

CONFORMED COPY

CREDIT NUMBER 2012 BO

(Export Corridors Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FONDO SOCIAL DE EMERGENCIA

Dated August 4, 1989

CREDIT NUMBER 2012 BO

PROJECT AGREEMENT

AGREEMENT, dated August 4, 1989, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and FONDO SOCIAL DE EMERGENCIA (FSE).

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 make available to the Borrower an amount in various currencies equivalent to twenty-eight million three hundred thousand Special Drawing Rights (SDR 28,300,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that FSE agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a grant agreement to be entered into between the Borrower and FSE, part of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to FSE on the terms and conditions set forth in said FSE Grant Agreement; and

WHEREAS FSE, 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 and the following additional terms have the following meanings:

(a) "Implementing Entities" means any of the governmental entities, including, but without limitation to, SNC and ENFE, which propose to carry out, or are carrying out, a Subproject; and "Implementing Entity" means any one of such Implementing Entities;

(b) "Subgrant Agreement" means the agreement to be entered into between FSE and an Implementing Entity for the purposes of carrying out a Subproject, as the same may be amended from time to time, and such term includes all schedules to the Subgrant Agreement;

(c) "FSE Procedure Guide" means the guide (Guia de Procedimiento) issued by FSE for processing and monitoring Subprojects, provided by the Borrower to the Association under cover of a letter dated December 1987; and

(d) "Implementation Program" means the implementation program set forth in Schedule 1 to this Agreement.

ARTICLE II

Execution of the Project

Section 2.01. (a) FSE 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 Part C.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, managerial, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the carrying out of said part of the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. FSE 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, respectively) in respect of the FSE Project Agreement and Part C.1 of the Project.

Section 2.04. FSE shall enter into the FSE Grant Agreement with the Borrower, in a form and substance satisfactory to the Association, and said agreement shall provide for inter alia, the following: (i) the transfer of part of the proceeds of the Credit on a grant basis to FSE for the purposes of carrying out Part C.1 of the Project; and (ii) the obligation of FSE to carry out Part C.1 of the Project in accordance with the terms and conditions set forth in this Agreement, including, without limitation, carrying out said part of the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.05. FSE shall duly perform all its obligations under the FSE Grant Agreement. Except as the Association shall otherwise agree, FSE shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the FSE Grant Agreement or any provision thereof.

Section 2.06. (a) FSE shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project in general, and of Part C.1 of the Project in particular, the performance of its obligations under this Agreement and under the FSE Grant Agreement, and other matters relating to the purposes of the Credit.

(b) FSE shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part C.1 of the Project and the

Subprojects, the accomplishment of the purposes of the Credit, or the performance by FSE of its obligations under this Agreement and under the FSE Grant Agreement, or the performance of FSE and the Implementing Entities under the Subgrant Agreements.

(c) FSE hereby undertakes not to amend, abrogate, or waive the FSE Procedure Guide, or any provision thereof, without the prior approval of the Association.

Section 2.07. Without limitation to or restriction upon its other reporting requirements under the General Conditions and this Agreement, FSE shall provide to the Association no later than October 1, 1989, and thereafter by the first day of each October, January, April and July, reports of such scope and in such detail as the Association shall reasonably request, on the progress in the carrying out of Part C.1 of the Project and of each Subproject.

ARTICLE III

Management and Operations of FSE

Section 3.01. FSE shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, and managerial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. FSE shall at all times operate and maintain its offices, machinery, equipment, vehicles and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and managerial practices.

Section 3.03. FSE shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) FSE shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition, including separate records and accounts adequate to reflect all resources and expenditures in respect of Part C.1 of the Project, including each Subproject.

(b) FSE shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, 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.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of FSE thereunder shall terminate on the date on which the Development Credit Agreement shall terminate in accordance with its terms, and the Association shall promptly

notify FSE of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. 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 address 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 FSE:

Executive Director
Fondo Social de Emergencia
Edificio Banco Central
Piso 12, Casilla 23506
La Paz, Bolivia

Telex:

3528 FSETEL-BV

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of FSE may be taken or executed by the Executive Director of FSE or such other person or persons as the Executive Director of FSE shall designate in writing, and the Executive Director of FSE shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. 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.

FONDO SOCIAL DE EMERGENCIA

By /s/ Carlos Delius
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. Shahid Husain
Regional Vice President
Latin American and the Caribbean

SCHEDULE

Implementation Program

I. FSE Operating Procedures

1. FSE shall contract for and monitor the implementation of Subprojects in accordance with the FSE Procedure Guide.

2. FSE shall approve each Subproject on the basis of criteria acceptable to the Association and shall submit to the Association each Subproject for its review and approval, prior to entering into the Subgrant Agreement for each such Subproject.

3. The information that shall be provided to the Association with respect to each Subproject shall be acceptable to the Association and shall include at least the following information: type of project; total estimated value of Subproject; total FSE contribution to Subproject; region; location of project; target population; description of project; duration of project; requesting agency; Implementing Entity; summary of costs; number of man-months of employment generated; total cost per man-month; economic rate of return (if relevant); other benefit indicators (e.g., number of beneficiaries, qualitative description, etc.); and procurement method.

4. Each Subproject shall be carried out pursuant to a written agreement (the Subgrant Agreement) between FSE and the Implementing Entity under terms and conditions satisfactory to the Association, including inter alia, providing for the following obligations and rights:

(i) the obligation to carry out the Subproject with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;

(ii) the requirement that: (A) the goods and services to be financed from the proceeds of the Credit shall be procured in accordance with Schedule 3 of the Development Credit Agreement; and (B) such goods and services shall be used exclusively in the carrying out of the Subproject;

(iii) the right of FSE to inspect, by itself, or jointly with representatives of the Association, if the Association shall so request, such goods and the sites, works, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;

(iv) the right of FSE to obtain all such information as FSE or the Association shall reasonably request regarding the foregoing, the administration, operations and financial condition of the Subproject and the benefits to be derived from the Subproject;

(v) the right of FSE to suspend or terminate the right of the Implementing Entity to use the proceeds of the Credit for the Subproject upon failure by any such entity to perform any of its respective obligations under its Subgrant Agreement with FSE; and

(vi) the obligation of the Implementing Entity to report on the progress in the carrying out of the Subproject.

II. Terms and Conditions of Subprojects

1. Subprojects shall be financed on the following terms and conditions:

(i) financing shall be in the form of a grant;

(ii) financing out of the proceeds of the Credit shall not exceed ninety percent (90%) of the actual disbursements of FSE for each

Subproject; and

- (iii) a mobilization advance of twenty percent (20%) of the estimated value of the Subproject may be paid upon signing of the Subgrant Agreement. Subsequent payments thereafter may be made on the basis of a percentage, acceptable to the Association, of works completed or goods procured, and shall be evidenced by written documentation thereof. A retention of ten percent (10%) of the estimated value of the Subproject may be paid upon completion of the Subproject, as evidenced by a certificate of completion, acceptable to the Association.

2. Subprojects which have an estimated value of the equivalent of \$100,000 or more, shall be eligible for financing out of the proceeds of the Credit only if an economic rate of return of at least twelve percent (12%) can be demonstrated, calculated on a basis and using criteria acceptable to the Association.

