

CONFORMED COPY

CREDIT NUMBER 1828 BO

(Second Reconstruction Import Credit Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BANCO CENTRAL DE BOLIVIA

Dated July 31, 1987

CREDIT NUMBER 1828 BO

PROJECT AGREEMENT

AGREEMENT, dated July 31, 1987 between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and BANCO CENTRAL DE BOLIVIA (Central Bank).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Bolivia (the Borrower) and the Association, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to thirty-six million, one hundred thousand Special Drawing Rights (SDR 36,100,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Central Bank agree to undertake such obligations toward the Association as are set forth in this Agreement; and

(B) by a Subsidiary Agreement to be entered into between the Borrower and Central Bank, the proceeds of the credit provided for under the Development Credit Agreement will be made available to Central Bank on terms and conditions set forth in said Subsidiary Agreement; and

WHEREAS Central Bank, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project; Management and Operations of Central Bank

Section 2.01. Central Bank declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and to this end, shall carry out the Project and conduct its operations and affairs, with due diligence and efficiency and in conformity with appropriate economic, financial and investment standards and practices, with qualified and experienced management and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for: (a) Parts A, B, C and E of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement; and (b) Part D of the Project and to be financed by means of Subloans made from the proceeds of the Credit shall be governed by the provisions of Schedule 4 to this Agreement.

Section 2.03. Central Bank shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of the Project.

Section 2.04. Central Bank shall enter into and duly perform all its obligations under the Subsidiary Agreement. Except as the Association shall otherwise agree, the Central Bank shall not take or concur in any action which would have the effect of changing, assigning, amending, abrogating or waiving the Subsidiary Agreement or any provision thereof.

Section 2.05. In accordance with and subject to the provisions of the Development Credit Agreement, the Central Bank shall establish a Credit Facility with operations, policies and procedures acceptable to the Association, including, inter alia, the following:

(a) Central Bank shall enter into Financing Agreements, satisfactory to the Association, with each of the Public Enterprises in accordance with the provisions of Schedule 2 to this Agreement for purposes of carrying out Parts A and B of the Project;

(b) Central Bank shall enter into a grant agreement with SNC for purposes of carrying out Part C of the Project, in accordance with the terms set forth in Schedule 2 to this Agreement except that those terms requiring repayment of funds shall not apply;

(c) Central Bank shall, for purposes of carrying out Part D of the Project, enter into Participating Agreements, satisfactory to the Association, with each Financial Intermediary, in accordance with the terms of Schedule 3 to this Agreement;

(d) Central Bank shall provide foreign exchange to Eligible Importers for imports acceptable to the Association, but excluding those goods listed in Schedule 1, paragraph 3 (a), (f) and (g) to the Development Credit Agreement, against evidence of payments made in local currency;

(e) Central Bank shall exercise its rights under each Financing Agreement, the SNC Grant Agreement and each Participating Agreement in such a manner as to protect the interests of the Borrower, Central Bank and the Association, and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, Central Bank shall not assign, amend, abrogate or waive any provision of any Financing Agreement, SNC Grant Agreement or Participating Agreement.

Section 2.06. (a) Central Bank shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the

performance of its obligations under this Agreement, the Subsidiary Agreement, and the performance of the Public Enterprises under the Financing Agreements, SNC under the SNC Grant Agreement, and the Financial Intermediaries under the Participating Agreements, as well as other matters relating to the purposes of the Credit.

(b) Central Bank shall promptly inform the Association of any condition which interferes, or threatens to interfere, with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by Central Bank of its obligations under this Agreement, the Subsidiary Agreement, the Financing Agreements, the SNC Grant Agreement and the Participating Agreements.

Section 2.07. Central Bank shall: (a) maintain through completion of the Project, the Project Coordinating Committee and the Comision established under the Prior Project for purposes of operating the Credit Facility and carrying out the Project, with membership and responsibilities acceptable to the Association for purposes of coordinating and supervising the implementation of the Project; and

(b) provide the Project Coordinating Committee and the Comision with adequate personnel, funds, resources and facilities to carry out its coordinating, supervising and other responsibilities under the Project.

Section 2.08. Central Bank shall not amend its operating policies and procedures for the Credit Facility except in agreement with the Association, and shall exchange views with the Association on any proposal to modify the same.

Article III

Financial Covenants

Section 3.01. (a) Central Bank shall maintain separate records and accounts adequate to monitor and record the progress of the Project and to reflect, in accordance with consistently maintained sound accounting practices the operations, resources and expenditures in respect of the Project, including separate records and accounts for the Credit Facility, and shall enable the Association's representatives to examine such records.

(b) Central Bank shall:

(i) have the accounts and financial statements (balance sheets, statements of income and expenses and related statements referred to in paragraph (a) of this Section) for each fiscal year audited, including the Special Account, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available but in any case not later than four months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, Central Bank shall:

(i) maintain, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable, the Association's representatives to examine such records; and

- (iv) ensure that such separate accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate opinion by said auditors as to, among other factors, whether the proceeds of the Credit withdrawn in respect of such expenditures were used for the purposes for which they were provided.

Section 3.02. Central Bank shall take such steps satisfactory to the Association as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the various currencies used in the implementation of the Project.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of Central Bank thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate; or
- (ii) a date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Central Bank of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other addresses as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

For Central Bank:

Banco Central
Casilla 3188
La Paz, Bolivia

Telex:

2575 NAVIANA BV

Section 5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of Central Bank or by Central Bank on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by its President, or by such other person or persons as the President of Central Bank shall designate in writing, and Central Bank shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. Shahid Husain

Regional Vice President
Latin America and the Caribbean

BANCO CENTRAL DE BOLIVIA

By /s/ Fernando Illanes

Authorized Representative

SCHEDULE 1

Procurement of Goods, Works and
Services under Parts A, B, C and E of the Project

1. Contracts for the procurement of goods estimated to cost the equivalent of \$1,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade

and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for goods estimated to cost the equivalent of \$100,000 or more, but not to exceed the equivalent of \$1,000,000, may be procured under contracts awarded through limited international bidding procedures, on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines, from at least two qualified countries, in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraph 2.8, 2.9, 2.55 and 2.56 thereof).

3. Contracts for goods estimated to cost the equivalent of less than \$100,000 each, shall be awarded to suppliers of such goods on the basis of comparison of price quotations from at least three suppliers eligible under the Guidelines, in accordance with Section I and Section II, paragraph 3.4 of the Guidelines, or with procedures acceptable to the Association.

4. Contracts for goods for which there is a sole source of supply worldwide, or that are for proprietary goods, may be purchased by direct contracting with the supplier or manufacturer, in accordance with procedures acceptable to the Association.

5. With respect to each contract referred to in paragraphs 1 and 2 of this Schedule, Central Bank shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

6. With respect to each contract referred to in paragraphs 3 and 4 of this Schedule, Central Bank shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract.

7. Notwithstanding the provisions of paragraphs 5 and 6 of this Schedule, where payments under a contract are to be made out of the proceeds of the Special Account, the copies of such contract or the documentation and the information to be furnished to the Association pursuant to the provisions of paragraphs 5 and 6 of this Schedule shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to the Development Credit Agreement.

8. The provisions of the preceding paragraphs 5 and 6 shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

9. In order to assist the Borrower in carrying out the Project, the Borrower shall cause to be employed, consultants whose qualifications, experience, terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 2

Terms and Conditions of Financing Agreements and SNC Grant Agreement

1. The Central Bank shall enter into a separate Financing Agreement with YPFB and ENFE, and a separate SNC Grant Agreement with SNC for purposes of carrying out Parts A, B and C of the Project, respectively, that shall provide the terms and conditions for, and procedures to be followed in, carrying out the respective import plan of such Public Enterprise and SNC.

2. The procedures to be followed under each Financing Agreement and the SNC Grant Agreement shall be satisfactory to the Association and shall include, inter alia:

- (i) review and verification by the Comision of proposed expenditures for goods under the respective import plan of each Public Enterprise and SNC, and of eligibility of proposed expenditures

for services under the Project for purposes of determining eligibility for financing out of the proceeds of the Credit;

- (ii) approval and authorization of credit or transfer of proceeds by the Project Coordinating Committee;
- (iii) issuance of credit by Central Bank to each Public Enterprise for financing the importation of eligible goods, services, or technical assistance; and
- (iv) transfer of proceeds by Central Bank to SNC for financing the importation of eligible goods and services.

3. The terms and conditions of the Financing Agreement and the SNC Grant Agreement shall be satisfactory to the Association and shall include, inter alia, provisions that:

- (i) such credit received by each Public Enterprise shall be denominated in dollars and repaid to the Borrower, through the Central Bank, in national currency, the rate of exchange to be determined as of the date each payment is made, such payments to be made at least semiannually;
- (ii) such credit shall bear a fixed interest rate of eight and one-half (8.5%) per annum on the principal amount withdrawn and outstanding from time to time, or such other rate and on such other terms as shall be acceptable to the Association;
- (iii) such credit shall be repaid in full within a period of fifteen (15) years, including a grace period of up to three (3) years;
- (iv) the list of specific goods to be imported by each Public Enterprise shall form a part of the Financing Agreement, and the list of specific goods to be imported by SNC shall form a part of the SNC Grant Agreement; each such list may be revised from time to time, but only upon prior approval by the Association, such list constituting the plan of eligible imported goods;
- (v) the Central Bank, shall have the right, with respect to each Public Enterprise and SNC, to:
 - (a) require each Public Enterprise and SNC to carry out their respective businesses with due diligence and efficiency in accordance with sound technical, financial and managerial standards, and to maintain adequate records, including separate records and accounts adequate to reflect, in accordance with consistently maintained sound accounting practices, the operations, resources and expenditures in respect of the Project;
 - (b) require that the goods to be financed from the proceeds of the Credit shall be procured in accordance with Schedule 1 to the Project Agreement, and that such goods shall be used exclusively for the purposes of the Project;
 - (c) inspect, by itself, or jointly with representatives of the Association, if the Association shall so request, the goods and the installation services so financed, and any relevant records and documents;
 - (d) require that each Public Enterprise and SNC take out and maintain with responsible insurers, such insurance against such risks and in such amounts as shall be consistent with sound business practices in order to cover hazards incident to the acquisition, transportation and delivery of goods and services (financed from the proceeds of the Credit) to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Public Enterprise or SNC to replace or repair such goods or services;
 - (e) obtain all such information as the Association or the

Central Bank shall reasonably request regarding the foregoing administration, operations and financial condition of each Public Enterprise and SNC, and the benefits to be derived from the goods and services financed under the respective Financing Agreement or SNC Grant Agreement; and

- (f) suspend or terminate the right of each Public Enterprise and SNC to use the proceeds of the Credit upon failure by the Public Enterprise or SNC to perform their respective obligations under the Financing Agreement or SNC Grant Agreement.

SCHEDULE 3

Terms and Conditions of Participating Agreements

1. The Central Bank shall enter into a Participating Agreement with each Financial Intermediary, for purposes of carrying out Part D of the Project that shall provide the terms and conditions for, and procedures to be followed in, making Subloans for Working Capital or the purchase of locally procured goods by Eligible Producers under Part D of the Project.

2. The procedures to be followed under each Participating Agreement shall be satisfactory to the Association, and shall include, inter alia:

- (a) notification to Central Bank by the Financial Intermediaries of the Working Capital to be financed, or the goods to be locally procured, the dollar equivalent of the amount to be paid for such goods, the name of the purchaser of such goods, and the amount of the Subloan;

- (b) review and verification of eligibility by the Central Bank of proposed expenditures for locally procured goods by each Eligible Producer; and

- (c) authorization by Central Bank of the making of Subloans by Financial Intermediaries to Eligible Producers under Part D of the Project.

3. The terms and conditions of each Participating Agreement between the Central Bank and a Financial Intermediary, shall be satisfactory to the Association, and shall include, inter alia:

- (a) credit received by the Financial Intermediaries from the Central Bank to be used for Subloans under Part D of the Project shall: (i) be denominated in dollars; (ii) be repaid in national currency, the rate of exchange to be determined as of the date each payment is made; and (iii) bear a fixed interest rate of eight and one-half percent (8-1/2%) per annum on the principal amounts withdrawn and outstanding from time to time, or such other rate and on such other terms as shall be acceptable to the Association;

- (b) Central Bank shall provide credit to the Financial Intermediary sufficient to cover one hundred percent (100%) of the amount of each Subloan;

- (c) the Financial Intermediary shall make all Subloans to be financed by the proceeds of the Credit in accordance with Schedule 4 to this Agreement;

- (d) all Subloans under Part D of the Project shall be evidenced by written agreements with Eligible Producers;

- (e) each Financial Intermediary shall exercise its rights with respect to the written agreements referred to in sub-paragraph (d) above, in such a manner as to: (i) protect the interests of Central Bank, the Association and the Borrower; (ii) comply with its obligations under the Participating Agreement; and (iii) achieve the purposes of the Project; and

- (f) Central Bank shall have the right to suspend the right to the use of the proceeds of the Credit by the Financial Intermediary upon the failure of said Financial Intermediary to perform any of its obligations under the Participating Agreement.

SCHEDULE 4

Terms and Conditions for Subloans under Part D of the Project

General Terms and Conditions for all Subloans

1. Except as the Association shall otherwise agree, each Financial Intermediary shall obtain, inter alia, in respect of Subloans, the right to:

(a) require the Eligible Producer to carry out its business with due diligence and efficiency, in accordance with sound technical, financial and managerial standards, and to maintain adequate records including separate records and accounts adequate to reflect, in accordance with consistently maintained sound accounting practices, the operations, resources and expenditures in respect of the Project;

(b) require that: (i) the goods to be financed by the proceeds of the Credit shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor; and (ii) such goods shall be used exclusively for the purposes for which the Subloan was requested;

(c) inspect, by itself, or jointly with representatives of the Association, if the Association shall so request, the goods financed under the Subloan, and any relevant records and documents;

(d) require that the Eligible Producer shall take out and maintain with responsible insurers, such insurance against such risks and in such amounts as shall be consistent with sound business practice in order to cover hazards incident to the acquisition, transportation and delivery of goods (financed from the proceeds of the Credit) to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Eligible Producer to replace or repair such goods;

(e) obtain all such information as the Association, Central Bank or the Borrower shall reasonably request regarding the foregoing and to the administration, operations and financial condition of the Eligible Producer and the benefits to be derived from the goods financed from the Subloan; and

(f) suspend or terminate the right of the Eligible Producer to the use of the proceeds of the Credit upon failure by such Eligible Producer to perform its obligations under its contract with the Financial Intermediary.

2. Subloans shall be denominated in dollars and repayable in national currency, the exchange rate to be determined as of the date each payment is made.

3. The Financial Intermediary may charge up to an aggregate of five percentage points (5%), per annum as additional interest, commissions, or fees, above the interest rate payable by it to the Central Bank set forth in paragraph 3 (a) of Schedule 3 to this Agreement, to the Eligible Producer. The interest rate charged by the Financial Intermediary on each Subloan shall be fixed for the term of the Subloan. Any commissions or fees charged by the Financial Intermediary shall be charged a maximum of one time for each such Subloan and no additional commissions or fees may be charged for such Subloan.

4. The term for repayment of each Subloan shall be a maximum of one year from the date of purchase of locally produced goods or imports, or from the first date of disbursing funds for Working Capital, as applicable.

5. The proceeds of Subloans shall be used only to finance the reasonable cost of locally procured goods or Working Capital to be used as inputs in the operations of the respective Eligible Producer.

6. No Subloan shall finance more than 75% of the cost of such locally procured goods.

7. The maximum Subloan, or Subloans, under Part D of the Project, when aggregated together with all other Subloans made under the Project or under the Prior Project, that shall be made to any one Eligible Producer shall be \$500,000 equivalent.

8. The proceeds of the Subloan shall not be used to finance any of the goods listed in Schedule 1, paragraph 3 (a), (f), and (g) to the Development Credit Agreement.



