Strategic Climate Fund
Pilot Program on Climate Resilience
Grant Agreement

(Bolivia Climate Resilience-Integrated Basin Management Project)

between

PLURINATIONAL STATE OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Implementing Agency of
the Strategic Climate Fund

Dated December 9, 2015
SCF-PCCR GRANT NUMBER TF018119

STRATEGIC CLIMATE FUND
GRANT AGREEMENT

AGREEMENT dated December 9, 2014 entered into between:

PLURINATIONAL STATE OF BOLIVIA ("Recipient"); and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as an implementing agency for the Grant funds provided under the Strategic Climate Fund ("SCF").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard 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 Standard Conditions, in the Appendix to this Agreement, or in the Appendix to the SCF Loan Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the Project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall, through the Ministerio de Medio Ambiente y Agua (MMAyA):

(a) (i) carry out Parts A and B of the Project; and (ii) cause FPS to carry out Part C.1(b), (c) and(d) of the Project in accordance with the FPS Agreement; and

(b) cause the Gobierno Autónomo Departamental de Santa Cruz and the SEARPI, and the Gobierno Autónomo Departamental de Cochabamba (through the SDC) to carry out the Project activities under Parts C.1 (a) and C.2 of the Project which fall under their territorial jurisdiction in accordance with the Santa Cruz Agreement and the Cochabamba Agreement, respectively;

all in accordance with the provisions of Article II of the Standard Conditions.
2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to nine million five hundred thousand United States Dollars ($9,500,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the SCF trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) The Recipient’s Strategic Program for Climate Resilience ("SPCR") has been amended, suspended or abrogated so as to affect materially and adversely, in the opinion of the World Bank, the execution of the Project.

(b) The Gobierno Autónomo Departamental de Cochabamba shall have failed to comply with any of its obligations under the Cochabamba Agreement.

(c) The Gobierno Autónomo Departamental de Santa Cruz or the SEARPI shall have failed to comply with any of their obligations under the Santa Cruz Agreement.
Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized by all necessary governmental action.

(b) The Recipient has adopted the Operational Manual.

(c) At least one of the Implementation Agreements has been: (i) executed on behalf of the Recipient and: (A) the Gobierno Autónomo Departamental de Santa Cruz and the SEARPI or (B) the Gobierno Autónomo Departamental de Cochabamba and (ii) duly ratified (A) by the Gobierno Autónomo Departamental de Cochabamba or (B) the Gobierno Autónomo Departamental de Santa Cruz.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Development Planning. 6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:
6.02. The World Bank'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
AGREED at Santa Cruz, Plurinational State of Bolivia, as of the day and year first above written.

PLURINATIONAL STATE OF BOLIVIA

By: ______________________________

Authorized Representative

Name: G. Viviana Caro Hinojosa
MINISTRA DE PLANIFICACIÓN DEL DESARROLLO

Title: ______________________________

INTERNATIONAL DEVELOPMENT ASSOCIATION
Acting as an implementing entity of the Strategic Climate Fund

By: ______________________________

Authorized Representative

Name: Mario Hadad Zavos

Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to support the implementation of the Recipient’s Strategic Program for Climate Resilience by: (a) strengthening the Recipient’s institutional capacity to define the new integrated river basin management approach to climate change adaptation; and (b) supporting its implementation in three pilot sub-basins in the Rio Grande basin.

The Project consists of the following parts:

Part A: Strengthening National Capacity for Climate Change Adaptation

1. Provision of support for creating the Recipient’s climate and water information system through, *inter alia*: (a) (i) designing the national climate and water information system; and (ii) establishing said systems in the MMAyA, the SENAMHI and the SEARPI (including the provision of training thereof); and (b) carrying out hydro-meteorological and climate change related studies.

2. Provision of support for integrating climate change adaptation into selected planning and investment tools, through, *inter alia*: (a) updating: (i) the national guidelines on climate resilience basin-scale planning and management; and (ii) the guidelines for the carrying out of pre-investment studies of water sector related investments; (b) providing inputs on climate change adaptation to the Borrower’s national planning – (the National Development Plan); and (c) the provision of training on the use of said updated tools.

3. Provision of support to UCP-PPCR for, *inter alia*: (a) implementing Parts A and B of the Project and monitoring and supervising the Project, including auditing Parts A, B and C.2 of the Project; and (b) coordinating, monitoring and evaluating the Project, and disseminating related findings and lessons learned.

Part B: Strengthening Capacity for Adaptation to Climate Change in the Rio Grande Basin

1. Provision of support for, *inter alia*: (a) strengthening the SEARPI and the SDC’s institutional capacity for an integrated, participatory, basin-scale climate resilience planning and management in their respective Pilot Sub-basins; (b) establishing mechanisms to facilitate stakeholder participation in river basin planning; and (c) formulating integrated,
multi-sectorial, participatory and climate resilient river basin management plans in the Pilot Sub-basins.

2. Provision of support for strengthening the water and climate information systems in the Pilot Sub-Basins through, inter alia: (a) updating the hydro-meteorological observation networks; and (b) establishing and/or strengthening the data processing centers and early warning systems for flood and droughts.

Part C: Design and Implementation of Sub-projects that improve Climate Resilience in the Rio Grande River Basin

1. (a) Design and implementation of pre-investment studies (including the environmental and social aspects) of Infrastructure Subprojects; (b) based on said studies, carrying out of Infrastructure Subprojects; (c) provision of training to Eligible Beneficiaries for the operation and maintenance of the Infrastructure Subprojects; and (d) financing FPS Operating Costs for the implementation, supervision and auditing of the activities under Part C.1 (b) and (c) of the Project.

2. (a) Design and implementation of pre-investment studies (including the environmental and social aspects) of the Watershed Management Subprojects; (b) based on said studies, carrying out of Watershed Management Subprojects; (c) provision of training to Eligible Beneficiaries for the operation and maintenance of Watershed Management Subprojects; and (d) provision of support to the SEARPI and the SDC for the implementation and supervision of the activities under Part C.2 (a), (b) and (c) of the Project under their respective territorial jurisdiction.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. Without prejudice of Section 3.01 of this Agreement, the Recipient shall vest the overall responsibility for the monitoring and supervision of the implementation of the Project in MMAyA, and to this end shall, through MMAyA:

   (a) maintain, throughout Project implementation, a unit with operational autonomy ("UCP-PPCR") with structure, functions and responsibilities acceptable to the World Bank as set forth in the Operational Manual, including inter alia, the responsibility of the UCP-PPCR to coordinate, monitor and supervise the carrying out of the Project; and

   (b) ensure that the UCP-PPCR is, throughout Project implementation, headed by a Project coordinator and staffed with adequate professional, fiduciary, administrative and technical personnel (including procurement and financial specialists), with qualifications, experience and terms of employment acceptable to the World Bank, as set forth in the Operational Manual; all selected and hired following the competitive and transparent selection processes, as detailed in the Operational Manual.

2. The Recipient shall cause the Gobierno Autónomo Departamental de Santa Cruz and the Gobierno Autónomo Departamental de Cochabamba pursuant to the terms of the pertinent Implementation Agreement to hire and maintain, throughout the implementation of the Parts of the Project under their responsibility, a team of dedicated professionals in adequate numbers and with functions and responsibilities, terms of reference, qualifications and experience acceptable to the World Bank (including the responsibility over the financial and audit aspects of the Parts of the Project under their administrative/territorial jurisdiction, including among them social, environmental, contract management, monitoring and evaluation, financial management and procurement specialists, as described in the Operational Manual).

3. No later than three (3) months after the Effective Date, the Recipient shall, and shall cause the Gobierno Autónomo Departamental de Santa Cruz and Gobierno Autónomo Departamental de Cochabamba to, establish and maintain, throughout the implementation of the Project, a management information system acceptable to the World Bank.
4. The obligations set forth in Section I of Schedule 2 to the SCF Loan Agreement, as applicable to the FPS, are incorporated into this Agreement with the following modifications: (a) the term “Borrower” means “Recipient” and (b) the term “this Agreement” means “the SCF Grant Agreement”.

B. Implementation Agreements

1. To facilitate the carrying out of the activities under Part C.2 of the Project under the territorial jurisdiction of the Gobierno Autónomo Departamental de Santa Cruz and Gobierno Autónomo Departamental de Cochabamba, the Recipient, through the MMAyA shall make part of the proceeds of the Grant available to:

(a) the Gobierno Autónomo Departamental de Santa Cruz under an inter-institutional agreement (“Santa Cruz Agreement”) to be entered into between the Recipient, the Gobierno Autónomo Departamental de Santa Cruz and the SEARPI; and

(b) the Gobierno Autónomo Departamental de Cochabamba under an inter-institutional agreement (“Cochabamba Agreement”) to be entered into between the Recipient and the Gobierno Autónomo Departamental de Cochabamba,

all under terms and conditions acceptable to the World Bank, which shall include inter alia:

(i) the obligation of the Recipient to promptly make available to the Gobierno Autónomo Departamental de Santa Cruz and the Gobierno Autónomo Departamental de Cochabamba the proceeds of the Grant in a manner acceptable to the World Bank, and as provided in this Section;

(ii) the obligation of the Gobierno Autónomo Departamental de Santa Cruz and the Gobierno Autónomo Departamental de Cochabamba to comply with the pertinent provisions of this Agreement (including the pertinent obligations set forth in the Safeguards, Procurement and Financial Management sections), the Operational Manual and the Anti-Corruption Guidelines;

(iii) the obligation of the Gobierno Autónomo Departamental de Santa Cruz and the Gobierno Autónomo Departamental de Cochabamba to provide, promptly as needed, the counterpart funds, facilities, services and other resources, necessary to carry out the Project activities under their territorial jurisdiction;
the obligation of the Gobierno Autónomo Departamental de Santa Cruz and the Gobierno Autónomo Departamental de Cochabamba to ensure that interim unaudited financial reports for the activities under Part C.2 of the Project under their respective territorial jurisdiction are prepared and furnished to the Recipient for its consolidation and delivery to the World Bank as part of the pertinent Project Report;

the obligation of the Gobierno Autónomo Departamental de Santa Cruz and the Gobierno Autónomo Departamental de Cochabamba to promptly inform the Recipient and the World Bank of any condition which interferes, or threatens to interfere, with the performance of its obligations under said part of the Project;

with respect to the Santa Cruz Agreement, SEARPI's obligation to: (a) carry out the activities under its responsibility in accordance with the pertinent provisions of this Agreement and the Operational Manual; (b) prior to implement any Watershed Management Subproject, enter into the pertinent Watershed Management Implementation Subproject Agreement with each Eligible Beneficiary under terms and conditions acceptable to the World Bank; and (c) hire and maintain, throughout the implementation of the Project activities under its responsibility, a team of dedicated professionals with structure, powers and responsibilities, terms of reference and resources acceptable to the World Bank, as detailed in the Operational Manual, all selected and hired in accordance with Section III of this Schedule; and

the right of the Recipient to take remedial actions (including restitution of funds) against the Gobierno Autónomo Departamental de Santa Cruz, the SEARPI and/or the Gobierno Autónomo Departamental de Cochabamba in case the Gobierno Autónomo Departamental de Santa Cruz, the SEARPI and/or the Gobierno Autónomo Departamental de Cochabamba shall have failed to comply with any of its obligations under the Santa Cruz Agreement and/or the Cochabamba Agreement, as the case may be.

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

C. Watershed Management Subprojects

1. Watershed Management Subprojects (located within the territorial jurisdiction of Gobierno Autónomo Departamental de Cochabamba):

   (a) For the purposes of carrying out Watershed Management Subprojects located under the territorial jurisdiction of the Gobierno Autónomo Departamental de Cochabamba, and after having selected a Watershed Management Subproject in accordance with the guidelines and procedures set forth in the Operational Manual and the provisions in paragraph (b) below, the Recipient shall cause the Gobierno Autónomo Departamental de Cochabamba to enter into an agreement with the pertinent Eligible Beneficiary ("Watershed Management Subproject Implementation Agreement"), under terms and conditions acceptable to the World Bank, which shall include, inter alia: (i) the obligation of the Gobierno Autónomo Departamental de Cochabamba to: (A) procure the goods, works, non-consulting services for said Watershed Management Subproject in accordance with Section III of this Schedule; (B) comply with the Anti-Corruption Guidelines, the pertinent obligations set forth in the Safeguards and Financial Management Sections of this Agreement and the Operational Manual; and (C) take or permit to be taken all actions to enable the Gobierno Autónomo Departamental de Cochabamba to comply with its obligations under each Watershed Management Subproject Implementation Agreement; and (ii) the Eligible Beneficiary’s obligation to: (A) operate and maintain the Watershed Management Subproject; and (B) co-finance part of the costs of the Watershed Management Subproject, as defined in the Operational Manual; and

   (b) furnish to the World Bank for its prior review at least the first two Watershed Management Subprojects, as set forth in the Procurement Plan.

2. Watershed Management Subprojects (located within the territorial jurisdiction of Gobierno Autónomo Departamental de Santa Cruz):

   (a) For the purposes of carrying out Watershed Management Subprojects located under the territorial jurisdiction of the Gobierno Autónomo Departamental de Santa Cruz, and after having selected a Watershed Management Subproject in accordance with the guidelines and procedures set forth in the Operational Manual and the provisions in paragraph (b) below, the Recipient shall cause the SEARPI to enter into
an agreement with the pertinent Eligible Beneficiary ("Watershed Management Subproject Implementation Agreement"), under terms and conditions acceptable to the World Bank, which shall include, \textit{inter alia}: (i) the SEARPI's obligation to: (A) procure the goods, works, non-consulting services for said Watershed Management Subproject in accordance with Section III of this Schedule; (B) comply with the Anti-Corruption Guidelines, the pertinent obligations set forth in the Safeguards, and Financial Management Sections of this Agreement and the Operational Manual; and (C) take or permit to be taken all actions to enable the SEARPI to comply with its obligations under each Watershed Management Subproject Implementation Agreement; and (ii) the Eligible Beneficiary's obligation to: (A) operate and maintain the Watershed Management Subproject; and (B) co-finance part of the costs of the Watershed Management Subproject, as defined in the Operational Manual; and

(b) furnish to the World Bank for its prior review at least the first two Watershed Management Subprojects, as set forth in the Procurement Plan.

D. Operational Manual

1. Without limitation to the provisions of Section 2.01 of the Standard Conditions, the Recipient, through the MMAyA shall, and shall cause the \textit{Gobierno Autónomo Departamental de Santa Cruz}, the SEARPI and the \textit{Gobierno Autónomo Departamental de Cochabamba} to: (a) carry out the Project in accordance with the provisions of the Operational Manual, which shall include, \textit{inter alia}: (i) the eligibility criteria and procedures for the selection, approval, carrying out, monitoring and supervision of the Subprojects (including a negative list of environmentally sensitive investments ineligible for financing under the Subprojects); (ii) the procurement, financial management and disbursement requirements, procedures, and documenting (including standard bidding documents) for the Project; (iii) the Performance Monitoring Indicators; (iv) the powers, responsibilities, structure and key staff composition of the UCP-PPCR and the units within the \textit{Gobierno Autónomo Departamental de Santa Cruz}, the SEARPI and the \textit{Gobierno Autónomo Departamental de Cochabamba}; (v) the policies and procedures for the Recipient's coordination of the implementation, monitoring and evaluation of the Project, including \textit{inter alia}, the procedures for: (A) coordinating requests for amendments, waivers, and other communications between the \textit{Gobierno Autónomo Departamental de Santa Cruz}, the \textit{Gobierno Autónomo Departamental de Cochabamba}, the Recipient and the World Bank, including requests for the reallocation or cancellation of proceeds of the Grant; and (B) preparing and submitting the Project reports, financial statements and other information prepared by the \textit{Gobierno Autónomo Departamental de Santa Cruz} and the \textit{Gobierno Autónomo Departamental de Cochabamba} for delivery to
the World Bank; (vi) the Eligible Beneficiaries’ co-financing arrangements under the Subprojects; (vii) the EMF; (viii) the RPF; (ix) the IPPF; and (x) the guidelines for the carrying out feasibility studies of Subprojects by the Gobierno Autónomo Departamental de Santa Cruz and the Gobierno Autónomo Departamental de Cochabamba.

2. Except as the World Bank, through the MMAyA shall otherwise agree, the Recipient shall, and shall cause the Gobierno Autónomo Departamental de Santa Cruz, the SEARPI and the Gobierno Autónomo Departamental de Cochabamba to, not amend, abrogate, waive or fail to enforce the Operational Manual, or any provisions 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.

E. Anti-Corruption

The Recipient through MMAyA shall, and shall cause the FPS, the Gobierno Autónomo Departamental de Santa Cruz, the SEARPI and the Gobierno Autónomo Departamental de Cochabamba to, ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. Safeguards

1. The Recipient, through the MMAyA, shall, and shall cause the Gobierno Autónomo Departamental de Santa Cruz, the SEARPI and the Gobierno Autónomo Departamental de Cochabamba to: (a) implement the Project in accordance with the EMF; (b) adopt and comply with the procedures detailed in said EMF for environmental screening, evaluation, implementation and monitoring of the works under the 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 its terms and in a manner acceptable to the World Bank.

2. The Recipient, through the MMAyA, shall, and shall cause the Gobierno Autónomo Departamental de Santa Cruz, the SEARPI and the Gobierno Autónomo Departamental de Cochabamba to: (a) implement the Subprojects in accordance with the RPF; (b) adopt and comply with the procedures detailed in said RPF for screening, evaluation, implementation and monitoring of the Subprojects, including procedures for the preparation of resettlement plans when applicable; and (c) implement the pertinent resettlement action plan or abbreviated resettlement plan.

3. The Recipient, through the MMAyA, shall, and shall cause the Gobierno Autónomo Departamental de Santa Cruz, the SEARPI and the Gobierno Autónomo Departamental de Cochabamba to: (a) implement the Project in
accordance with the IPPF; and (b) adopt and comply with the procedures
detailed in said IPPF for screening, evaluation, implementation, and monitoring
of the Subprojects to be carried out in their respective jurisdiction, including
procedures for the preparation of indigenous peoples development plans, when
applicable; and (c) implement the pertinent indigenous peoples development
plan, as needed and in accordance with its terms, in a manner acceptable to the
World Bank.

4. The Recipient, through the MMAyA, shall, and shall cause the Gobierno
Autónomo Departamental de Santa Cruz, the SEARPI and the Gobierno
Autónomo Departamental de Cochabamba to, ensure that the terms of reference
for any consultancies related to the technical assistance provided under the
Project, shall be acceptable to the World Bank and, to that end, such terms of
reference shall require that the advice conveyed through such technical assistance
be consistent with the requirements of the World Bank’s Safeguard Policies.

G. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World
Bank may reasonably request to identify publicly the Donors’ support for the
Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall,
upon the World Bank’s request, take all measures required on its part to enable
the representatives of the Donor(s) to visit any part of the Recipient’s territory for
purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient, through the MMAyA shall monitor and evaluate the progress of the
Project and prepare Project Reports in accordance with the provisions of Section
2.06 of the Standard Conditions and on the basis of the Performance Monitoring
Indicators. Each Project Report shall cover the period of one calendar semester,
and shall be furnished to the World Bank not later than forty five (45) days after the
end of the period covered by such report.

2. By June 30, 2017, or such other date as the World Bank shall agree upon, the
Recipient, through the MMAyA shall carry out jointly with the World Bank a mid-
term review of the implementation of activities under the Project (Mid-term
Review). The Mid-term Review shall cover the progress achieved in the
implementation of the Project. Following such Mid-term Review, the Recipient
shall act promptly and diligently to take any corrective action as shall be
recommended by the World Bank.
3. The Recipient, through the MMAyA 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 World Bank not later than six months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient, through the MMAyA shall, and shall cause the Gobierno Autónomo Departamental de Santa Cruz and the Gobierno Autónomo Departamental de Cochabamba to, ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient through the MMAyA, shall, and shall cause the Gobierno Autónomo Departamental de Santa Cruz and the Gobierno Autónomo Departamental de Cochabamba to, ensure that interim unaudited financial reports for the Project activities under their respective territorial jurisdiction are prepared and furnished to the Recipient for its consolidation and delivery to the World Bank as part of the pertinent Project Report; all not later that forty five (45) days after the end of each calendar semester, covering the semester, in form and substance acceptable to the World Bank.

3. The Recipient, through the MMAyA shall have the Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient or such other period to the agreed with the Bank. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, the provisions of this Section and Section I of Annex A to this Schedule.

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

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods of procurement, other than International Competitive Bidding, may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions set forth in Section I of Annex A to this Schedule; (c) Shopping; (d) Direct Contracting; and (f) Force Account.

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 methods of procurement, other than Quality and Cost-based Selection, may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used: (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) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.
D. Review by the World Bank of Procurement Decisions

1. 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.

2. The Recipient, through the MMAyA shall, and shall cause the Gobierno Autónomo Departamental de Santa Cruz and the Gobierno Autónomo Departamental de Cochabamba to, for their respective Part of the Project:

(a) not later than December 31, of each year during the implementation of the Project, beginning on December 31, 2015, or any other date agreed by the World Bank, select and contract independent auditors with experience and qualifications satisfactory to the World Bank, operating under terms of reference satisfactory to the World Bank, 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 World Bank ("Procurement Audit");

(b) not later than March 31 of each year during the implementation of the Project, beginning on March 31, 2016 or any other date agreed by the World Bank, and continuing for each year thereafter during the implementation of the Project, furnish to the World Bank the report, in form and substance acceptable to the World Bank, 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 World Bank and to the auditors performing a Procurement Audit, such other information concerning the procurement records and documentation for the Project as the World Bank or the auditors may from time to time reasonably request; and

(d) not later than May 31 of each year during the implementation of the Project, beginning on May 31, 2016, or any other date agreed by the World Bank exchange views with the World Bank on the results of the Procurement Audit completed for the Recipients' prior fiscal year and thereafter implement such recommended measures, taking into account the World Bank's views on the matter.
Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance of 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 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>(1) Consultants’ services (including audits) and Operating Costs under Part A.3 (a) of the Project</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) (a) Works, goods, consultants’ services, Training and Operating Costs for activities to be carried out by the Gobierno Autónomo Departamental de Santa Cruz and the SEARPI under Part C. 2 of the Project</td>
<td>3,830,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Works, goods, consultants’ services, Training and Operating Costs for activities to be carried out by the Gobierno Autónomo Departamental de Cochabamba under Part C. 2 of the Project</td>
<td>5,170,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>9,500,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for:

(a) payments made prior to the date of this Agreement;

(b) payments under Category 2(a) unless the Santa Cruz Agreement has been: (i) executed on behalf of the Recipient, the Gobierno Autónomo Departamental de Santa Cruz and the SEARPI; and (ii) duly ratified by the Gobierno Autónomo Departamental de Santa Cruz; and

(c) payments under Category 2(b) unless the Gobierno Autónomo Departamental de Cochabamba Agreement has been: (i) executed on behalf of the Recipient and the Gobierno Autónomo Departamental de Cochabamba; and (ii) duly ratified by the Gobierno Autónomo Departamental de Cochabamba.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2020.

Section V. Other Undertakings

The Recipient undertakes that the proceeds of the Grant shall not be used to finance land acquisition.
Annex A  

to  
SCHEDULE 2  

Additional Provisions Relating to  
Particular Methods of Procurement  

Section I.  Goods, Works and Non-Consulting Services  

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

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

2. The award of contracts for goods, works and non-consulting services shall be based exclusively on price and, whenever appropriate, shall also take into account factors similar to those referred to in paragraph 2.52 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.  

3. All bids shall be opened at the stipulated time and place in accordance with a procedure acceptable to the World Bank.  

4. The single envelope procedure shall be used.  

5. Whenever a discrepancy shall occur between the amounts in figures and the amounts in words of a bid, the amounts in words shall govern. No bid shall be rejected due to arithmetic errors.  

6. No prescribed minimum number of bids shall be required to be submitted for a contract to be subsequently awarded.  

7. Foreign bidders shall be allowed to participate.  

8. Foreign bidders shall not be required to legalize any documentation related to their bids with Recipient’s authorities as a prerequisite for bidding.  

9. Bidders shall not be required, as condition for submitting their bids, to be registered in the Registro Único de Proveedores del Estado (RUPE).  

10. No margin of preference shall be granted for any particular category of bidders.
11. 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.

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

13. No procurement rules or regulations of neither of the Recipient’s agencies, nor of any state-owned entity shall apply without the prior review and consent of the World Bank.

14. 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.

15. No contractor or supplier shall be denied fair and equitable treatment in any resolution of dispute with the Recipient and/or any of its implementing agencies.

16. No reference value shall be required for publication in the bidding documents or used for the purpose of evaluation.

17. The SBD for NCB shall include clauses on prevention of fraud and corruption, including the World Banks’s right to inspect and audit, that shall be identical to those pertaining to the World Bank SBDs for ICB.

Section II. Selection of Consultant Services

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

1. Consultants shall not be required, as condition for participating in the selection process, to be registered in the Registro Único de Proveedores del Estado (RUPE).

2. Foreign consultants shall not be required, as a condition for participating in the selection process, to enter into a joint venture agreement with local consultants, unless the conditions stated in paragraph 1.15 of the Consultant Guidelines are met.

3. Foreign consultants shall not be required, as a condition for participating in the selection process, to legalize their proposals or any documentation related to such proposals with Recipient’s authorities.
4. Foreign consultants shall not be required to be registered in the Recipient's National Registry of Consultants (*Registro Nacional de Consultoría*).

5. Consultants, either firms or individuals, shall not be required to present performance securities as a condition to present proposals and sign an award contract.

6. Consultants, either firms or individuals, shall not be denied fair and equitable treatment in any dispute resolution with the Recipient and/or any of its implementing entities.

7. Consultants, either firms or individuals, shall not be required to sign consultant services contracts containing a retention amount fee clause.

8. Recipient state-owned enterprises shall be allowed to participate in the selection process only upon their compliance with the provisions of paragraph 1.13 (b) of the Consultant Guidelines.

9. No reference value (*precio referencial*) shall be used for the purpose of evaluation.

10. The Request for Proposals shall include anticorruption clauses that shall be identical to those pertaining to the World Bank's Request for Proposals.
APPENDIX

Definitions


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

3. “Cochabamba Agreement” means the agreement referred to in Section I.B.1 (b) of Schedule 2 to this Agreement.

4. “Gobierno Autónomo Departamental de Cochabamba” means the Autonomous Departmental Government of Cochabamba within the Recipient’s territory, as established pursuant to the Recipient’s Decentralization Law (Ley Marco de Autonomías y Descentralización), dated July 19, 2010.

5. “Gobierno Autónomo Departamental de Santa Cruz” means the Autonomous Departmental Government of Santa Cruz within the Recipient’s territory, as established pursuant to the Recipient’s Constitution dated February 7, 2009.


7. “Eligible Beneficiary” means any farmer, water user organization, rural community or municipality located in any of the Pilot Sub-basins which meets the criteria, and selected in accordance with the procedures, set forth in the Operational Manual. Eligible Beneficiaries means collectively, all of such beneficiaries.

8. “EMF” or “Environmental Management Framework” means the Recipient’s framework acceptable to the World Bank and published in April 2013, which contains, inter alia the environmental protection measures in respect of the Project, including: (a) measures for chance findings of physical cultural property; (b) protection of natural habitats and pest management; (c) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project (including Subprojects); (d) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (e) the recommendation of mitigation measures for each negative impact identified; and (f) measures for enhancing each identified positive
impacts; as may be amended from time to time with the World Bank’s prior approval.

9. "FPS" or "Fondo Nacional de Inversión Productiva y Social" means the Recipient’s Productive and Social Investment Fund, established with legal personality pursuant to the Recipient’s Law No. 2235 of July 31, 2001, as amended to the date of this Agreement.

10. “Implementation Agreements” means the Santa Cruz Agreement and/or the Cochabamba Agreement (as the case may be).

11. “Infrastructure Subproject” means any eligible investment under Part C.1 (b) of the Project which meets the criteria set forth in the Operational Manual, consisting of, inter alia: (a) rehabilitation and modernization of existing irrigation systems; and (b) construction of flood protection structures (artificial levees, improved natural levees and dykes), all selected in accordance with the provisions of the pertinent section of the Operational Manual, and the technical assistance and Training required for the implementation and supervision of said eligible investment; and “Infrastructure Subprojects” means, collectively, all of such investments.

12. “IPPF” means the indigenous peoples framework adopted by the Recipient, acceptable to the World Bank, and published on August 5, 2013, which contains, inter alia: (a) a plan for carrying out the social assessment for said Subprojects; (b) the potential positive and adverse effects of such Subprojects on indigenous peoples; (c) a framework for ensuring free, prior, and informed consultation with the affected indigenous peoples’ communities at each stage of Project preparation and implementation; (d) institutional arrangements (including capacity building where necessary) for screening Subprojects, evaluating their effects on indigenous peoples, preparing indigenous peoples plans, as needed, and addressing any grievances; (e) monitoring and reporting arrangements; and (f) disclosure arrangements for indigenous peoples plans to be prepared under the IPPF as needed.


15. “Operating Costs” means reasonable recurrent expenditures (none of which would have been encountered absent the Project), incurred by the UCP-PPCR for the monitoring and supervision of Part C.2 of the Project; and by SEARPI and SDC for the implementation, coordination and supervision of Part C.2 of the
Project, including, *inter alia*, travel costs (i.e. accommodation, transportation and *per-diem*); operation and maintenance of office equipment; vehicle rental, operation, insurance and maintenance costs; rental of offices; utilities; non-durable and/or consumable office materials; bank charges; communication, printing and publications; salaries of support staff of UCP-PPCR working for the Project; but excluding the Borrower’s public servants and/or permanent employees.

16. “Operational Manual” means the manual adopted by the MMAyA, and referred to in Section I. D of Schedule 2 to this Agreement, as the same may be amended from time to time with the approval of the World Bank.

17. “Performance Monitoring Indicators” means the indicators to be used for monitoring and evaluating the Project, acceptable to the World Bank, as the same may be amended from time to time with the prior consent of the World Bank.

18. “Pilot Sub-basins” means, collectively, the Río Mizque sub-basin located in the Autonomous Departments of Cochabamba and Santa Cruz, the Río Pirai sub-basin located in the Autonomous Department of Santa Cruz and the Río Rocha sub-basin located in the Autonomous Department of Cochambamba, all of which are part of the Río Grande basin.

19. “PPCR” means the Recipient’s pilot program for climate resilience within the SPCR which components 1 and 3 are supported by the Project.


21. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 18, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

22. “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (A) standard of living adversely affected; or (B) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (C) access to productive assets adversely affected, temporarily or permanently; or (D) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

23. “RPF” or “Resettlement Policy Framework” means the Recipient’s framework acceptable to the World Bank, and published on July 30, 2013, outlining general
implementation procedures, mitigation measures and monitoring procedures for Resettlement under the Project, including the procedures for preparation and implementation of resettlement plans, when applicable, as said framework may be amended from time to time with the World Bank's prior approval.

24. “Santa Cruz Agreement” means the agreement referred to in Section I.B.1 (a) of Schedule to this Agreement.

25. “SCF Loan Agreement” means the agreement, of even date herewith, between the Recipient and the World Bank, the latter acting not in its individual capacity but solely in its capacity as implementing entity of the Strategic Climate Fund for purposes of financing Parts A, B and C.1 of the Project.


27. “SEARPI” means Servicio de Encauzamiento de Aguas y Regularización del Río Pirai, a decentralized institution established within the Gobierno Autónomo Departamental de Santa Cruz, with legal personality, pursuant to the Recipient’s Law 550, of May 15, 1983 (as said Decree has been amended to the date of this Agreement).

28. “SENAMHI” means Servicio Nacional de Meteorología e Hidrología, the Borrower’s decentralized institution established within MMAyA, with legal personality, as established pursuant to the Recipient’s Supreme Decree 08465/1968, dated September 4, 1968 (as said Decree has been amended to the date of this Agreement).


30. “Strategic Program for Climate Resilience” or “SPCR” means the Recipient’s strategy for climate resilience endorsed by the CIF in November 2011.

31. “Subprojects” means collectively Infrastructure Subprojects and Watershed Management Subprojects.

32. “Training” means expenditures (other than those for consultants’ services) incurred by the Recipient in connection with the carrying out of seminars, workshops, including the reasonable travel costs (i.e. accommodation, transportation and per-diem, inter alia) of trainees and trainers (if applicable), training registration fees, catering, rental of training facilities and equipment, logistics and printing services, as well as training materials for the purposes of and directly related to the activities described in the Project.
33. "UCP-PPCR" means Unidad de Coordinación del Programa Piloto de Resilencia Climática, the unit established pursuant to the Recipient's Ministerial Resolution No. 191, August 13, 2012 as amended by the Recipient’s Ministerial Resolution No. 438, dated November 5, 2013 and referred to in Section I.A.1 (a) of Schedule 2 to this Agreement, or any successor thereof.

34. "Watershed Management Subproject" means any of the following eligible investments under Part C.2 (b) of the Project which meets the criteria set forth in the Operational Manual, including, inter alia: (a) re-vegetalization; (b) soil and water conservation practices; and (c) construction of physical structures to prevent erosion, promote water recharge and regulate water flows, all approved by the Gobierno Autónomo Departamental de Santa Cruz or the Gobierno Autónomo Departamental de Cochabamba (as the case may be) in accordance with the provisions of the pertinent section of the Operational Manual, and technical assistance and Training required for the implementation and supervision of said eligible investment; and "Watershed Management Subprojects" means, collectively, all of such investments.

35. "Watershed Management Subproject Implementation Agreement” means any of the agreements referred to in Section I.C of Schedule 2 to this Agreement.