Mrs. Elba Viviana Caro Hinojosa  
Minister of Development Planning  
Ministry of Development Planning  
Avenida Mariscal Santa Cruz #1092, Esquina Oruro  
Ex. Edificio Comibol  
La Paz, Bolivia

Re: Plurinational State of Bolivia: Pilot Program for Climate Resilience (PPCR) – Phase 2  
Grant No.TF011248

Excellency:

In response to the request for financial assistance made on behalf of the Plurinational State of Bolivia ("Recipient"), I am pleased to inform you that the International Development Association ("Association") acting as Implementing Agency of grant funds provided under the Pilot Program for Climate Resilience ("PPCR"), proposes to extend to the Recipient a grant in an amount not to exceed five hundred thousand United States Dollars (U.S. $500,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to strengthen the Recipient’s capacity to define and implement a climate change resilience management system in the Pilot Sub-basins, as part of the Recipient’s SPCR ("Bolivia Climate Resilience-Integrated Basin management Project") ("Project"), for the carrying out of which the Recipient has requested the Association’s assistance.

This Grant is funded out of the abovementioned trust fund for which the Association receives periodic contributions from donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Association’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that: (a) it is authorized to enter into this Agreement and to carry out the Activities in accordance with the terms and conditions set forth or referred to in this Agreement; and (b) it understands that the provision of this Grant does not constitute or imply any commitment on the part of the Association, either as Implementing Entity of the Pilot Program for Climate Resilience under the Strategic Climate Fund or in its own capacity, to assist in the financing of the Project, all in accordance to the provisions of this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the Association. Upon receipt by the Association of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION
(Acting as an Implementing Agency of the Pilot Program for Climate Resilience)

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

AGREED:

PLURINATIONAL STATE OF BOLIVIA
Ministry of Planning and Development

By:
Authorized Representative

Name: Z. Víviana Caro Hinojosa
Title: MINISTRA DE PLANIFICACIÓN DEL DESARROLLO
Date: 08 OCT 2012

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement; provided that for the purposes of this Agreement the term Activities, shall mean the activities referred to in Section 2.01 of this Annex. For purposes of this Agreement, the following terms whenever used in this Agreement shall have the following meanings:

(a) "Association's Safeguards Policies", means the Association’s operational policies and procedures set forth in the Association’s Operational Manual 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.

(b) “Department of Cochabamba” means the autonomous department of Cochabamba within the Recipient’s territory, as established pursuant to the Recipient’s Decentralization Law (Ley Marco de Autonomias y Descentralización), dated July 19, 2010.

(c) “Department of Santa Cruz” means the autonomous department of Santa Cruz within the Recipient’s territory, as established pursuant to the Recipient’s Decentralization Law (Ley Marco de Autonomias y Descentralización), dated July 19, 2010.

(d) “IWRM” means Integrated Water Resources Management, a process which promotes the coordinated development and management of water, land and related resources, in order to maximize the resultant economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems.

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

(f) “Operational Manual” means the manual as referred to in Section 2.03 (a) of the Annex to this Agreement.

(g) “Pilot Sub-basins” means the sub-basin of the Rio Mizque in the Departments of Cochabamba and Santa Cruz, and the sub-basin of the Rio Pirai in the Department of Santa Cruz, both of which are part of the Rio Grande river basin.

(h) “SDC” means Servicio Departamental de Cuencas, a decentralized institution within the Department of Cochabamba responsible of carrying out projects on watershed management, as established pursuant to Cochabamba’s Departmental Legislative Assembly Law 167/2011-2012, of April 11, 2012.
(i) “SEARPI” means Servicio de Encauzamiento de Aguas y Regularización del Río Pirai, a decentralized institution within the Department of Santa Cruz as established pursuant to the Recipient’s Law 550, of May 15, 1983.

(j) “SPCR” means the Recipient’s Strategic Program for Climate Resilience, a program dedicated to build a society increasingly resilient to climate change as set forth in the document PPCR/SC.9/5, dated October 19, 2011.

(k) “UCP-PPCR” means Unidad de Coordinación del Programa Piloto de Resiliencia Climática, the operationally independent unit within MMAyA, entrusted with the responsibility to implement the Project, as established under the Ministerial Resolution No.28, March 8, 2012.

Article II
Execution of the Activities

2.01. **Grant Objectives and Description of the Activities.** The objective of the Grant is to assist the Recipient and engage stakeholders in the design and preparation of the Project.

The preparation activities for which the Grant is provided consist of the following parts:

**Part I: Strengthening capacity**

(a) (i) carry out of an assessment of the fiduciary capacity of the UCP-PPCR and; (ii) design of the Project implementation arrangements;

(b) design of the Project’s monitoring and evaluation plan, including, *inter alia*, the Project’s results framework and identification of the performance indicators;

(c) preparation of the Project’s financial and economic analysis, detailed cost tables and financing arrangements;

(d) preparation of the Project’s procurement plan; and

(e) preparation of the Project’s operational manual.

**Part II: Technical preparation**

(a) (i) carry out of an assessment of the Recipient’s national hydro-meteorological information system; and (ii) develop an action plan to strengthen said system;

(b) carry out of pre-investment studies including a river basin management plan and subproject feasibility studies in each of the Pilot Sub-basins;

(c) (i) carry out of an assessment of the IWRM capacity of SDC and SEARPI and; (ii) development of action plans to strengthen SDC and SEARPI institutional capacity based on the assessments carried out under Part II (c) (i) above;

(d) (i) carry out of an environmental and social impact assessment; and (ii) preparation of the applicable environmental and social instruments as a result of said assessment;
(e) carry out of a communication and dissemination campaign to inform potential stakeholders about the scope and rules of the Project through local workshops; and

(f) carry out of a baseline study in each of the Pilot Sub-basins.

2.02. **Grant Execution Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall, through MMAyA, carry out the Activities in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); (c) this Article II; and (d) the Operational Manual as set forth in Section 2.03 (a) of the Annex to this Agreement.

2.03. **Institutional and Other Arrangements.**

For the purposes of the implementation of the Activities, the Recipient, through MMAyA, shall:

(a) carry out the Activities in accordance with a manual (“Operational Manual”), acceptable to the Association, outlining the procedures and guidelines for the administrative, technical, financial, procurement, auditing, participatory and legal standards and practices to be used for the implementation of the Activities, including *inter alia*: (i) procurement and contracting procedures for consultant’s services required for the Activities and to be financed out of the proceeds of the Grant; (ii) the procedures for the monitoring and evaluation of the Activities; and (iii) procedures for the preparation, review and approval of reports pursuant to the Activities’ financial management requirements. The Operational Manual may be amended from time to time with the Association’s prior approval. In the case of any conflict between the terms of the Operational Manual and those of this Agreement the terms of this Agreement shall prevail; and

(b) ensure that the terms of reference for any consultancies related to studies, technical assistance or capacity building under this Agreement 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 Safeguards Policies.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the Association may reasonably request to identify publicly the Donors’ support for the Activities.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the Association’s request, enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Activities.

2.05. **Monitoring, Reporting and Evaluation of the Activities.** (a) The Recipient shall monitor and evaluate the progress of the Activities and prepare Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the Association. Each Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the Association not later than six months after the Closing Date.

2.06. **Completion Report.** The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the Association not later than six months after the Closing Date.

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

(b) The Recipient shall ensure that interim unaudited financial reports for the Activities are prepared and furnished to the Association not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the Association.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, or any other period to be agreed with the Association. The audited Financial Statement for such period shall be furnished to the Association not later than six months after the term of the Activities.

2.07. **Procurement**

(a) **General.** All goods, non-consulting services and consultants' services required for the Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services;

(ii) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBR Loans and IDA Credits and Grants by the World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods and non-consulting services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
Particular Methods of Procurement of Goods and Non-consulting Services

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

A. A merit point system shall not be used in the pre-qualification of bidders.
B. 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 Procurement Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.
C. All bids shall be opened at the stipulated time and place in accordance with a procedure satisfactory to the Association.
D. The single envelope procedure shall be used.
E. Whenever a discrepancy shall occur between the amounts in figures and in the words of a bid, the amounts in words shall govern.
F. No prescribed minimum number of bids shall be required to be submitted for a contract to be subsequently awarded.
G. Foreign bidders shall be allowed to participate.
H. Foreign bidders shall not be required to legalize any documentation related to their bids with Recipient’s authorities as a prerequisite for bidding.
I. No margin of preference shall be granted for any particular category of bidders.
J. 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.
K. Foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders.
L. No procurement rules or regulations of the Recipient agency nor of any state-owned entity shall apply without the prior review and consent of the Association.
M. 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.
N. 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.
O. Bidding documents for NCB shall include Anticorruption Clauses that shall be substantially identical to those pertaining to the Association/Bank Standard Bidding Documents for ICB.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.
Particular Methods of Procurement of Consultants' Services

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

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

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

Special Provisions. In addition to, and without limitation on any other provision set forth in this Schedule or the Consultant Guidelines, the following rules shall govern all procurement of Consultant services:

(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 1.12 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 the 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 (firms and individuals) shall not be required to present bid and performance securities as a condition to present proposals and sign a 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).

(vi) request for proposals documents for consultancy contracts shall include anti-corruption clauses identical to those of the SDB.

Article III
Withdrawal of Grant Proceeds

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultants' services, Workshops and Operating Costs</td>
<td>$500,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>$500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

(a) "Operating Costs" means reasonable expenditures (non of which would have been incurred absent the Activities), incurred by MMAyA for the purposes of the implementation, management, coordination and supervision of the Activities, including, *inter alia*: travel expenses, operation and maintenance of office equipment, rental of offices, utilities, non durable and/or consumable office materials, excluding salaries of civil servants or permanent employees; and

(b) "Workshops" means the reasonable expenditures (other than those for consultants' services) incurred by MMAyA in connection with the carrying out of local workshops, including, *inter alia*: the reasonable travel costs (*e.g.* accommodations, transportation costs and *per diem, inter alia*) of participants and workshop facilitators (if applicable), catering, rental of workshop facilities and equipment, logistics and printing services, as well as workshop materials and equipment under the Activities.

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

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is two years after the date of signature of this Agreement by the Association.

**Article IV**

**Effectiveness; Termination**

4.01. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not been signed six months after approval of the grant unless the Association, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Association shall promptly notify the Recipient of such later date.

4.02. **Termination for Lack of Implementation or Disbursement.** This Agreement and all obligations of the parties under it shall terminate if it has not been implemented or has not
disbursed any funds during twelve months following its signature, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Associations shall promptly notify the Recipient of such later date.

**Article V**

**Recipient’s Representative; Addresses**

5.01. *Recipient’s Representative.* The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Planning and Development.

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

Ministerio de Planificación del Desarrollo
Avenida Mariscal Santa Cruz Esquina Oruro, Ex Edificio Comibol
Casilla de correo No.12814
La Paz - Bolivia

Facsimile: 011-591-2-2317408 (with copy to: 011-591-2-2392891)

5.03. *Association’s Address.* The Association’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391