May 7, 2012

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. 4365-BO (Municipality of La Paz Secondary Education Transformation Project)
Third Amendment to the Financing Agreement/Amended and Restated 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 on April 21, 2009 and September 11, 2009, with respect to the above-captioned Project (“Agreement”).

Pursuant to your letter dated August 29, 2011 requesting the Association to amend the Agreement, including extending the Project Closing Date, we are pleased to inform you that the Association agrees to amend the terms of the Agreement as follows and 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. Part 1, 2 and 3 of Schedule 1 to the Agreement are hereby amended and replaced in their entirety to read as follows:

   “Part 1. Access to Education

   Promote expanded coverage in primary and secondary education through:

   a) (i) the construction and equipping (with furniture, audiovisual and/or computer equipment) of four new schools with classrooms, sanitary facilities and administrative offices; and (ii) the construction of additional classrooms in about twelve existing schools; and

   b) the development of an intervention providing direct pedagogical support to At-Risk Students in secondary education (grades 1-4) to ensure that they remain in the education system to complete their studies and improve
their critical thinking and communication skills, including the carrying out of a targeted supplementary academic and skills-building course provided by pedagogical experts and offered after school or as a complement to the school day.

Part 2. Quality of Education

Support La Paz to improve the quality of education with a focus on primary and secondary education through:

a) the improvement of learning environments including, inter alia: (i) the reconstruction and equipping (with furniture, audiovisual and/or computer equipment) of three dilapidated school buildings, classrooms, sanitary facilities and administrative offices; and (ii) the development of a framework on school infrastructure maintenance that clarifies the roles and responsibilities of La Paz, principals, teachers and students;

b) the design and delivery of programs for secondary education (grades 3-6) teachers, school directors, and representatives from the Juntas Escolares on civic values-related issues defined by La Paz, including gender equity, health and sexuality, multiculturalism, emotional intelligence and proper care of school buildings, through inter alia: (i) the development of a post-graduate (Diploma) program for principals, teachers and staff of the OMDH education unit; (ii) the carrying out of workshops for teachers, administrators, members of the Juntas Escolares and parents addressing the above issues; (iii) the development of dialogue sessions and classroom projects with students; (iv) the publication of a small series of booklets covering the awareness programs themes; and (v) the development of an interactive website for use by teachers, directors, parents and students;

c) the establishment of a Center of High Performance (CARE) to provide access to science and computer labs, learning materials, and carry out awareness-raising workshops and pedagogical reinforcement to At-Risk Students through the financing of the CARE operational costs and the provision of goods; and

d) the design and implementation of annual school level strategic plans, including: (i) the carrying out of training and support to school management committees in the development of the School Improvement Plans (SIPs); (ii) the development of a manual outlining the basic steps for developing and implementing the SIPs; and (iii) the financing of SIPs through: (A) the transfer of a School Grant to selected schools; or (B) OMDH, as the case may be.

Part 3. Education Management and Institutional Strengthening

Strengthen management capacity at the municipal and school levels to facilitate actions to improve access to and completion of a quality secondary education, through:
a) (i) the adaptation of the SIMAF; (ii) the provision of equipment, materials, and consultants necessary for carrying out Project management and implementation; (iii) the financing of operational costs related to Project implementation; and (iv) the contracting of auditing services to carry out annual Project audits;

b) the design and implementation of an impact evaluation of Part 1 (b) activities to measure their effects; and

c) the strengthening of La Paz’s capacity to enhance its financial and accounting practices, revise its procurement and financial management norms in accordance with international standards, and carry out other activities related to improving its performance in the education sector, including: (i) the purchasing of equipment and furniture for the OMDH education unit; (ii) the provision of technical assistance for professional development for the OMDH education unit staff; and (iii) the design and implementation of an informational campaign publicizing the Project and its activities, including the establishment and maintenance of a webpage publicly accessible.”

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

“(f) methodology for the calculation of the fee for teachers participating in the At-Risk Students program to ensure service sustainability of the activities under Part 1 (b) of the Project;”

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

“(h) the Environmental Management Plan.”

5. Section IV.A.2 and 3 of Schedule 2 to the Agreement is hereby amended and replaced in its entirety to read as follows:

“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) Goods, works, consultants’ services, and Training under Part 1 of the Project</td>
<td>4,186,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants’ services, Training and Center of High Performance Operational Costs under Part 2 of the Project which are not otherwise covered under Category (3) below.</td>
<td>1,501,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) School Grants under Part 2 of the Project</td>
<td>165,900</td>
<td>100% of the cost of goods, works, consultants’ services and training financed by the respective School Grants</td>
</tr>
<tr>
<td>(4) Goods, works, consultants’ services, and Training under Part 3 of the Project</td>
<td>435,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operational Costs under Parts 1, 2 and 3 of the Project</td>
<td>176,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>36,100</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>6,500,000</td>
<td></td>
</tr>
</tbody>
</table>

6. For purposes of the table in paragraph 2 above, the terms:

(a) “Training” means reasonable expenditures (other than those for consultants’ services) incurred by La Paz 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 La Paz civil service officials or employees;

(b) “Operational Costs” means reasonable recurrent expenditures (other than those for consultants’ services) incurred by La Paz for the purposes of the Project and directly related to the activities described in the Project, including, *inter alia*, office materials and supplies, transportation, phone and fax charges, media campaigns, printing of materials and teachers’
time devoted to the incentive program for At-Risk Students under Part 1 (b) of the Project; and

(c) "CARE Operational Costs" means reasonable recurrent expenditures (other than those for consultants' services) incurred by the CARE for the purposes of the Project and directly related to the activities described in the Project, including, inter alia, staff time, office materials and supplies, transportation, phone and fax charges, media campaigns and printing of materials."

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

"2. The Closing Date is March 31, 2013."

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

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

(i) "Pedagogic Resource Platforms" or "PRPs" means a non-governmental organization or private provider which delivers complementary education services to students from La Paz municipal schools network, selected to provide services under Part 2 of the Project in accordance with the eligibility criteria set forth in the Operational Manual."

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

(i) "At-Risk Students" means the Recipient's students in secondary education (grades 1-4) with a grade of 39 or less out of 70 points in Mathematics or Language in the first quarter of the school year."

(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) "Center of High Performance" or "CARE" means a municipal organization which delivers complementary education services to students from La Paz municipal schools network, selected to provide services under Part 2 of the Project in accordance with the eligibility criteria set forth in the Operational Manual."
(ii) “Environmental Assessment” means the document prepared by La Paz and made publicly available on July 6, 2007, which identifies environmental impacts associated with the construction and rehabilitation of new and existing schools, classrooms and other facilities.”

(iii) “Environmental Management Plan” means Plan for the Application of Environmental Monitoring (PASA), the plan prepared by La Paz (and derived from the Environmental Assessment disclosed July 6, 2007), dated August 26, 2008, satisfactory to the Association, and published and made publicly available in La Paz’s website http://wsservicios.lapaz.bo/normativa_externa/ConsultaExterna.asp, which sets out the environmental protection/mitigation measures applicable to the Project, including environmental supervision, monitoring and evaluation procedures for the Project.”

(iv) “OMDH” means Oficialia Mayor de Desarrollo Humano, the La Paz Human Development Office, as per established by municipal decree (Ordenanza Municipal) G.M.L.P no. 867/2006 (article 15), and responsible for the execution of the Project.”

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 amendment letter.
Please also note that the restructuring paper dated April 11, 2012 will be disclosed on the Bank’s external website as per the Bank’s policy on access to information.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

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

AGREED:

PLURINATIONAL STATE OF BOLIVIA

By:

(Name: E. Viviana Caro Hinojosa
Title: MINISTRA DE PLANIFICACION DEL DESARROLLO
Date: 15 AGO 2012

(Authorized Representative)
Financing Agreement
(Municipality of La Paz Secondary Education Transformation Project)

between

PLURINATIONAL STATE OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 4365-BO

FINANCING AGREEMENT

AGREEMENT dated February 11, 2008, as amended on April 21, 2009 and September 11, 2009, and amended and restated on May 7, 2012, entered into between PLURINATIONAL STATE OF BOLIVIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to six million five hundred thousand Special Drawing Rights (SDR 6,500,000) (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 cause the Project to be carried out by La Paz 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) La Paz shall have failed, in the opinion of the Association, to perform any of its obligations under the Subsidiary Agreement.

(b) The Procurement Supreme Decree has been amended, suspended, abrogated, repealed or waived so as to render its Article 10 ineffective, in the opinion of the Association, and no provision analogous to such Article 10 has been adopted to replace said provision.

(c) The Subsidiary Agreement or any of its provisions have been amended, suspended, abrogated, terminated or waived so as to affect materially and adversely, in the opinion of the Association, the ability of La Paz to perform its obligations as contemplated under the provisions of this Agreement.

4.02. 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 Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreement has been executed on behalf of the Recipient and La Paz.
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 La Paz and is legally binding upon the Recipient and La Paz in accordance with its terms.

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association’s approval of the Credit which expire on April 9, 2009.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

Ministerio de Planificación del Desarrollo
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: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
AGREED 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 support La Paz’s education strategy by: (i) increasing access to secondary education for adolescents and young people and improving their permanence in the education system; (ii) improving quality and relevance of primary and secondary education; and (iii) strengthening La Paz’s decentralized education management capacity.

The Project consists of the following parts:

Part 1. Access to Education

Promote expanded coverage in primary and secondary education through:

a) (i) the construction and equipping (with furniture, audiovisual and/or computer equipment) of four new schools with classrooms, sanitary facilities and administrative offices; and (ii) the construction of additional classrooms in about twelve existing schools; and

b) the development of an intervention providing direct pedagogical support to At-Risk Students in secondary education (grades 1-4) to ensure that they remain in the education system to complete their studies and improve their critical thinking and communication skills, including the carrying out of a targeted supplementary academic and skills-building course provided by pedagogical experts and offered after school or as a complement to the school day.

Part 2. Quality of Education

Support La Paz to improve the quality of education with a focus on primary and secondary education through:

a) the improvement of learning environments including, inter alia: (i) the reconstruction and equipping (with furniture, audiovisual and/or computer equipment) of three dilapidated school buildings, classrooms, sanitary facilities and administrative offices; and (ii) the development of a framework on school infrastructure maintenance that clarifies the roles and responsibilities of La Paz, principals, teachers and students;

b) the design and delivery of programs for secondary education (grades 3-6) teachers, school directors, and representatives from the Juntas Escolares on civic values-related issues defined by La Paz, including gender equity, health and sexuality, multiculturalism, emotional intelligence and proper care of school buildings, through inter alia: (i) the development of a post-graduate (Diploma)
program for principals, teachers and staff of the OMDH education unit; (ii) the carrying out of workshops for teachers, administrators, members of the Junta Escolares and parents addressing the above issues; (iii) the development of dialogue sessions and classroom projects with students; (iv) the publication of a small series of booklets covering the awareness programs themes; and (v) the development of an interactive website for use by teachers, directors, parents and students;

c) the establishment of a Center of High Performance (CARE) to provide access to science and computer labs, learning materials, and carry out awareness-raising workshops and pedagogical reinforcement to At-Risk Students through the financing of the CARE operational costs and the provision of goods; and

d) the design and implementation of annual school level strategic plans, including: (i) the carrying out of training and support to school management committees in the development of the School Improvement Plans (SIPs); (ii) the development of a manual outlining the basic steps for developing and implementing the SIPs; and (iii) the financing of SIPs through: (A) the transfer of a School Grant to selected schools; or (B) OMDH, as the case may be.

Part 3. Education Management and Institutional Strengthening

Strengthen management capacity at the municipal and school levels to facilitate actions to improve access to and completion of a quality secondary education, through:

a) (i) the adaptation of the SIMAF; (ii) the provision of equipment, materials, and consultants necessary for carrying out Project management and implementation; (iii) the financing of operational costs related to Project implementation; and (iv) the contracting of auditing services to carry out annual Project audits;

b) the design and implementation of an impact evaluation of Part 1 (b) activities to measure their effects; and

c) the strengthening of La Paz’s capacity to enhance its financial and accounting practices, revise its procurement and financial management norms in accordance with international standards, and carry out other activities related to improving its performance in the education sector, including: (i) the purchasing of equipment and furniture for the OMDH education unit; (ii) the provision of technical assistance for professional development for the OMDH education unit staff; and (iii) the design and implementation of an informational campaign publicizing the Project and its activities, including the establishment and maintenance of a webpage publicly accessible.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to La Paz through a subsidiary agreement between the Recipient and La Paz, under terms and conditions approved by the Association (“Subsidiary Agreement”).

2. The Recipient shall create all of the necessary conditions for La Paz to comply with its obligations under the Subsidiary Agreement.

3. The Recipient shall exercise its rights under the Subsidiary Agreement 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 assign, amend, abrogate, waive or fail to enforce any Subsidiary Agreement or any of its provisions.

4. In the case of a conflict between the provisions of the Subsidiary Agreement 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 cause La Paz to carry out the Project in accordance with the provisions of:
   (a) this Agreement;
   (b) the Subsidiary Agreement; and
   (c) the Operational Manual.

2. At all times during the execution of the Project, La Paz shall maintain within its public administration, a qualified team responsible for the implementation of the Project, with staffing, functions and responsibilities satisfactory to the Association, including the following responsibilities:
   (a) overall planning, coordination and monitoring of Project activities;
   (b) the updating of the Procurement Plan and the elaboration of the annual implementation plan; and
the preparation of consolidated financial reports and the contracting of external audits.

3. La Paz shall obtain the Association’s no-objection for the hiring of the following staff which shall be part of the team referred to in paragraph 2 above: (i) one Project coordinator; (ii) one financial management specialist; (iii) one procurement specialist; (iv) one pedagogic assistant; (v) one information technology assistant; (vi) three monitoring and evaluations assistants; and (vii) two civil works assistants.

C. Operational Manual

1. The Recipient shall cause La Paz to carry out the Project 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 consultants’ 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 the provisions of 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) a model of the School Agreement;

(f) methodology for the calculation of the fee for teachers participating in the At-Risk Students program to ensure service sustainability of the activities under Part 1 (b) of the Project;
D. **Anti-Corruption**

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

E. **Other Covenants**

(a) No excavations or any other type of works under the Project shall be carried out unless the acquisition process of the land sites has been carried out in a manner satisfactory to the Association.

(b) The Recipient shall make sure that there is not any resettlement of people, businesses or livelihoods caused by the Project activities.

(c) For purposes of the carrying out of any of the School Improvement Plans under Part 2 (d) of the Project, the Recipient shall cause La Paz to enter into arrangements with the school director (the School Agreement) providing, inter alia, for: (i) the terms and conditions of the transfer of funds (the School Grant) from La Paz to such school director for the financing of the School Improvement Plan; and (ii) the obligation of the school director to carry out the School Improvement Plan in accordance with the provisions of the School Improvement Plan Manual.

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 one month 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 have (or cause to have) the Financial Statements 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. 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 and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

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 and Works. The following table specifies the methods of procurement, other than International Competitive
Bidding, which may be used for goods and works. 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>
</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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection.</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget.</td>
</tr>
<tr>
<td>(c) Least Cost Selection.</td>
</tr>
<tr>
<td>(d) Selection Based on Consultant’s Qualifications.</td>
</tr>
<tr>
<td>(e) Single Source Selection.</td>
</tr>
<tr>
<td>(f) 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) 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 shall cause La Paz:
   
   (a) not later than November 30 of each year during the implementation of the Project, beginning on November 30, 2008, to contract independent auditors of 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 June 30 of each year during the implementation of the Project, beginning on June 30, 2009 and continuing for each year thereafter during the implementation of the Project, to 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, to 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 August 30 of each year during the implementation of the Project, beginning on August 30, 2009, to 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) Goods, works, consultants' services, and Training under Part 1 of the Project</td>
<td>4,186,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants' services, Training and Center of High Performance Operational Costs under Part 2 of the Project which are not otherwise covered under Category (3) below</td>
<td>1,501,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) School Grants under Part 2 of the Project</td>
<td>165,900</td>
<td>100% of the cost of goods, works, consultants’ services and training financed by the respective School Grants</td>
</tr>
<tr>
<td>(4) Goods, works, consultants' services, and Training under Part 3 of the Project</td>
<td>435,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operational Costs under Parts 1, 2 and 3 of the Project</td>
<td>176,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>36,100</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>6,500,000</strong></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 La Paz 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 diem* for La Paz civil service officials or employees;

(b) "Operational Costs" means reasonable recurrent expenditures (other than those for consultants' services) incurred by La Paz for the purposes of the Project and directly related to the activities described in the Project, including, *inter alia*, office materials and supplies, transportation, phone and fax charges, media campaigns, printing of materials and teachers' time devoted to the incentive program for At-Risk Students under Part 1 (b) of the Project; and

(c) "CARE Operational Costs" means reasonable recurrent expenditures (other than those for consultants' services) incurred by the CARE for the purposes of the Project and directly related to the activities described in the Project, including, *inter alia*, staff time, office materials and supplies, transportation, phone 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:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $1,300,000 equivalent may be made for payments made one year prior to such date but in no case before July 20, 2007 for Eligible Expenditures.

(b) for payments under Category (3) of the table above unless: (i) La Paz has issued a School Improvement Plan Manual satisfactory to the Association; and (ii) La Paz has entered into the School Agreement with the school director receiving the School Grant in question.

2. The Closing Date is March 31, 2013.
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 1.12 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).*
**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>2.5%</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


2. “At-Risk Students” means the Recipient’s students in secondary education (grades 1-4) with a grade of 39 or less out of 70 points in Mathematics or Language in the first quarter of the school year.

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

4. “Center of High Performance” or “CARE” means a municipal organization which delivers complementary education services to students from La Paz municipal schools network, selected to provide services under Part 2 of the Project in accordance with the eligibility criteria set forth in the Operational Manual.


6. “Environmental Assessment” means the document prepared by La Paz and made publicly available on July 6, 2007, which identifies environmental impacts associated with the construction and rehabilitation of new and existing schools, classrooms and other facilities.

7. “Environmental Management Plan” means Plan for the Application of Environmental Monitoring (PASA), the plan prepared by La Paz (and derived from the Environmental Assessment disclosed July 6, 2007), dated August 26, 2008, satisfactory to the Association, and published and made publicly available in La Paz’s website [http://wsservicios.lapaz.bo/normativa_externa/ConsultaExterna.aspx](http://wsservicios.lapaz.bo/normativa_externa/ConsultaExterna.aspx), which sets out the environmental protection/mitigation measures applicable to the Project, including environmental supervision, monitoring and evaluation procedures for the Project.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).

10. "Juntas Escolares" means school level teams responsible for the oversight of school operations comprised of the principal of the school and representatives of teachers, parents and students.


12. "NCB Contracts" has the meaning given to it in the first paragraph of Annex A to Schedule 2 to this Agreement.

13. "OMDH" means Oficialia Mayor de Desarrollo Humano, the La Paz Human Development Office as per established by the municipal decree (Ordenanza Municipal) G.M.L.P no. 867/2006 (article 15), and responsible for the execution of the Project.”

14. "Operational Manual" means the manual referred to in Section I.C of Schedule 2 to this Agreement.

15. "Procurement Audit" means the audit referred to in Section III.D.2 of Schedule 2 to this Agreement.


17. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated July 18, 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.

18. "Procurement Supreme Decree" means the Recipient’s Supreme Decree No. 27328 (Decreto Supremo N° 27328) of January 31, 2004, as amended and as in effect on the date of this Agreement.

19. "School Agreement" means any of the agreements referred to in Section I.E.3 of Schedule 2 to this Agreement.

20. "School Grant" means any of the transfers of funds referred to in Section I.E.3 (a) of Schedule 2 to this Agreement.

21. "School Improvement Plans" or "SIPs" means Plan(es) de Mejoramiento Educativo(s), the plan(s) developed by the schools with the participation of the
Juntas Escolares, which identify(s) the actions to be taken by the school to improve student learning.


23. “SIMAF” means Sistema Integrado de Control y Monitoreo para la Administración Financiera y Seguimiento de Proyectos, the Recipient’s integrated financial management system.

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