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OFFICIAL DOCUMENT

CREDIT NUMBER 5461-BO

Financing Agreement

(Improving Employability and Labor Income of Youth Project)

between

PLURINATIONAL STATE OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 1, 2014

CREDIT NUMBER 5461 -BO

FINANCING AGREEMENT

AGREEMENT dated October 1, 2014, 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 thirteen million Special Drawing Rights (SDR 13,000,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25 %) per annum.

2.06. The Payment Dates are June 15 and December 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (a) carry out Part 1 of the Project through MTEPS with the assistance of ME and Selected Municipalities; (b) carry out Part 2(a) of the Project through MTEPS; and (c) cause Part 2(b) of the Project to be carried out by UDAPE; all in accordance with the provisions of Article IV of the General Conditions, the Implementation Agreements and the Municipality Agreements.

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 — EFFECTIVENESS; TERMINATION

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

(a) The Inter-Institutional Agreement has been executed on behalf of ME and MTEPS; and

(b) The MTEPS Operational Manual has been adopted by the Recipient.

4.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement, but in no case later than eighteen (18) months after the Association' s approval of the Credit which expires on November 13, 2015.

4.03. 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-five years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its Minister of Development Planning.

5.02. The Recipient's Address is:

Ministerio de Planificación del Desarrollo
Av. Mariscal Santa Cruz 1092
La Paz, Bolivia

Facsimile:

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

5.03. 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 Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at La Paz, Plurinational State of Bliva, as of the day and year first above written.

PLURINATIONAL STATE OF BOLIVIA

By: _____
Authorized Representative

Name: Viviana Caro H.

Title: Minister of Development Planning

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: _____
Authorized Representative

Name: Alberto Rodriguez

Title: Director
Bolivia, Chile, Ecuador, Peru & Venezuela
Latin America & the Caribbean Region

SCHEDULE 1

Project Description

The objective of the Project is to improve employability and labor income of poor youth by supporting the expansion of the Skills Development Programs in Selected Cities.

The Project consists of the following Parts:

Part 1: Improving and Expanding the Skills Development Programs

(a) Improving and expanding the MPED Program in Selected Cities through: (i) the provision of training for medium and auxiliary level technicians; and (ii) the provision of MPED Stipends, all for Eligible MPED Beneficiaries

(b) Implementing the pilot MESTTA in Selected Cities through (i) the design and implementation of a training program on, *inter alia*, math, language, communications, ICT knowledge, and entrepreneurship skills; (ii) the provision of technical assistance to, *inter alia*, improve and strengthen: (A) the Eligible Micro-Entrepreneur's skills on the applicable occupational area; and (B) the Eligible Micro-Enterprise's business plan and access to finance; and (iii) the provision of Micro-Entrepreneur Stipends; all for Eligible Micro-Entrepreneurs.

(c) Implementing the pilot Remedial Secondary Education Program in Selected Cities through the provision of Student Stipends.

Part 2: Strengthening the Implementation Arrangements to Administer, Monitor and Evaluate Skills Development Programs

(a) Strengthening the implementation arrangements and the institutional capacity of the MTEPS to administer and coordinate the Skills Development Programs through:

(i) designing and implementing a management information system for the Skills Development Programs through the provision of: (1) technical assistance to design said system; (2) ICT equipment; and (3) training for MTEPS' staff responsible for operating and maintaining said system;

(ii) designing and implementing an information and communication strategy to promote the Skills Development Programs among

potential Beneficiaries, training institutions and employers through the provision of technical assistance and goods; and

(iii) strengthening MTEPS' capacity to administer and coordinate the Skills Development Programs through the provision of technical assistance (including for Project audits), Operating Costs, and the acquisition of ICT equipment.

(b) Strengthening the institutional capacity of UDAPE to improve the evaluation of the Skills Development Programs through:

(i) carrying out mid-term process evaluations of the implementation of the Skills Development Programs in order to identify, and thereafter address any identified problems;

(ii) monitoring the results and outcomes resulting from the implementation of the Skills Development Programs through: (1) carrying out Beneficiary surveys; and (2) carrying out an impact evaluation of the MESTTA Program; and

(iii) providing technical assistance to improve UDAPE's financial management and procurement capacity, and to carry out Project audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of carrying out Parts 1 and 2(a) of the Project, the Recipient, through MTEPS shall operate and maintain the NCU throughout the implementation of the Project, with functions, staffing, and responsibilities satisfactory to the Association, as set forth in the MTEPS Operational Manual.

2. Prior to the carrying out of any activity under Part 1 of the Project, the Recipient shall establish a registry on terms and in a manner acceptable to the Association, for purposes of registering all Beneficiaries, which registry shall include, *inter alia,* a section for collecting information on each Beneficiary's ethnicity and languages spoken.

3. The Recipient shall operate and maintain, throughout the implementation of the Project, the registry mentioned in paragraph 2 of this Section on terms and in a manner acceptable to the Association.

B. Implementation Agreements

1. For purposes of coordinating the responsibilities of the Recipient through, MTEPS and ME under Parts 1(a) and (c) of the Project, the MTEPS and ME shall enter into an arrangement ("Inter Institutional Agreement"), under terms and conditions acceptable to the Association, including, *inter alia*, the coordination mechanisms between MTEPS and ME to be followed in connection with the implementation of said Parts of the Project.

2. To facilitate the carrying out of Part 2(b) of the Project, the Recipient, through MEF and MPD, shall make part of the proceeds of the Financing allocated to Category (4) available to UDAPE under an agreement ("UDAPE Subsidiary Agreement") to be entered between the Recipient, through MEF and MPD, and UDAPE, under terms and conditions acceptable to the Association as set forth in the MTEPS Operational Manual, including *inter alia*: (i) MEF, MPD and UDAPE's responsibilities under said part of the Project; and (ii) UDAPE's obligation to comply with the pertinent provisions of this Schedule, as applicable to said Part of the Project.

3. The Recipient shall exercise its rights and carry out its obligations under the UDAPE Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.

The Recipient shall not assign, amend, terminate, abrogate or waive the UDAPE Subsidiary Agreement or any of its provisions, except as the Association shall otherwise agree.

C. Municipality Agreements

1. To further facilitate the carrying out of Part 1 of the Project, and prior to the implementation of any activity under Part 1 of the Project that falls within the administrative jurisdiction of any given Selected Municipality, the Recipient, through MTEPS shall enter into an agreement with said Selected Municipality (the "Municipality Agreement") under terms and conditions set forth in the MTEPS Operational Manual and acceptable to the Association, which shall include, *inter alia*, the obligation of said Selected Municipality to: (i) carry out the activities under Part 1 of the Project that fall under its administrative jurisdiction in accordance with the pertinent provisions set forth in Article IV of the General Conditions; (ii) provide, promptly as needed, the funds, facilities, services and other resources required to carry out its activities under said Part of the Project; and (iii) comply with the pertinent provisions of this Schedule, as applicable to each Selected Municipality.

2. The Recipient, through MTEPS, shall exercise its rights and carry out its obligations under each Municipality Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. The Recipient shall not assign, amend, abrogate or waive the Municipality Agreement or any of its provisions, except as the Association shall otherwise agree.

D. Payment Agency

1. To further facilitate the carrying out of Part 1 of the Project, the Recipient, through MTEPS shall retain a Payment Agency with qualifications and experience, and under terms of reference acceptable to the Association, all in accordance with the provisions set forth in Section III of Schedule 2 to this Agreement.

2. The Recipient, through MTEPS; shall cause the Payment Agency to oversee and keep record of the payment of Stipends to Beneficiaries in accordance with the Anti-Corruption Guidelines and following the procedures set forth in the MTEPS Operational Manual.

E. Operational Manuals

1. The Recipient through MTEPS shall adopt and carry out Parts 1 and 2 (a) of the Project in accordance with the provisions of the MTEPS Operational Manual, which sets forth, *inter alia*: (i) a detailed description of Project activities and institutional arrangements for the Project; (ii) the Project administrative,

budgeting, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (iii) the monitoring indicators for the Project; (iv) the institutional and administrative mechanisms established to ensure inter-institutional coordination; (v) the criteria for the selection of Selected Municipalities; (vi) the procedures for the calculation of Stipends; (vii) the procedures for the calculation and payment of the incremental operating costs related to training provided by public institutions; (viii) the terms and conditions of the UDAPE Subsidiary Agreement; and (ix) the terms and conditions of the Municipality Agreements.

2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, waive or otherwise fail to enforce the MTEPS Operational Manual or any provision thereof.

3. Prior to the carrying out of any activity under Part 2(b) of the Project, The Recipient shall cause UDAPE to adopt and thereafter carry out Part 2 (b) of the Project in accordance with the provisions of the UDAPE Operational Manual, which manual sets forth, *inter alia*: (i) a detailed description of activities under Part 2 (b) of the Project and institutional arrangements for said Part the Project; (ii) the Project administrative, budgeting, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (iii) the monitoring indicators for Part 2 (b) the Project; and (iv) the institutional and administrative mechanisms established to ensure inter-institutional coordination.

4. The Recipient, shall ensure that UDAPE shall not abrogate, amend, suspend, waive or otherwise fail to enforce the UDAPE Operational Manual or any provision thereof, except as the Recipient and the Association may otherwise agree in writing.

5. In case of a conflict between the terms of the Operational Manuals and those in this Agreement, the terms of this Agreement shall prevail.

F. Anti-Corruption

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

Section II. <u>Project Monitoring, Reporting and Evaluation</u>

A. Project Reports

1. The Recipient, through MTEPS, shall monitor and evaluate the progress of Parts 1 and 2(a) of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of

indicators set forth in the MTEPS Operational Manual. 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.

2. The Recipient shall cause UDAPE to monitor and evaluate the progress of Part 2(b) of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth in the UDAPE Operational Manual. 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.

3. The Recipient shall, not later than June 30, 2017, or such other date as the Association shall agree with the Recipient, carry out jointly with the Association a mid-term review of the progress achieved in the implementation of the Project and its objective thereof. Following such Mid-term Review, the Recipient shall act promptly and diligently to take any corrective action as shall be recommended by the Association, in a manner acceptable to the Association.

B. Financial Management, Financial Reports and Audits

1. The Recipient, through MTEPS shall maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient shall cause UDAPE to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

3. The Recipient, through MTEPS, shall prepare and furnish to the Association not later than one month after the end of each calendar semester, interim unaudited financial reports for Parts 1 and 2(a) of the Project covering the calendar semester, in form and substance satisfactory to the Association.

4. The Recipient shall cause UDAPE to prepare and furnish to the Association not later than one month after the end of each calendar semester, interim unaudited financial reports for Part 2(b) of the Project covering the calendar semester, in form and substance satisfactory to the Association.

5. The Recipient, through MTEPS, shall have its Financial Statements for Parts 1 and 2(a) of the Project 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, or any period otherwise agreed by the Association. 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.

6. The Recipient shall cause UDAPE to have its Financial Statements for Part 2(b) of the Project 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, or any period otherwise agreed by the Association. 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 Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

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

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

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding subject to the additional provisions set forth in Section I of Annex A to this Schedule; (b) Shopping; and (c) Direct Contracting.

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 contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) 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 Association of Procurement Decisions**

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.

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

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Non-Consulting Services, and Operating Costs under Part 1 of the Project	4,500,000	100%
(2) Stipends under Part 1 of the Project	5,780,000	100%
(3) Goods, Non-Consulting Services, consultant's services (including Project audits), Training and Operating Costs under Part 2 (a) of the Project	2,430,000	100%
(4) Goods, Non-Consulting Services, consultants' services (including Project audits), Training and Operating Costs under Part 2 (b) of the Project	290,000	100%
TOTAL AMOUNT	13,000,000	

B. Withdrawal Conditions; Withdrawal Period

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

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

   (b) under Category (2) until a Payment Agency has been hired, as set forth in Section I.D.1 of this Schedule; and

   (c) under Category (4) until the UDAPE Subsidiary Agreement has been executed under terms and conditions acceptable to the Association.

2. The Closing Date is December 31, 2020.

Annex A

to
SCHEDULE 2

Additional Provisions Relating to
Particular Methods of Procurement

Section I. **Goods 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, and non-consulting services procured for the Project and awarded on the basis of National Competitive Bidding procedures set forth in the Recipient's Supreme Decree No. 181, dated June 28, 2009 (*Normas Básicas del Sistema de Administración de Bienes y Servicios*) as further amended:

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

2. The award of contracts for goods 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 Association.

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.

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 Recipient's *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 Association.

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 executing agencies.

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

17. Bidding documents for NCB shall include anticorruption clauses that shall be substantially identical to those pertaining to the Association Standard Bidding Documents 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 and awarded on the basis of National Competitive Bidding procedures set forth in the Recipient's Supreme Decree No. 181, dated June 28, 2009 (*Normas Básicas del Sistema de Administración de Bienes y Servicios*) as further amended:

1. Consultants shall not be required, as condition for participating in the selection process, to be registered in the Recipient's *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 awarded 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.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 15 and December 15:	
commencing June 15, 2019 to and including December 15, 2028	**1.65%**
commencing June 15, 2029 to and including December 15, 2038	**3.35%**

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.

2. "Beneficiary" means any Eligible MPED Beneficiary, Eligible Micro-Entrepreneur and/or Eligible Student.

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

4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

5. "Eligible Micro-Enterprise" means a business owned by an Eligible Micro-Entrepreneur, which shall comply with the criteria set forth in the MTEPS Operational Manual.

6. "Eligible Micro-Entrepreneur" means any individual selected, pursuant to the criteria set forth in the MTEPS Operational Manual, including, *inter alia*, youth aged 22 to 35, who have completed primary education, with a per capita income equal or below the Recipient's poverty line, and who manage an Eligible Micro-Enterprise, to participate in the MESTTA under part 1(b) of the Project.

7. "Eligible MPED Beneficiary" means any individual selected, pursuant to the criteria set forth in the MTEPS Operational Manual, including, *inter alia,* youth aged 17 to 26, who have completed primary education, and with a per capita income equal or below the Recipient's poverty line, to participate in the MPED Program under Part 1(a) of the Project.

8. "Eligible Student" means any individual selected, pursuant to the criteria set forth in the MTEPS Operational Manual, including, *inter alia*, youth aged 17 to 26, who have completed primary education, and with a per capita income equal or below the Recipient's poverty line, to participate in the Remedial Secondary Education Program under Part 1(c) of the Project.

9. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.

10. "ICT" means information and communication technology.

11. "Implementation Agreements" means the ME Interinstitutional Agreement and the UDAPE Subsidiary Agreement.

12. "Inter-Institutional Agreement" means the arrangement referred to in Section I.B.1 of Schedule 2 to this Agreement, entered into between MTEPS and ME.

13. "ME" means *Ministerio de Educación,* the Recipient's Ministry of Education.

14. "MESTTA" means the Recipient's micro-entrepreneur skills training and technical assistance program, to be piloted under Part 1(b) of the Project.

15. "Micro-Entrepreneur Stipend" means a grant made out of the proceeds of the Credit provided to an Eligible Micro-Entrepreneur under Part 1(b)(iii) of the Project, calculated in accordance with the procedures set forth on the MTEPS Operational Manual, to finance, *inter alia*, meals, transportation and children day care costs expected to be incurred by said Eligible Micro-Entrepreneur during the time of the training provided under the MESTTA.

16. "MPD" means *Ministerio de Planificación y Desarrollo*, the Recipient's Ministry of Planning and Development.

17. "MPED Program" means *Mi Primer Empleo Digno*, the Recipient's First Employment Program which provides access to employment for Eligible MPED Beneficiaries through the provision of skills training and related internship opportunities, established pursuant the Recipient's Supreme Decree No. 29246, dated August 22, 2007, as amended to the date of this Agreement.

18. "MPED Stipend" means a grant made out of the proceeds of the Credit to an Eligible MPED Beneficiary under Part 1(a)(ii) of the Project, calculated in accordance with the procedures set forth on the MTEPS Operational Manual, to finance, *inter alia*: (i) meals, transportation and children day care costs expected to be incurred by said Eligible MPED Beneficiary during the time of the training provided under the MPED Program; and (ii) a monthly salary calculated as a portion of the Recipient's minimum wage during the internship phase.

19. "MTEPS" means *Ministerio de Trabajo, Empleo y Previsión Social,* the Recipient's Ministry of Labor, Employment and Social Security.

20. "MTEPS Operational Manual" means the manual adopted by Recipient, through the MTEPS as referred to in Section I.E.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the approval of the Association.

21. "Municipality" means an administrative entity created pursuant to the Municipality's Legislation.

22. "Municipality Agreement" means any agreement referred to in Section I.C.1. of Schedule 2 to this Agreement.

23. "Municipality's Legislation" means the Recipient's law No. 482, dated January 9, 2014.

24. "NCU" means the National Coordination Unit within the MTEPS, created pursuant to the Recipient's Resolution No.631/09, dated September 2, 2009.

25. "Non-Consulting Services" means the reasonable expenditures incurred on account of Project implementation to cover reasonable costs of data collection services, printing services under Part 2 (a) and (b) of the Project, services from private educational institutions under Part 1 of the Project performed on the basis of identified standards and carried out in accordance with a curriculum already developed by the Recipient, and other services in which the physical aspects of the activity predominate and which are not rendered by consultants nor covered by Operating Costs.

26. "Operating Costs" means reasonable recurrent expenditures (other than those for Consultants' Services and Non-Consulting Services) incurred by the Recipient or UDAPE for: (i) Project administrative costs, including, *inter alia*, office materials and supplies, including office space rental, operation and maintenance of office equipment, insurance, vehicle and equipment operation, utilities, transportation, media campaigns, travel and *per diem* for purposes directly related to Project supervision under Part 2 of the Project, and (ii) incremental operating cost paid on basis of unit cost specified in the MTEPS Operational Manual related to training provided by public institutions under Part 1 (a) and (c) of the Project.

27. "Operational Manuals" means the MTEPS Operational Manual and the UDAPE Operational Manual.

28. "Payment Agency" means the agency referred to in Section D.1 of Schedule 2 to this Agreement.

29. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

30. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 31, 2014 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.

31. "Remedial Secondary Education Program" means the Recipient's program to facilitate the Eligible Student's access to remedial secondary education, to be piloted under Part 1(c) of the Project.

32. "Selected City" means any of the following cities in urban areas within the Recipient's territory: Trinidad, Sucre, Cochabamba, La Paz, Oruro, Cobija, Potosí, Santa Cruz de la Sierra, Tarija, El Alto and any Selected Municipality.

33. "Selected Municipality" means any Municipality selected following the criteria set forth in the MTEPS Operational Manual, including , *inter alia,* a population over 50,000 inhabitants and located 50 kilometers away from Trinidad, Sucre, Cochabamba, La Paz. Oruro, Cobija, Potosí, Santa Cruz de la Sierra, Tarija o El Alto.

34. "Skills Development Programs" means the MPED Program, the MESTTA and the Remedial Secondary Education Program.

35. "Stipends" means the MPED Stipends, the Micro-Entrepreneur Stipends and the Student Stipends.

36. "Student Stipend" means a grant made out of the proceeds of the Credit to Eligible Students under Part 1(c) of the Project, calculated in accordance with the procedures set forth on the MTEPS Operational Manual, to finance, *inter alia,* transportation cost, and the cost of day care of children expected to be incurred by said Eligible Student during the time of the training provided under the Remedial Secondary Education Program.

37. "Training" means reasonable expenditures (other than for consultant's services and Non-Consultants Services) incurred by trainers and trainees for reasonable travel, room board and *per diem* expenses in connection with training under the Project, including training registration fees, training facility and equipment rentals.

38. "UDAPE" means *Unidad de Análisis de Políticas Sociales y Económicas*, the Recipient's Unit for Social and Economic Policy Analysis, a decentralized unit in the MPD created pursuant to the Recipient's Supreme Decree No.19758, dated August 22, 1983 and Supreme Decree No. 24847, dated September 20, 1997.

39. "UDAPE Operational Manual" means the manual adopted by UDAPE as referred to in Section I.E.3 of Schedule 2 to this Agreement, as the same may be amended from time to time with the approval of the Association.

40. "UDAPE Subsidiary Agreement" means the agreement referred to in Section I.B.2. of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. *Service Charge and Interest Charge*

(a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).