
Global Partnership on Output-based Aid
TF GRANT NUMBERS TF090206-IFC, TF090207-DFID

Global Partnership on Output-based Aid
Grant Agreement

(Decentralized Electricity for Universal Access Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Administrator of the Global Partnership on Output-based Aid

Dated *June 26*, 200*7*

**Global Partnership on Output-based Aid
TF GRANT NUMBERS TF090206-IFC, TF090207-DFID**

**GLOBAL PARTNERSHIP ON OUTPUT-BASED AID
GRANT AGREEMENT**

AGREEMENT dated June 26, 2007, entered into between REPUBLIC OF BOLIVIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Global Partnership on Output-based Aid ("GPOBA").

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 ("Standard Conditions") 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 or in this 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 carry out the Project through the Recipient's Ministry of Public Works, Services and Housing, 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 five million one hundred seventy five thousand United States Dollars (\$5,175,000)

("Grant") to assist in financing the Project. From the total Grant amount, three million six hundred twenty two thousand five hundred Dollars (\$3,622,500) will be financed by the International Finance Corporation (TF090206-IFC) and the remaining one million five hundred fifty two thousand five hundred Dollars (\$1,552,500) will be financed by the Department for International Development (TF090207-DFID).

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

Article IV Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:
- (a) The Recipient has: (i) amended the GPOBA Operational Manual so as to, in the opinion of the World Bank, affect materially and adversely the carrying out of the Project; and (ii) changed the output-based approach of the Project design without prior agreement of the World Bank.
 - (b) The World Bank has determined after the Effective Date that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

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 GPOBA Operational Manual has been adopted by the Recipient in a manner satisfactory to the World Bank.
 - (b) The OTM has been staffed in a manner satisfactory to the World Bank.
- 5.02. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 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 its Minister of Development Planning or his successor thereto.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Av. Mariscal Santa Cruz No. 1092
Edificio Ex-COMIBOL Piso 5
La Paz, Bolivia

Facsimile: 591-2-2312641

6.03. 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:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

REPUBLIC OF BOLIVIA

By: _____

Name: _____

Title: _____

Date: _____

**INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the
Global Partnership on Output-based Aid**

By: _____


Marcelo Giugale
Director

Bolivia, Ecuador, Perú and Venezuela
Latin America and the Caribbean Region

Date: JUNE 26, 2007

SCHEDULE 1

Project Description

The objective of the Project is to increase affordable access to electricity in the Recipient's remote rural areas.

The Project consists of the following parts:

Part 1

Provision of output based subsidies to private sector service providers under the Service Management Contracts for: (i) the sale, installation and after-sale service of solar home electricity systems for rural households, micro-enterprises, schools and health posts; and (ii) the delivering of local market development services.

Part 2

Design and implementation of a pilot project to facilitate the market development of Pico-PV systems, including the provision of: (i) consultant services for market development; (ii) workshops; and (iii) output based subsidies to private sector service providers and non-governmental organizations for the sale of Pico-PV systems.

Part 3

(i) Carrying out of technical and financial audits and verification of Project outputs over a period of three years starting on the Effective Date; and (ii) provision of technical assistance for the coordination and supervision of the Project, including the financing of consultants' services and operating costs for PCU staff who work for the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. At all times during the execution of the Project, the Recipient's Ministry of Public Works, Services and Housing shall maintain within itself a project coordination unit (PCU) responsible for the implementation of the Project, with adequate staff, including a coordinator, a procurement and a financial management expert, with functions and responsibilities satisfactory to the World Bank, including:
 - (a) overall planning, coordination and monitoring of Project activities;
 - (b) updating of the Procurement Plan; and
 - (c) preparation of financial reports and the contracting of external audits.
2. The Recipient shall establish and maintain during the execution of the Project, the Office for Technical Monitoring within the PCU, with staffing, qualifications, functions and responsibilities satisfactory to the World Bank, including, *inter alia*, a Project coordinator, a technical specialist in PV systems, and three on-field technicians.
3. Prior to the Closing Date of the Project the Recipient shall have established and thereafter maintained a team of technical and fiduciary experts with qualifications, functions and responsibilities satisfactory to the World Bank, to monitor the compliance of the private sector providers with the terms of the Service Management Contracts.

B. Manuals

1. The Recipient, through its Ministry of Public Works, Services and Housing, shall carry out the Project in accordance with the terms of a manual satisfactory to the World Bank (the GPOBA Operational Manual). Except as the World Bank shall otherwise agree, the Recipient, through its Ministry of Public Works, Services and Housing, shall not amend, waive or fail to enforce the GPOBA Operational Manual or any provision thereof. In case of any conflict between the terms of this Agreement and those of the GPOBA Operational Manual, the terms of this Agreement shall prevail.

2. The GPOBA Operational Manual shall include provisions detailing procedures and guidelines for the carrying out of the Project, including, *inter alia*:
- (a) the procedures for the preparation, review and approval of reports pursuant to the Project's financial management arrangements;
 - (b) procurement and contracting procedures consistent with Schedule 2 to this Agreement, to be applicable to the contracts for the works, goods and services required for the Project and to be financed out of the proceeds of the Grant;
 - (c) project performance indicators and the procedures for the monitoring and evaluation of the Project;
 - (d) the procedures for the Recipient's preparation, review and approval of withdrawal applications to the World Bank, in conformity with the instructions that the World Bank may give to the Recipient in this respect;
 - (e) the model form of the Service Management Contracts for Part 1 of the Project, including, *inter alia*:
 - (i) the obligation of the private sector service providers to: (A) market and install the solar home systems; (B) provide satisfactory service to users for at least four years starting immediately after installations of the solar home systems; (C) carry out at least one visit a year to each user; (D) provide specified market development services; and (E) perform basic monitoring and evaluation tasks; and
 - (ii) the penalties to be applied to the private sector service providers in cases of overcharging;
 - (f) the procedures and criteria for the carrying out of regular external audits of the payments received from the users of solar home systems;
 - (g) the Environmental Management Framework and the Indigenous Peoples Management Framework; and
 - (h) the maximum amount of the subsidies to be financed as OBA payments under Part 1 of the Project.

C. Other Covenants

1. Not later than September 30, 2007, the Recipient shall submit to the World Bank the bidding documents for the Service Management Contracts for approval.
2. If the threshold of the subsidies to be financed as OBA payments under Part 1 of the Project is exceeded, the Recipient shall request an exceptional approval from the World Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report; Post Project Reports

1. The Recipient 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 indicators agreed with the World Bank and set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than three months. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank.
3. The Recipient shall prepare two additional reports ("Post Project Reports"), each of such scope and in such detail as the World Bank shall reasonably request, on the execution of the plan set out in the Completion Report, and setting out measures designed to ensure the continued efficient and effective achievement of the Project's objectives. The Recipient shall furnish the Post Project Reports to the World Bank not later than two (2) months after the first and second anniversaries of the Closing Date, respectively.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. 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. **Procurement and Consultant Guidelines.** All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the Procurement Guidelines and Sections I and IV of the Consultant Guidelines in the case of consultants' services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines ("Procurement Plan").
2. **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 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 methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan:
 - (a) Limited International Bidding;
 - (b) National Competitive Bidding, subject to the following additional provisions:

- (i) a merit point system shall not be used in the prequalification of bids;
- (ii) 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 2.52 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid;
- (iii) the Borrower shall open all bids at the stipulated time and place in accordance with a procedure satisfactory to the Association;
- (iv) the Borrower shall use a single envelope procedure;
- (v) whenever there is a discrepancy between the amounts in figures and in words of a bid, the amounts in words shall govern;
- (vi) 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;
- (vii) any standards and technical specifications (quoted in the bidding documents), which are at least substantially equivalent to the national standards and technical specifications shall be acceptable;
- (viii) foreign bidders shall be allowed to participate;
- (ix) foreign bidders shall not be required to legalize any documentation related to their bids with Bolivian authorities as a prerequisite of bidding;
- (x) no margin of preference shall be granted for any particular category of bidders;
- (xi) the auction procedure (*Puja Abierta*) shall not be used;
- (xii) 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;

- (xiii) foreign bidders shall not, as a condition for submitting bids, be required to enter into a joint venture agreement with local bidders. However, successful bidders for Part 1 of the Project will be required to establish a legal local entity in the territory of the Borrower; and
- (xiv) no other procurement rules or regulations of the Borrower's agencies or of any state-owned entity shall apply without the prior review and consent of the Association; and

(c) Shopping.

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, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection; (f) Established Private or Commercial Practices which have been found acceptable to the World Bank; (g) Selection of Service Delivery Contractors which have been found acceptable to the World Bank; (h) Selection of Individual Consultants; and (i) Sole 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.

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 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:

<u>Category</u>	Amount of the Grant (TF090207-DFID) Allocated (expressed in USD)	Amount of the Grant (TF090206-IFC) Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Expenditures under Service Management Contracts under Part 1 of the Project	1,380,000	3,220,000	100% of allocated OBA payments for solar home electricity systems
(2) Goods, services, Workshops and Subsidies under Part 2 of the Project	90,000	210,000	100%
(3) Consultant services, including audits, Training and Operating Costs under Part 3 of the project	82,500	192,500	100%
TOTAL AMOUNT	1,552,500	3,622,500	100%

For purposes of this paragraph the terms:

- (i) "Operating Costs" means all reasonable operating costs incurred by the PCU and OTM as a result of Project coordination and supervision, including travel expenses and per diem.

- (ii) "Subsidies" means the amounts payable by the Recipient to the selected private sector service providers to finance part of cost of the Pico-PV systems sold to consumers, such amounts to be defined in the Operational Manual.
- (iii) "Training" means reasonable expenditures incurred by the Recipient for the carrying out of training activities for the PCU, including the OTM and the service providers under the Project, consisting of reasonable costs of travel, subsistence, and *per diem* for trainers, and trainees, registration fees and training materials.
- (iv) "Workshops" means reasonable expenditures incurred by the Recipient for the carrying out of workshops, including rental of facilities, workshops materials and presentation expenses.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2010.

APPENDIX

1. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004 and revised in October 2006.
2. "Effective Date" means the date referred to in Section 6.01 of the Standard Conditions, as such date is extended pursuant to Article V of this Agreement.
3. "Environmental Management Framework" means the Recipient's document dated May 18, 2007 entitled "*Marco de Evaluación de Impactos Ambientales aplicables a los proyectos de electrificación rural IDTR y GPOBA.*"
4. "GPOBA Operational Manual" means the manual referred to in Section I.B of Schedule 2 to this Agreement.
5. "Indigenous Peoples Management Framework" means the Recipient's document dated May 18, 2007 entitled "*Marco General para el Desarrollo de los Pueblos Indígenas aplicables a los proyectos de electrificación rural IDTR y GPOBA.*"
6. "OBA" means output-based aid.
7. "OTM" means the Office for Technical Monitoring referred to in Section I.A.2 of Schedule 2 to this Agreement.
8. "PCU" means the project coordination unit referred to in section I.A.1 of Schedule 2 to this Agreement.
9. "Pico-PV" means Photo Voltaic (PV) systems of a size below 20Wp, which offer basic lighting and communication services such as cell phone, battery charging and radios.
10. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004, and revised in October 2006.
11. "Procurement Plan" means the Recipient's procurement plan for the Project, dated June 15, 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.
12. "Service Management Contracts" means any or all of the agreements executed between the Recipient and private sector service providers under Part 1 of the Project.