

CONFORMED COPY

CREDIT NUMBER 2012 BO

(Export Corridors Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 4, 1989

CREDIT NUMBER 2012 BO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 4, 1989, between REPUBLIC OF BOLIVIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower has prepared a program of actions for improving the Borrower's export corridors;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project constitutes a part of said program of actions, has requested the Association to assist in the financing of the Project;

(C) the Borrower intends to obtain from the Inter-American Development Bank (IDB) a loan (the IDB Loan) in an amount equivalent to approximately thirty-eight million dollars (\$38,000,000) to assist in financing the other part of said program of actions, consisting of the construction of an all-weather gravel surfaced road between Patacamaya and Tambo Quemado, to complete the Borrower's portion of the La Paz-Arica highway, on the terms and conditions set forth in an agreement (the IDB Loan Agreement) to be entered into between the Borrower and IDB;

(D) Parts A.2, B.1, B.2, B.3, C.2 and D.3 of the Project will be carried out by Empresa Nacional de Ferrocarriles del Estado (ENFE), a railway public utility wholly-owned by the Borrower and established by Decreto Supremo No. 06909 of November 1, 1964 of the Borrower, with the Borrower's assistance, and, as part of such assistance, the Borrower will make available to ENFE part of the proceeds of the Credit as provided in this Agreement; and

(E) Part C.1 of the Project will be carried out by Fondo Social de Emergencia (FSE), which has been established by the President of the Borrower as a public entity with full juridical personality, by Chapter I of Decreto Supremo No. 21137 of November 30, 1985, as revised by Decreto Supremo No. 21456 of November 28, 1986 of the Borrower, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to FSE part of the proceeds of the Credit as provided in this Agreement;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MITT" means Ministerio de Industria, Comercio y Turismo, the Ministry of Industry, Trade and Tourism of the Borrower;

(b) "SNC" means Servicio Nacional de Caminos (National Road Authority), a division of the MTC (as defined hereinafter);

(c) "INPEX" means Instituto Nacional de Promocion de las Exportaciones, the National Institute for Export Promotion of the Borrower;

(d) "MTC" means Ministerio de Transportes y Comunicaciones, the Ministry of Transport and Communications of the Borrower;

(e) "ENFE Project Agreement" means the agreement between the Association and ENFE of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the ENFE Project Agreement;

(f) "FSE Project Agreement" means the agreement between the Association and FSE of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the FSE Project Agreement;

(g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated March 17, 1988 and April 29, 1988 between the Borrower and the Association;

(h) "Road Maintenance Program" means the Borrower's annual program of works and related equipment and material for the routine and periodic maintenance, rehabilitation, drainage (to include structures up to a maximum span of ten (10) meters) and installation of road signalization and safety fixtures of the road network under its jurisdiction;

(i) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ENFE pursuant to Section 3.02 (b) of this Agreement and Section 2.04 of the ENFE Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(j) "FSE Grant Agreement" means the agreement to be entered into between the Borrower and FSE pursuant to Section 3.02 (c) of this Agreement and Section 2.04 of the FSE Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the FSE Grant Agreement;

(k) "Subprojects" means civil works for maintenance and drainage improvements of the Borrower's roads and railways, selected by the Association from a list of proposed subprojects furnished by FSE to the Association under cover of a letter dated December 20, 1988, and "Subproject" means any one of the Subprojects;

(l) "Performance Agreement" means the agreement to be entered into between the Borrower and ENFE pursuant to Section 3.04 (a) of this Agreement and Section 2.04 of the ENFE Project Agreement, as the same may be amended from time to time, and such term includes all extensions of and schedules to the Performance Agreement;

(m) "Transport Sector Investment Program" means the program of public investments administered by the Borrower for improving the operation of its transportation system; and

(n) "Boliviano" means the unit of currency of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty-eight million three hundred thousand Special Drawing Rights (SDR 28,300,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1995, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from a date sixty days after the date of this Agreement (the Accrual Date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; (ii) at the rate set as of June 30 immediately preceding the Accrual Date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 1999 and ending March 15, 2029. Each installment to and including the installment payable on March 15, 2009 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. MTC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A.1, D.1, D.2, D.5 and D.6 of the Project through the agencies listed in paragraph (c) below, with due diligence and efficiency and in conformity with appropriate financial, engineering, administrative, managerial, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall provide, timely as required during the implementation of the Project, funds totaling at least the equivalent of ten million one hundred thousand dollars (\$10,100,000) as follows: \$800,000 equivalent for its fiscal year 1989; \$3,300,000 equivalent for its fiscal year 1990; \$4,100,000 equivalent for its fiscal year 1991; and \$1,900,000 equivalent for its fiscal year 1992.

(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall ensure that the following agencies shall participate in the carrying out of the stated corresponding part or parts of the Project:

MTC	Parts D.1, D.5 (i) and D.6 of the Project
MICT (acting through INPEX)	Part D.4 of the Project
SNC	Parts A.1, D.2, and D.5 (ii) of the Project

Section 3.02. (a) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause ENFE to perform in accordance with the provisions of the ENFE Project Agreement all the obligations of ENFE therein set forth, shall cause FSE to perform in accordance with the provisions of the FSE Project Agreement all the obligations of FSE therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each of ENFE and FSE to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend to ENFE the proceeds of the Credit required for

the carrying out of Parts A.2, B.1, B.2, B.3, C.2 and D.3 of the Project under a Subsidiary Loan Agreement to be entered into between the Borrower and ENFE under terms and conditions which shall have been approved by the Association, and which shall include, inter alia, that:

- (i) the Borrower shall make available said part of the proceeds of the Credit to ENFE by means of a loan or loans in an aggregate amount not to exceed the equivalent of eleven million three hundred thousand dollars (\$11,300,000);
- (ii) ENFE shall pay interest on the principal amount of said loan or loans withdrawn and outstanding from time to time at a rate per annum equal to the dollar six (6) month London Interbank Offered Rate plus one-half of one percentage point; and
- (iii) repayment of said loan or loans shall be over a period not to exceed fifteen (15) years, including a grace period of three (3) years.

(c) The Borrower shall make available to FSE on a grant basis part of the proceeds of the Credit, not to exceed an aggregate amount equivalent to three million seven hundred thousand dollars (\$3,700,000), required for the carrying out of Part C.1 of the Project under an FSE Grant Agreement to be entered into between the Borrower and FSE under terms and conditions which shall have been approved by the Association.

(d) The Borrower shall exercise its rights and comply with its obligations under the Subsidiary Loan Agreement and the FSE Grant Agreement in such a manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or the FSE Grant Agreement or any provision thereof.

Section 3.03. Without any limitation to or restriction upon its other reporting requirements under the General Conditions and this Agreement, the Borrower, at such times as specified below and until such time the report referred to in Section 9.06 (c) of the General Conditions has been furnished to the Association, in form and substance satisfactory to the Association, shall:

(a) before March 31 in each of its fiscal years, after the fiscal year ending December 31, 1989, prepare and submit, or cause to be prepared and submitted, to the Association a report, of such scope and detail as the Association shall reasonably request, on the progress achieved in the carrying out of the Project during the preceding fiscal year.

(b) before October 31 in each of its fiscal years, after the fiscal year ending December 31, 1989, prepare and submit, or cause to be prepared and submitted, to the Association a Road Maintenance Program for the following fiscal year, which program shall be consistent with the corresponding four (4) year Road Maintenance Program referred to in Section 7.01 of this Agreement and shall be in a form and substance satisfactory to the Association;

(c) before March 31, in each of its fiscal years, after the fiscal year ending December 31, 1989, prepare and submit, or cause to be prepared and submitted, to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the progress achieved in the execution of the Road Maintenance Program during the immediately preceding fiscal year; and

(d) before September 30, in each of its fiscal years, after the fiscal year ending December 31, 1989, submit, or cause to be submitted, for review and comment by the Association, the Transport Sector Investment Program proposed for the following fiscal year.

Section 3.04. (a) Without limitation or restriction upon its obligations under Section 3.01 of this Agreement, the Borrower shall enter into a Performance Agreement with ENFE, in a form and substance satisfactory to the Association, which agreement shall cover the period 1990 to 1991 and shall stipulate, inter alia, that:

- (i) the Borrower's policy and strategic objectives for ENFE in the areas of financial autonomy, management structure, pricing and personnel; and
- (ii) ENFE's obligation to carry out a corporate plan, as described in

the Performance Agreement, setting out the performance targets necessary to achieve the objectives mentioned in subparagraph (i) above, such plan to consist of an operating plan, an investment plan and a financing plan.

(b) No later than September 30, 1991, the Borrower shall extend the term of effectiveness and revise the terms and conditions of the Performance Agreement with ENFE to cover the period 1992 to 1994, such revised agreement to be in a form and substance satisfactory to the Association.

(c) No later than March 31, in each of its fiscal years, after the fiscal year ending December 31, 1990, the Borrower shall prepare and submit, or cause to be prepared and submitted, for review and comment by the Association, a report on the compliance by each party to the Performance Agreement with its obligations thereunder.

Section 3.05. 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 this Agreement.

Section 3.06. The Borrower and the Association hereby agree that 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 Parts A.2, B.1, B.2, B.3, C.2 and D.3 of the Project shall be carried out by ENFE pursuant to Section 2.03 of the ENFE Project Agreement, and in respect of Part C.1 of the Project shall be carried out by FSE pursuant to Section 2.03 of the FSE Project Agreement.

Section 3.07. (a) The Borrower shall promptly enter into contractual arrangements satisfactory to the Association with a procurement agent acceptable to the Association, for the purposes of providing services for the Project on behalf of the Borrower and ENFE, including the contracting of consultants and procurement of goods in respect of each contract therefor estimated to cost more than the equivalent of 100,000 Bolivianos and to be financed from the proceeds of the Credit.

(b) The Borrower shall exercise its rights under the contractual arrangements referred to in paragraph (a) above in such a manner as to protect the interests of the Borrower, ENFE and the Association, and to accomplish the purposes of the Credit.

Section 3.08. No later than June 30, 1991, the Borrower shall have caused SNC to put into operation throughout the Borrower's territory, in a manner satisfactory to the Association, SNC's national road maintenance management system and equipment management system referred to in Part D.2 of the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A.1, D.1, D.2, D.4, D.5 and D.6 of the Project of the agencies listed in paragraph (c) of Section 3.01 of this Agreement, and other departments or agencies of the Borrower responsible for the carrying out of such parts of the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section 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 (4) months after the end of each such year, a certified copy of 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 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 expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in each agency listed in paragraph (c) of Section 3.01 of this Agreement, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain in each such agency, until at least one (1) year after the Association has received the audit 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 records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. With the objective of strengthening the coordination of investments in respect of the Borrower's export corridors and avoiding the dispersion of efforts with respect to same, the Borrower hereby agrees, prior to entering into any commitment in connection with any such investment, to demonstrate to the satisfaction of the Association that all major road and railway investments in the Borrower's export corridors which the Borrower proposes to undertake during the implementation of the Project shall yield economic rates of return of twelve percent (12%) or more and, in the case of railway investments, a financial internal rate of return of ten percent (10%) or more.

ARTICLE V

Maintenance

Section 5.01. The Borrower shall: (i) cause all railway tracks and roads of the Borrower to be adequately maintained and cause all necessary repairs thereof to be made, all in accordance with sound engineering practices; (ii) cause all railway track and road maintenance equipment and workshops to be adequately maintained and cause all necessary repairs and renewals thereof to be made, all in accordance with sound engineering practices; and (iii) provide, promptly as needed, the funds required for all of the foregoing.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) The IDB Loan Agreement shall have failed to become effective by June 30, 1990, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement;

- (b) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) The right of the Borrower to withdraw the proceeds of the IDB Loan or of any grant, loan or credit made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
 - (B) The IDB Loan or any such loan or credit shall have become

due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement;

(c) Either ENFE or FSE shall have failed to perform any of its respective obligations under the ENFE Project Agreement or the FSE Project Agreement;

(d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Borrower or ENFE or FSE will be able to perform its respective obligations under the ENFE Project Agreement or the FSE Project Agreement or the Subsidiary Loan Agreement or the Performance Agreement or the FSE Grant Agreement;

(e) Decreto Supremo No. 06909 of November 1, 1964 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ENFE to perform any of its obligations under the ENFE Project Agreement or the Subsidiary Loan Agreement;

(f) Decreto Supremo No. 21137 of November 30, 1985, as revised by Decreto Supremo No. 21456 of November 28, 1986 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of FSE to perform any of its obligations under the FSE Project Agreement or the FSE Grant Agreement;

(g) The Borrower, or any other authority having jurisdiction, shall have taken any action for the dissolution or disestablishment of ENFE or for the suspension of its operations; and

(h) The Borrower, or any other authority having jurisdiction, shall have taken any action for the dissolution or disestablishment of FSE or for the suspension of its operations, prior to FSE having performed all of its obligations under the FSE Project Agreement, in a manner satisfactory to the Association.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified: (i) that the event specified in sub-paragraph b (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of subparagraph (b) (ii) of that Section; (ii) that any event specified in paragraphs (c), (e) or (f) of Section 6.01 of this Agreement shall occur and continue for a period of sixty (60) days; and (iii) any event specified in paragraph (g) of Section 6.01 of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower shall have prepared and submitted to the Association a four (4) year Road Maintenance Program, consisting of a detailed program for its fiscal year 1990, and of a proposed program for its fiscal years 1991, 1992 and 1993, all in a form and substance satisfactory to the Association.

Section 7.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the ENFE Project Agreement has been duly authorized or ratified by, and is legally binding upon, ENFE in accordance with its terms and conditions; and

(b) that the FSE Project Agreement has been duly authorized or ratified by, and is legally binding upon, FSE in accordance with its terms and conditions.

Section 7.03. The date November 7, 1989 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.04. The obligations of the Borrower under Articles III, IV and V of this Agreement shall cease on the date on which this Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. Except as provided in Section 2.09 of this Agreement, the Minister of Planning and Coordination of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Planeamiento y Coordinacion
La Paz
Bolivia

Cable address:

MINPLANEACION
La Paz-Bolivia

Telex:

3280
(MINCORD BV)

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)

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.

REPUBLIC OF BOLIVIA

By /s/ Carlos Delius

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. Shahid Husain

Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Works:		
(1) Under Part A.1 of the Project	10,600,000	80%
(2) Under Part B.1 B.2 of the Project	1,750,000	45%
(3) Under Part C.1 of the Project	2,680,000	90%
Goods:		
(4) Under Parts B.1, B.3 and C.2 of the Project	2,760,000	100% of foreign expenditures
(5) Under Part A.2 of the Project	350,000	100% of foreign expenditures
(6) Consultants' services under Part D of the Project	4,580,000	100%
(7) Refunding of Project Prepara- tion Advance	310,000	Amount due pur- suant to Section 2.02 (b) of this Agreement
(8) Unallocated	5,270,000	
TOTAL	28,300,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 2,830,000, may be made in respect of Category 3 of the table in paragraph 1 above on account of payments made for expenditures before that date but after June 15, 1988; provided, however, that all such expenditures shall have been incurred for Subprojects;

(b) expenditures under Category (3) of the table in paragraph 1 above, unless the Association shall have approved the Subproject in respect of which such expenditures shall have been incurred.

(c) expenditures under Categories (2), (4) and (5) of the table in paragraph 1 above, unless: (i) the Performance Agreement, referred to in Section 3.04 (a) of this Agreement, shall have been executed by the parties thereto and shall be satisfactory to the Association; (ii) ENFE shall have engaged the consultants for the carrying out of Part D.3 of the Project; and (iii) ENFE shall have restructured its tariffs as provided in Section 4.04 of the ENFE Project Agreement;

(d) expenditures under Category (5) of the table in paragraph 1 above,

unless ENFE shall have furnished to the Association evidence, satisfactory to the Association, that ENFE shall have taken all action required to ensure that during each of the two (2) calendar months preceding any such withdrawals the average number of empty railway freight cars awaiting traction in each of Arica (Chile) and Charana (Bolivia) shall not have exceeded one hundred (100);

(e) expenditures under Category 2 of the table in paragraph 1 above, other than for Part B.1 of the Project, unless ENFE shall have concluded a management agreement for the operation of the Santa Cruz freight terminal, in a manner satisfactory to the Association, with an operating company acceptable to the Association; and

(f) expenditures under Category (1) of the table in paragraph 1 above, unless the Borrower shall have provided during its corresponding fiscal year, pursuant to the provisions of Section 3.01 (c) of this Agreement, and in a manner satisfactory to the Association, the funds required for the carrying out of Part A.1 of the Project during such year.

SCHEDULE 2

Description of the Project

The objectives of the Project are to promote the Borrower's exports and reduce the costs of its foreign trade by: (a) providing two well-functioning export corridors by 1992-93, one to the Atlantic and one to the Pacific; (b) strengthening the operations of its railway network to make it more market-oriented; (c) improving its road and railway maintenance; (d) strengthening the MTC in planning and policy-making; and (e) facilitating the use of containers and airfreight.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Pacific Corridor: Maintenance and Improvement Activities:

(1) Deferred maintenance, including reconstruction and asphalt concrete overlay, of about 228 kilometers (Kms) on the Borrower's La-Paz-Oruro highway, including the Caracollo-Caihuasi branch thereof; and

(2) Improvement of railway tracks and terminal installations on the Borrower's section of the La Paz-Arica railway line.

Part B: Atlantic Corridor: Construction Maintenance and Rehabilitation Activities:

(1) Rehabilitation of existing railway tracks and bridges on the Borrower's Santa Cruz-Puerto Quijarro railway line, including acquisition and utilization of drainage equipment and ballast and placement equipment;

(2) Construction of an intermodal freight terminal and related facilities in Santa Cruz; and

(3) Acquisition and utilization of railway materials and equipment for converting about forty (40) boxcars to multiuse wagons for use on ENFE's Eastern railway network.

Part C: System-Wide Road and Rail Improvements

(1) Execution of selected (about 15 to 20) labor intensive road and rail maintenance and drainage improvement Subprojects; and

(2) Acquisition and utilization of a telecommunications system for ENFE.

Part D: Technical assistance

(1) For the institutional strengthening of the Planning Office of the MTC in transport planning and policy analysis, including the carrying out of a study on transport operations and investment requirements in respect of the La Paz-Cochabamba-Santa Cruz corridor;

(2) For the institutional strengthening of SNC in road maintenance, including the establishment of a national road maintenance management system to determine periodic and routine road maintenance needs and to budget and program such needs, and an

equipment management system to assess the quantity of equipment and the maintenance and replacement needs therefor required for the carrying out of the Road Maintenance Program;

(3) For the institutional strengthening of ENFE in management and marketing, operations and information systems, and for audit and terminal design and management services;

(4) For the institutional strengthening of INPEX to: (i) facilitate the use of containers in the Borrower's international freight transportation; and (ii) promote air freight for the Borrower's exports;

(5) Carrying out of: (i) a feasibility study in respect of the Borrower's Patacamaya-Tambo Quemado road; and (ii) the supervision of maintenance activities related to Part A.1 of the Project; and

(6) Services in respect of Parts A, B, C and D of the Project, pursuant to Section 3.07 of this Agreement.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded 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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Bolivia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Local competitive bidding: Goods estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$250,000, per contract up to an aggregate amount not to exceed the equivalent of \$500,000, and civil works estimated to cost the equivalent or less than \$2,000,000, per contract up to an aggregate amount not to exceed the equivalent of \$6,000,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Shopping: Goods estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Direct Contracting:

(a) Civil works and goods to be procured under Part C.1 of the Project, estimated to cost less than the equivalent of \$250,000 per contract, shall be procured by direct contracting, on the basis of the standard prices established by FSE and approved by the Association, from suppliers eligible under the Guidelines or, at the option of FSE, on the basis of local competitive bidding.

(b) Except as the Association shall otherwise agree, no contractor shall be awarded any contract pursuant to this paragraph 3 if the amount of such contract, when added to the aggregate amount of all prior contracts financed in part by the Association and awarded, directly or indirectly to such contractor pursuant to FSE's standard price procedures, would exceed the equivalent of \$500,000.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(c) The provisions of the preceding subparagraph (a) 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. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower and ENFE in carrying out the Project, the Borrower and ENFE shall employ consultants whose qualifications, experience and 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.

