy of this amendment letter. This amendment letter shall be executed in two counterparts, each of which shall be an original.

The provisions set forth herein shall become effective upon receipt by the Association of a fully executed original of this Letter Amendment.
Please note that the restructuring paper dated April 12, 2012 will be disclosed on the Association’s external website.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

Susan G. Goldmark
Director
Bolivia, Chile, Ecuador, Peru and Venezuela
Latin America and the Caribbean Region

AGREED:

PLURINATIONAL STATE OF BOLIVIA

By:       (Authorized Representative)

Name:   Viviana Caro Hinojosa
Title:   Minister of Development Planning
Date:   September 21, 2012
Financing Agreement

(Second Participatory Rural Investment Project
Proyecto De Desarrollo Concurrente Regional - PDCR)

between

PLURINATIONAL STATE OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 11, 2008, as amended and restated on July 15, 2009 and on August 1, 2012
FINANCING AGREEMENT

AMENDED and RESTATED AGREEMENT dated February 11, 2008, entered into between the PLURINATIONAL STATE OF BOLIVIA (the “Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the “Association”), as amended and restated on July 15, 2009 and on _______ , 2012 . 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 twelve million eight hundred thousand Special Drawing Rights (SDR 12,800,000) (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 Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
2.07. 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 carry out the Project through MA, and with the assistance of FPS and the Eligible Subnational Governments, 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) FPS or the Eligible Subnational Governments or the AMDES or the Mancomunidades, shall have failed, in the opinion of the Association, to perform any of their obligations under the Subsidiary Agreement or the Inter-Institutional Agreements, or the TOU Agreement, as the case may be.

(b) The Procurement Supreme Decree has been amended, suspended, abrogated, repealed or waived so as to render its Article 42 (a) ineffective, in the opinion of the Association, and no provision analogous to such Article 42 (a) has been adopted to replace said provision.

4.02. The Co-financing Deadline for the effectiveness of the Co-financing Agreements is the Effective Date.

4.03. The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and FPS.

(b) The Operational Manual has been adopted in a manner satisfactory to the Association.

(c) The Project Implementation Plan has been adopted in a manner satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and FPS and is legally binding upon the Recipient and the FPS in accordance with its terms.

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date one hundred and twenty (120) 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 June 22, 2009.

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
Viceministerio de Inversión Pública y Financiamiento Externo (VIPFE)
Palacio de Comunicaciones, Piso 11
La Paz, Bolivia

Facsimile:
011-591-2-231-7408 (with a copy to: 011-591-2-239-2891)

6.03. The Association’s Address is:

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

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

AGREEED at the District of Columbia, United States of America, as of the day and year first above written.

PLURINATIONAL STATE OF BOLIVIA

By /s/ Mario Gustavo Guzmán Saldaña

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ C. Felipe Jaramillo

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to pilot the consolidation of institutional arrangements among the Recipient’s national government, Eligible Subnational Governments and civil society for sustainable management of subnational public investments in selected sectors, with an emphasis on territorial development.

The Project consists of the following parts:

Part 1. Institutional Strengthening

1.1. Provision of technical assistance and training to MA, SEA and NCA to support the process of implementing the Recipient’s recently adopted territorial organization in autonomies.

1.2. Provision of technical assistance to MMAyA to draft the environmental legislation to be implemented as part of the autonomy process.

1.3 Provision of technical assistance and training to Eligible Subnational Governments and Mancomunidades to inter alia: (a) assist in the implementation process of becoming autonomous territorial entities, including the preparation of their constituent documents; (b) formulate the rules and design the instruments for subnational cofinancing; and (c) formulate territorial and sector development plans.

1.4 Provision of technical assistance, training and necessary goods to Eligible Subnational Governments and Mancomunidades for the implementation and evaluation of the plans referred to in paragraph 1.3 (c) above.

1.5 Provision of technical assistance and training to Eligible Subnational Governments and Mancomunidades on pre-investment and investment contract management, including workshops with local stakeholders to disseminate good practices.

1.6 Provision of technical assistance and training to the Eligible Municipalities and Departments, to formulate and implement operation and maintenance plans for municipal infrastructure and communities’ productive investments.

1.7 Carrying out of sector studies, implementation of the FPS Action Plan and financing of audits for FPS.
Part 2. Productive Investments

2.1. Carrying out of pre-investment studies related to potential Investment Subprojects.

2.2. Carrying out of Investment Subprojects.

Part 3. Project Management

3.1. (a) Provision of technical assistance and goods to MA and the AMDES for the execution of the Project; and (b) financing of operational costs for MA and the AMDES.

3.2. Design and implementation of a Project communications strategy, including audio-visual and print media.

3.3. Provision of technical assistance for the establishment of a monitoring and evaluation system for the Project.

3.4. Carrying out of: (a) technical studies including social and institutional assessments to incorporate new Eligible Subnational Governments in the Project Area; and (b) carrying out of independent financial and procurement audits and implementation and impact evaluations for the Project.

3.5. Provision of operating costs to FPS for the carrying out of the pre-investment studies referred to in Part 2.1 of the Project, and the implementation of Investment Subprojects.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Agreement and Implementation Agreements

1. To facilitate the carrying out of the Project, the Recipient shall make part of the proceeds of the Financing available to FPS through a subsidiary agreement between the Recipient and FPS, under terms satisfactory to the Association ("Subsidiary Agreement"), including, *inter alia*, FPS’s obligation to provide all the necessary information and documentation to MA related to FPS’s responsibilities under the Project (including, but not limited to, the information required for compliance with Section III.D of Schedule 2 to this Agreement).

2. The Recipient shall maintain all of the necessary conditions for FPS to comply with its obligations under the Subsidiary Agreement.

3. Without limitation to the provisions of paragraph 1 above, the Recipient, through MA, shall enter into an agreement with each of the Eligible Subnational Governments and/or Mancomunidades ("Inter-Institutional Agreement"), under terms and conditions satisfactory to the Association, including those set forth in the Operational Manual, with respect to the roles and responsibilities of each of the Eligible Subnational Governments and Mancomunidades for the implementation of the Project.

4. Without limitation to the provisions of paragraphs 1 and 3 above, the Recipient, through MA, shall enter into an agreement with the AMDES ("TOU Agreement"), under terms and conditions satisfactory to the Association, including those set forth in the Operational Manual, with respect to the roles and responsibilities of the AMDES for the implementation of the Project.

5. The Recipient shall exercise its rights under the Subsidiary Agreement, the Inter-Institutional Agreements and the TOU Agreements, and cause FPS to exercise its rights under the Subgrant Agreements, in such a 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, or shall cause FPS not to, assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement, the Inter-Institutional Agreements, the TOU Agreement and the Subgrant Agreements or any of their provisions.

6. In the case of a conflict between the provisions of the Subsidiary Agreement, the Inter-Institutional Agreements, the TOU Agreements or the Subgrant
Agreements and the provisions of this Agreement, the Recipient will ensure that the provisions of this Agreement will prevail.

B. Institutional and Other Arrangements

1. The Recipient shall, with the assistance of FPS, carry out the Project, or cause the Project to be carried out, in accordance with the provisions of:

(a) this Agreement;
(b) the Subsidiary Agreement;
(c) the Inter-Institutional Agreements;
(d) the Subgrant Agreements;
(e) the TOU Agreements;
(f) the Operational Manual; and
(g) the Project Implementation Plan.

2. At all times during the execution of the Project, MA shall maintain a qualified team responsible for the implementation of the Project ("NOU"), with qualifications, functions and responsibilities as set forth in the Operational Manual. The NOU will have the following responsibilities:

(a) overall planning, coordination and monitoring of Project activities; and
(b) the updating of the Procurement Plan and the elaboration of the annual implementation plan.

3. At all times during the execution of the Project, the Recipient shall cause FPS to maintain qualified staff responsible for the implementation of Part 2 of the Project. The Association shall review the selection process and provide the no-objection for the hiring of the staff for the following FPS units: (a) control and monitoring; (b) environmental; and (c) procurement. The above-mentioned staff shall carry out quality control activities, coordination, monitoring and oversight of Part 2 of the Project.

C. Operational Manual

1. The Recipient, through MA, shall carry out the Project, or cause the Project to be carried out, in accordance with the terms of a manual satisfactory to the Association (the Operational Manual). Except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Operational
Manual or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

2. The Operational Manual shall include provisions detailing procedures and guidelines for the carrying out of the Project, including, *inter alia*:

(a) the procedures for the preparation, review and approval of reports pursuant to the Project’s financial management arrangements;

(b) procurement and contracting procedures consistent with Schedule 2 to this Agreement, to be applicable to the contracts for the works, goods, and services required for the Project and to be financed out of the proceeds of the Credit;

(c) Project impact and implementation indicators and the procedures for the monitoring and evaluation of the Project, including for compliance with Section II of Schedule 2 to this Agreement;

(d) the procedures for the Recipient’s preparation, review and approval of Credit proceeds withdrawal applications to the Association, in conformity with the instructions that the Association may give to the Recipient in this respect;

(e) the eligibility criteria for the selection of the Eligible Subnational Governments;

(f) the eligibility criteria for the Investment Subprojects;

(g) the Environmental Management Framework and guidelines for the carrying out of Investment Subprojects and the mechanisms to address the culturally specific needs of the Recipient’s indigenous peoples groups to ensure that the benefits of the Project are culturally appropriate and that there is broad community support for the Project;

(h) guidelines for human resources management under the Project;

(i) the communications strategy for the Project;

(j) the identification, quantification and responses to risk management under the Project;

(k) co-financing arrangements of Eligible Subnational Governments for cost of pre-investment studies and Investment Subprojects; and
D. Anti-Corruption

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

E. Safeguards

1. Environmental and Social Management Framework (ESMF)

The Recipient shall, and shall cause FPS, and jointly with FPS shall cause each of the Eligible Subnational Government to: (a) implement the Project in accordance with the ESMF; (b) adopt the procedures detailed in said ESMF for environmental screening, evaluation, implementation and monitoring of Investment Subprojects, including the procedures for the preparation of environmental management plans, when applicable; and (c) implement and/or cause to be implemented, the pertinent environmental management plan, in accordance with their terms and in a manner acceptable to the Association.

2. Indigenous People

The Recipient shall ensure, and shall cause FPS to ensure, and jointly with FPS shall cause each of the Eligible Subnational Government to ensure, that 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 Investment 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. Resettlement Policy Framework

3.1. The Recipient shall, and shall cause FPS, and jointly with FPS shall cause each of the Eligible Subnational Government to: (a) implement the Project in accordance with the Resettlement Policy Framework; and (b) adopt the procedures detailed in said Resettlement Policy Framework for screening, evaluation, implementation and monitoring of works under Part II of the Project; (c) implement and/or cause to be implemented, the pertinent resettlement action plan or abbreviated plan (for cases where 200 or less persons are affected, or where they are not physically relocated or would lose 20% or less of productive assets), as the case may be, all in accordance with their terms and in a manner acceptable to the Association.

3.2. The Borrower shall ensure that the terms of reference for any consultancies related to the technical assistance provided under Part 1.2 of the Project, shall be...
satisfactory to the Association and, to that end, such terms of reference shall require that the advice conveyed through such consultancies and technical assistance be consistent with the requirements of the Association’s Safeguard Policies.

F. Terms and Conditions for Subgrants

1. Each Subgrant will finance a defined amount of each pre-investment study under Part 2.1 of the Project or each Investment Subproject under Part 2.2 of the Project as defined in the Operational Manual.

2. Each Subgrant shall be made pursuant to an agreement, to be entered into by FPS and one or more of the Eligible Subnational Governments, whereby FPS shall obtain rights adequate to protect the interests of the Recipient and the Association, including the right to:

(a) require the Eligible Subnational Government to carry out the respective pre-investment study or carry out (or cause to be carried out by Communities) the respective Investment Subproject with due diligence and efficiency and in accordance with sound administrative, technical, engineering, financial, social, ecological and environmental standards and to provide the necessary information to FPS to enable FPS to comply with its obligations under the Subsidiary Agreement;

(b) require that: (i) the works, goods and services to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Section III below; and (ii) such works, goods and services shall be used exclusively in the carrying out of the respective pre-investment study or Investment Subproject;

(c) inspect the goods and works in the respective Investment Subproject and any relevant records and documents;

(d) require the Eligible Subnational Government to co-finance part of the cost of the pre-investment study or Investment Subproject, such financing to be made either: (i) in cash; (ii) in kind; (iii) through the provision of labor; or (iv) by means of any combination thereof as defined in the Operational Manual;

(e) require the Eligible Subnational Government to: (i) prepare and furnish to FPS an action plan, satisfactory to the Association, to mitigate any potential negative environmental impact resulting from the carrying out of the corresponding Investment Subproject, all in accordance with environmental criteria acceptable to the Association as set forth in the
Operational Manual; and (ii) carry out the plan referred to in (i) herein in accordance with its terms; and

(f) suspend or terminate the right of the Eligible Subnational Government to benefit from the proceeds of the Financing upon failure by such Eligible Subnational Government to comply with any of its obligations under the corresponding Subgrant Agreement.

G. Other Covenants

1. Not later than March 31, 2008, FPS shall have completed the modifications of the first phase of SAP, agreed with the Association pursuant to the FPS Action Plan.

2. Not later than December 31, 2008, FPS shall have completed all SAP modifications agreed with the Association, pursuant to the FPS Action Plan.

3. Not later than April 30, 2008, FPS shall have established its public web page with the register of companies, supervisors, and contracts awarded by FPS and the Municipalities since January 31, 2008.

4. The Recipient shall cause FPS to carry out the FPS Action Plan.

5. The Recipient and the Association shall assess semiannually, FPS institutional performance to confirm compliance with the FPS Action Plan.

6. The Recipient shall maintain throughout the implementation of the Project, the units referred to in paragraph B.2 of Section IV to this Schedule.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare or cause to be prepared Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report. The Recipient shall review the most recent Project Report with the Association during the Association’s semi-annual meetings with the Recipient, or on such later dates as the Association may request.
B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain (or cause to be maintained) a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient shall prepare (or cause to be prepared) and furnish to the Association not later than 45 days after the end of each calendar quarter, interim un-audited financial reports for each Part of the Project covering the calendar quarter, in form and substance satisfactory to the Association.

3. The Recipient shall, through MA, and shall cause FPS to, have the Financial Statements for each part of the project to be audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient for the respective part of the Project, commencing with the earlier of: (a) the fiscal year in which the first withdrawal under the Project Preparation Advance was made; and (b) the fiscal year in which the first withdrawal under this Agreement was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

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, with the provisions of this Section and with the provisions of Section II of Annex A to this Schedule.

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, Works and Non-Consultant Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works 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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional provisions set forth in Section I of Annex A to this Schedule 2.</td>
</tr>
<tr>
<td>(b) Shopping.</td>
</tr>
<tr>
<td>(c) Direct Contracting.</td>
</tr>
<tr>
<td>(d) Community Participation in Procurement (in the case of procurement carried out by Communities to whom an Eligible Municipality has entrusted the carrying out of all or part of an Investment Subproject pursuant to Section I.E.2(a) of Schedule 2 to this Agreement).</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Quality-based Selection.</td>
</tr>
<tr>
<td>(b)</td>
<td>Selection under a Fixed Budget.</td>
</tr>
<tr>
<td>(c)</td>
<td>Least Cost Selection.</td>
</tr>
<tr>
<td>(d)</td>
<td>Selection Based on Consultant’s Qualifications.</td>
</tr>
<tr>
<td>(e)</td>
<td>Single Source Selection.</td>
</tr>
<tr>
<td>(f)</td>
<td>Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.</td>
</tr>
<tr>
<td>(g)</td>
<td>Sole Source Procedures for the Selection of Individual Consultants.</td>
</tr>
</tbody>
</table>

### D. Review by the Association of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

2. Annual Procurement Audits. The Recipient, through MA, shall or shall cause FSP to:

   (a) not later than August 31 of each year during the implementation of the Project, beginning on August 31, 2009, 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 December 15 of each year during the implementation of the Project, beginning on December 15, 2009 and continuing for each year thereafter during the implementation of the Project, 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, 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 January 31 of each year during the implementation of the Project, beginning on January 31, 2010, 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 finance Eligible Expenditures as set forth in the table in paragraph 2 below.

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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) (a) Goods, Training and consultants’ services under Parts 1.1, 1.2, 1.3, 1.4, 1.5 and 1.6 of the Project; and (b) goods, consultants’ services and Training under Part 1.7 of the Project, including audits</td>
<td>1,967,672 (1,967,672)</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>756,463</td>
<td>100%</td>
</tr>
</tbody>
</table>
Annex A

to

SCHEDULE 2

Additional Provisions Relating to Particular Methods of Procurement

Section I. Goods and Works

Without limitation upon the provisions of Schedule 2 to this Agreement or the Procurement Guidelines, the following additional provisions shall apply to all goods and works procured for the Project (pursuant to Section III.A.1 of Schedule 2 to this Agreement) under contracts awarded on the basis of National Competitive Bidding ("NCB Contracts"):

1. A merit point system shall not be used in the pre-qualification of bids.

2. The award of goods and works contracts shall be based exclusively on price and, whenever appropriate, shall also take into account factors similar to those referred to in paragraph 2.51 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.

3. The Recipient shall open all bids at the stipulated time and place in accordance with a procedure satisfactory to the Association.

4. The Recipient shall use a single envelope procedure.

5. Whenever there is a discrepancy between the amounts in figures and in words of a bid, the amounts in words shall govern.

6. Except as the Association shall otherwise agree, the bidding process shall not be declared void if only three (3) bids or less have been submitted unless such bids have been determined not to be responsive.

7. Any standards and technical specifications (quoted in the bidding documents) that are at least substantially equivalent to the national standards and technical specifications shall be acceptable.

8. Foreign bidders shall be allowed to participate.

9. Foreign bidders shall not be required to legalize any documentation related to their bids with Bolivian authorities as a prerequisite for bidding.
10. No margin of preference shall be granted for any particular category of bidders.

11. The auction procedure (*Puja Abierta*) shall not be used.

12. In the event that a bidder whose bid was evaluated as the bid with the lowest evaluated price withdraws its bid, the contract may be awarded to the second lowest responsive evaluated bid.

13. Foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.

14. 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.

Section II. Selection of Consultant Services

Without limitation upon the provisions of Schedule 2 to this Agreement or the Consultant Guidelines, the following additional provisions shall apply to all consultants' services procured for the Project (pursuant to Section III.A.2 of Schedule 2 to this Agreement):

1. As a condition for participating in the selection process, foreign consultants shall not be required to enter into a joint venture agreement with local consultants, unless the conditions stated in paragraph I.I.2 of the Consultant Guidelines are met.

2. As a condition for participating in the selection process, foreign consultants shall not be required to legalize their proposals or any documentation related to such proposals with the Recipient's authorities.

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

4. Consultants (firms and individuals) shall not be required to present bid and performance securities as a condition to present proposals and sign a contract.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) (a) Subgrants under Part 2.1 of the Project;</td>
<td>64,060</td>
<td>100% of the cost of services financed by the Subgrants</td>
</tr>
<tr>
<td>(b) Subgrants under Part 2.2 of the Project; and</td>
<td>7,401,470</td>
<td>100% of the cost of goods, works and services financed by the Subgrants</td>
</tr>
<tr>
<td>(c) consultants’ services under Part 2.1 of the Project</td>
<td>31,450</td>
<td>100%</td>
</tr>
<tr>
<td>(3) (a) Goods, consultants’ services, Training and Operational Costs under Part 3 of the Project, including audits; and</td>
<td>1,878,357</td>
<td>100%</td>
</tr>
<tr>
<td>(b) FPS Operating Costs under Part 3.5 of the Project</td>
<td>505,648</td>
<td>5% of the total cost of the Investment Subprojects paid in tranches as set forth in the Operational Manual</td>
</tr>
<tr>
<td>(4) Refund of Project Preparation Advance</td>
<td>194,880</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>12,800,000</td>
<td></td>
</tr>
</tbody>
</table>
3. For purposes of the table in paragraph 2 above, the terms:

(a) “Training” means reasonable expenditures (other than those for consultants’ services) incurred by MA for the purposes of the Project and directly related to training activities described in the Project, including, *inter alia*, costs related to workshops, seminars, conferences, study tours, training registration fees, facility rentals, and travel costs and *per diems* for MA, the Eligible Municipalities and FPS civil service officials or employees;

(b) “FPS Operating Costs” means reasonable recurrent expenditures (other than those for consultants’ services) incurred by FPS for the purposes of the Project and directly related to the activities described in the Project, including, *inter alia*, salaries of staff, office materials and supplies, operation and maintenance of office equipment, insurance, vehicle and equipment operation, bank charges on the Designated Account, transportation, phone and fax charges, media campaigns and printing of materials; and

(c) “Operational Costs” means reasonable recurrent expenditures (other than those for consultants’ services) incurred by MA and the AMDES for the purposes of the Project and directly related to the activities described in the Project, including, *inter alia*, office rental, utilities, materials and supplies, travel costs (including transportation costs, accommodation), bank charges on the Designated Account, vehicle (including insurance) and equipment operation and maintenance, phone, internet and fax charges, media campaigns and printing of materials.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawals shall be made for payments made prior to the date of this Agreement.

2. No withdrawals shall be made for payments under Category 2 of the table in paragraph A above, until FPS has established to the satisfaction of the Association: (a) the control and monitoring unit under FPS’s executive office; (b) the environmental unit; and (c) the procurement monitoring unit.

3. The Closing Date is March 16, 2013.

4. The Recipient, through MA, shall review and adjust annually, or at any other time agreed with the Association, starting on June 30, 2009, the FPS Operating Costs. Such adjustment shall be unnecessary if the Association is satisfied that said review reveals no change in FPS Operating Costs.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>Commencing February 15, 2018 to and including August 15, 2027.</td>
<td>1.25%</td>
</tr>
<tr>
<td>Commencing February 15, 2028, to and including August 15, 2042.</td>
<td>2.50%</td>
</tr>
</tbody>
</table>

* 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. "AMDES" means the Recipient's not-for-profit departmental municipal associations.


3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. "Co-financiers" means: (a) the Swiss Confederation; and (b) the Government of the Kingdom of Denmark, referred to in paragraph 10 of the Appendix to the General Conditions.

5. "Co-financing" means an amount of: (a) $4,500,000; and (b) $10,900,000 to be provided by the Swiss Confederation and the Government of the Kingdom of Denmark, respectively, to assist in financing the Project.

6. "Co-financing Agreements" means the agreements to be entered into between the Recipient and each of the Co-financiers providing for the Co-financing.

7. "Communities" means any of the Recipient's communities with legal personality and organized structure which meet the eligibility criteria set forth in the Operational Manual to carry out all or part of an Investment Subproject.


9. "Department" means an autonomous department, one of the autonomous territorial entity in the Recipient's territory established pursuant the Recipient's Constitution, dated January 25, 2009.

10. "Eligible Subnational Governments" means any of the autonomous territorial entities (Department, Region, Municipality or Indigenous Original Peasant Autonomy), pursuant the Recipient's Constitution, dated January 25, 2009, and the Autonomies and Decentralization Law, dated July 19, 2010, which has met the eligibility criteria set forth in the Operational Manual to: (a) carry out a pre-investment study under Part 2.1 of the Project; and/or (b) carry out an Investment
Subproject (as hereinafter defined) under Part 2.2 of the Project; and/or (c) carry out activities under Part 1 of the Project.

11. “Environmental Management Framework” means Estudio de Evaluacion de Impacto Ambiental, the Recipient’s environmental and social management framework dated September 2007 and published and made available in MA’s website on October 26, 2007, which contains the environmental protection measures in respect of the Project, including: (a) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project; (b) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (c) the recommendation of mitigation measures for each negative impact identified; and (d) measures for enhancing each identified positive impacts, as may be amended from time to time with the World Bank’s prior approval.

12. “FPS” means Fondo Nacional de Inversión Productiva y Social, the Recipient’s national productive and social investment fund established pursuant to Article 14 of the Recipient’s Supreme Decree No. 25984 of November 16, 2000.


16. “Indigenous Original Peasant Autonomy” means Autonomia Indigena Originaria Campesina, the indigenous original peasant territories that have agreed to become autonomous by means of the procedure defined in the Recipient’s Constitution dated January 25, 2009, and further developed in the Autonomies and Decentralization Law, dated July 19, 2010.

17. “Inter-Institutional Agreement” means any of the agreements referred to in Section I.A.3 of Schedule 2 to this Agreement, to be entered between MA and an Eligible Subnational Government for the carrying out of Part 1 of the Project.

18. “Investment Subproject” means a specific subproject which meets the eligibility criteria set forth in the Operational Manual (hereinafter defined) and consisting, inter alia, of: (a) the upgrading and rehabilitation of communal and municipal roads; (b) the construction of vehicular and pedestrian bridges; (c) the construction of lake and river transport infrastructure; (d) the construction of
small reservoir and river collectors, irrigation canals and surface water collectors; 
(e) the carrying out of reforestation and management of community forest areas, 
basin management and soil control erosion, and protection of productive zones; 
or (f) the construction of telecommunication and information centers and public 
infrastructure for tourism promotion and marketing infrastructure. The following 
activities shall be ineligible for financing under any Investment Subproject: (a) 
new road construction; (b) transportation works in primary forest and protected 
areas; (c) construction of water reservoirs higher than 10 meters or which flood 
more than 100 hectares; (d) irrigation works that feed more than 100 incremental 
hectares; (e) flood protection or drainage works that affect wetland; (f) works in 
archeological areas with the exception of minor preservation works linked to a 
tourism strategy approved by the Recipient’s National Archeological Institute; 
(g) activities that may induce voluntary or involuntary occupation of forest lands; 
and (h) activities that may induce voluntary or involuntary resettlement. 

19. “MA” means Ministerio de Autonomia, the Recipient’s Ministry of Autonomy 
established pursuant to the Recipient’s Supreme Decree No. 29894, dated 
February 7, 2009 and Supreme Decree No. 802, dated February 23, 2011, and/or any successor thereto acceptable to the Association.

20. “Mancomunidades” means any of the Recipient’s local municipal associations 
created pursuant article 273 of the Recipient’s Constitution, dated January 25, 
2009 and which have met the eligibility criteria set forth in the Operational 
Manual.

21. “MMAyA” means Ministerio de Medio Ambiente y Agua, the Recipient’s 
Ministry of Environment and Water Resources, and/or any successor thereto 
acceptable to the Association.

22. “Municipality” means a municipal government of an entity with legal personality 
established pursuant to the Recipient’s Law No. 2028, dated October 28, 1999.

23. “NCA” means Consejo Nacional de Autonomías, the Nacional Council of 
Autonomies which is a consultative body responsible of the coordination and 
consultation process between the Plurinational Government and the autonomous 
territorial entities, as established pursuant Article 122 of the Autonomies and 

24. “NOU” means the team within MA (as hereinafter defined) referred to in Section 
I.B.2 of Schedule 2 to this Agreement.

25. “Operational Manual” means the manual referred to in Section I.C of Schedule 2 
to this Agreement.
26. "OTB" means an indigenous community or a rural community or a neighborhood association (Organizaciones Territoriales de Base) established in accordance to the Recipient's Law No. 1551, dated April 20, 1994 and published in the Recipient's Official Gazette on April 24, 1994.

27. "Procurement Audit" means the audit referred to in Section III.D.2 (a) of Schedule 2 to this Agreement.


29. "Procurement Plan" means the Recipient's procurement plan for the Project, dated November 7, 2007 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.

30. "Procurement Supreme Decree" means the Recipient’s Supreme Decree No. 29190 (Decreto Supremo Nº 29190) of July 11, 2007, as amended and as in effect on the date of this Agreement.

31. "Project Area" means the area under the jurisdiction of the Municipalities listed in the Operational Manual, as such area may be amended from time to time by agreement between the Recipient and the Association.

32. "Project Implementation Plan" means a plan satisfactory to the Association to be issued by MA, with the assistance of FPS, and which will include all the activities under the Project.

33. "Project 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 November 21, 2006 and on behalf of the Recipient on December 12, 2006.

34. "Region" means an autonomous region, one of the autonomous territorial entities in the Recipient's territory established pursuant the Recipient's Constitution, dated January 25, 2009.

35. "Resettlement Policy Framework" means the document prepared by the Recipient, and dated August 2011, and published and made publicly available on September 15, 2011, outlining general implementation procedures, mitigation measures and monitoring procedures for involuntary resettlement under the Project, including the procedures for preparation and implementation of resettlement plans, as said framework may be amended from time to time with the Association's prior approval.
“SAP” means FPS’ project administration system.

“SEA” means “State Service of Autonomies”, the Servicio Estatal de Autonomías, established pursuant the Autonomies and Decentralization Law, dated July 18, 2010 to support the implementation of the autonomy process.

“Subgrant” means a grant made or to be made by FPS out of the proceeds of the Credit to an Eligible Subnational Government for the financing of a pre-investment study under Part 2.1 of the Project or an Investment Subproject under Part 2.2 of the Project.

“Subgrant Agreement” means any of the agreements to be entered into by FPS and an Eligible Subnational Government pursuant to Section I.F.2 of Schedule 2 to this Agreement.

“Subsidiary Agreement” means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to FPS.

“TOU Agreement” means the agreement referred to in Section I.A.4 of Schedule 2 to this Agreement, to be entered between MA and the AMDES for the carrying out of Parts 1 and 3 of the Project.