

**CONFORMED COPY**

**CREDIT NUMBER 3630-BO**

# **Development Credit Agreement**

**(Road Rehabilitation and Maintenance Project)**

**between**

**REPUBLIC OF BOLIVIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated April 23, 2002**

**CREDIT NUMBER 3630-BO**

## **DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated April 23, 2002, between REPUBLIC OF BOLIVIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of the Project;

(B) the Borrower's Law No. 1788 of September 16, 1997 (Law No. 1788) provides that the planning, construction, maintenance and administration of the Borrower's national highway system are the responsibility of the Borrower's National Roads Agency (*Servicio Nacional de Caminos* - SNC);

(C) the Borrower's Supreme Decree No. 25134 of August 31, 1998 (Decree No. 25134) establishes the Borrower's national highway system, comprising a fundamental road network (the National Road Network), a departmental and municipal road network (the Secondary Road Network), and a road maintenance national account (*Cuenta Nacional de Conservación Vial* – CNCV);

(D) the Borrower's Law No. 2064 of April 3, 2000 (Law No. 2064) provides the institutional framework for the operations SNC, including the rules and procedures for the nomination of the Executive President and the Board of Directors of SNC;

(E) the Borrower's Supreme Decree No. 26336 of September 29, 2001 (Decree No. 26336) establishes the organizational structure of SNC, including the framework for SNC internal operating procedures and the sustainable allocation of resources for road maintenance through CNCV;

(F) the Borrower's Supreme Decree No. 26487 of January 23, 2002 (Decree No. 26487) allocates an increasing percentage of the revenues collected from taxes on fuel consumption to CNCV;

(G) the Association has received a letter dated February 21, 2002 from the Borrower describing the Borrower's road rehabilitation and maintenance program for the period 2002 to 2006 (the Road Rehabilitation and Maintenance Program), including the Borrower's contributions to CNCV;

(H) the Borrower intends to contract from the Nordic Development Fund (NDF) a loan (the NDF Loan) in an amount equivalent to approximately seven million dollars (\$7,000,000) to assist in the financing of the Project on the terms and conditions set forth in an agreement (the NDF Loan Agreement) to be entered into between the Borrower and NDF; and

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 (as amended through October 6, 1999) (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) “Annual Road Maintenance and Resurfacing Program” means any of the programs referred to in Section 3.09 of this Agreement;

(b) “ARI” means *Acuerdo de Reforma Institucional*, an institutional reform agreement to be entered into between SNC, MDE, MH and UTPRI (all as hereinafter defined) pursuant to the provisions of the Development Credit Agreement (Institutional Reform Project) between the Borrower and the Association dated June 17, 1999 (as amended);

(c) “Disbursement Letter” means the letter from the Association to the Borrower of even date herewith setting forth the procedures for the withdrawal of the proceeds of the Credit;

(d) “Environmental Manual” means the environmental manual for Project implementation dated November 2000, including the rules and procedures applicable to: (i) road contractors and works sites for the rehabilitation of priority segments of the National Road Network under Part A of the Project; (ii) rapid environmental screening of Subprojects for the rehabilitation of priority segments of the Secondary Road Network under Part B of the Project; (iii) road maintenance and resurfacing by contractors and micro-enterprises under Part C of the Project; and (iv) SNC’s environmental strengthening program;

(e) “Fiscal Account” means the account, determined by MH (as hereinafter defined), referred to in Section 3.16 (a) of this Agreement;

(f) “Fiscal Year” means the Borrower’s fiscal year which commences on January 1 and ends on December 31 of each calendar year;

(g) “FMR” means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;

(h) “Indigenous Peoples Development Plan” means the indigenous peoples development plan for Project implementation dated February 27, 2002;

(i) “MDE” means *Ministerio de Desarrollo Económico*, the Borrower’s Ministry of Economic Development;

(j) “MH” means *Ministerio de Hacienda*, the Borrower’s Ministry of Finance;

(k) “Non-Project Road” means any road in the Project Area (as hereinafter defined) that is not a Project Road (as hereinafter defined);

(l) “Operational Manual” means the operational manual referred to in Section 3.08 (a) of this Agreement;

(m) “Participating Prefecture” means a Prefecture (as hereinafter defined) selected to participate in Project implementation in accordance with the procedures and eligibility criteria set forth in the Operational Manual;

(n) “Performance Indicators” means the Project performance indicators set forth in the letter from the Borrower to the Association of even date herewith (Supplemental Letter);

(o) “PNB” means *Policía Nacional de Bolivia*, the Borrower’s National Police Department;

(p) “PNB Participation Agreement” means the agreement referred to in Section 3.05 of this Agreement;

(q) “Prefecture” means any of the departmental administrations in the Project Area;

(r) “Prefecture Participation Agreement” means any of the agreements referred to in Section 3.04 (a) of this Agreement;

(s) “Procurement Improvement Action Plan” means SNC’s action plan for procurement under the Project dated March 6, 2002;

(t) “Project Area” means the area of the Borrower’s departments of Chuquisaca, La Paz, Oruro, and Tarija, and any other department which may be acceptable to the Association in addition to, or in substitution of, the above departments;

(u) “Project Road” means any road within the National Road Network or the Secondary Road Network to be rehabilitated, maintained or resurfaced under Parts A, B or C of the Project;

(v) “SEPCAM” means a *Servicio Prefectural de Caminos*, a Prefecture Road Agency;

(w) “SEPCAM Institutional Reform Plan” means any of the plans referred to in Section 3.04 (a) (i) of this Agreement;

(x) “SNC Institutional Reform Plan” means SNC’s institutional reform plan undertaken pursuant to Supreme Decree No. 26336 and the ARI;

(y) “SNC Organizational Manual” means *Manual de Funciones de SNC*, the organizational manual of SNC to be issued pursuant to the SNC Institutional Reform Plan;

(z) “Social Action Plan” means the social action plan for Project implementation dated February 27, 2002;

(aa) “Special Account” means the account referred to in Part B.1 of Schedule 1 to this Agreement;

(bb) “Subproject” means any of the investment subprojects referred to in Section 3.04 (a) (ii) (A) of this Agreement;

(cc) “Subsidiary Agreement” means the agreement referred to in Section 3.03 of this Agreement;

(dd) “Transport Master Plan” means the VMT’s (as hereinafter defined) plan to establish transport priorities in the Borrower’s territory dated November 2000;

(ee) “UCP” means *Unidad Coordinadora de Proyectos*, the Project coordinating unit within SNC;

(ff) “UTPRI” means *Unidad Técnica del Proyecto de Reforma Institucional*, the Technical Unit of the Institutional Reform Project; and

(gg) “VMT” means *Viceministerio de Transporte*, the Borrower’s Vice Ministry of Transportation.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed a reference to SNC.

## **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 sixty-two million Special Drawing Rights (SDR62,000,000).

Section 2.02. 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 works, goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 31, 2007 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 the date sixty (60) 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the Accrual Date and 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 from the next date in that year specified in Section 2.06 of this Agreement.

(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 percent ( $\frac{3}{4}$  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 semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each August 15 and February 15 commencing on August 15, 2012 and ending February 15, 2037. Each installment to and including the installment payable on February 15, 2022 shall be one and one-fourth percent ( $1\frac{1}{4}\%$ ) of such principal amount, and each installment thereafter shall be two and one-half percent ( $2\frac{1}{2}\%$ ) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three (3) consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

- (A) 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; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of

principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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. The Executive President of SNC 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 and to this end shall carry out the Project through SNC, with the participation of Participating Prefectures (in respect of Part B of the Project) and PNB (in respect of Part D.1 of the Project), all with due diligence and efficiency and in conformity with appropriate engineering, managerial, technical, financial, social and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower (through SNC) shall carry out the Project in accordance with: (i) the Environmental Manual; (ii) the Social Action Plan; (iii) the Indigenous Peoples Development Plan; (iv) the Procurement Improvement Action Plan (v) SNC Institutional Reform Plan; and (vi) the Operational Manual (see Section 3.08 below). If any provision of the Environmental Manual, the Social Action Plan, the Indigenous Peoples Development Plan, the Procurement Improvement Action Plan or SNC Institutional Reform Plan is inconsistent with a provision of this Agreement, the provisions of this Agreement shall govern.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and 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 3.03. The Borrower shall make the proceeds of the Credit available to SNC under a subsidiary agreement to be entered into between the Borrower and SNC, under terms and conditions satisfactory to the Association.

Section 3.04. (a) With regard to Part B of the Project, the Borrower (through SNC) shall enter into agreements with each Participating Prefecture, under terms and conditions satisfactory to the Association, for the purposes of ensuring the participation of each such Participating Prefecture in the implementation of such Part of the Project, such agreements to provide:

- (i) the obligation of Participating Prefectures to develop and implement institutional reform plans, for purposes of strengthening their respective SEPCAM's capacity to manage the Secondary Road Network within their respective jurisdictions and improve the condition of transport services, including the preparation of transport plans and road inventories, and the exchange of information on the overall performance of such SEPCAMs; and
  - (ii) the following obligations of SNC:
    - (A) to select investment subprojects for the financing of rehabilitation of Project Roads, or sections thereof, within the Project Area and to ensure adequate transitability and access, all in accordance with the procedures and eligibility criteria set forth in the Operational Manual;
    - (B) to inform the SEPCAMs of the Participating Prefectures about Project-financed activities;
    - (C) to provide technical assistance to the SEPCAMS of the Participating Prefectures for their institutional strengthening in roads management;
    - (D) to monitor compliance with relevant procedures and eligibility criteria; and
    - (E) to evaluate jointly with the Participating Prefectures the results of Project activities;
  - (iii) for the close coordination between SNC and Participating Prefectures for the selection of Project Roads, the identification and evaluation of Subprojects, and the execution of the works and services contracts under such Subprojects, all as prescribed in the Operational Manual.
- (b) Prior to the approval of any proposed Subproject, the Borrower (through SNC)

shall apply the environmental and social assessment procedures and eligibility criteria prescribed in the Environmental Manual, the Social Action Plan and the Indigenous Peoples Development Plan in order to:

- (i) carry out an environmental and social screening and assessment of such proposed Subproject; and
- (ii) prepare recommendations for prevention, mitigation and remediation of any potential environmental and social negative impact arising from the implementation of such proposed Subproject.

(c) During the implementation of any Subproject, the Borrower, through SNC, shall ensure that the Participating Prefectures carry out the recommendations referred to in paragraph (b) (ii) above as prescribed in the Environmental Manual, the Social Action Plan and the Indigenous Peoples Development Plan.

(d) Without limitation or restriction to any of the Association's rights under this Agreement, in the event that any Participating Prefecture fails to perform any of its obligations under the applicable Prefecture Participation Agreement to the satisfaction of the Association, the Borrower, through SNC, shall:

- (i) not include in any proposed road maintenance and resurfacing program activities within the jurisdiction, or for the benefit, of the SEPCAM of such Participating Prefecture until such Participating Prefecture has taken corrective action to the satisfaction of SNC and the Association; and
- (ii) exclude from the applicable road maintenance and resurfacing program activities within the jurisdiction, or for the benefit, of the SEPCAM of such Participating Prefecture, other than the activities for which the contracting of works or services has been finalized pursuant to the provisions of Schedule 3 to this Agreement.

Section 3.05. With regard to Part D.1 of the Project, the Borrower (through SNC) shall enter into an agreement with PNB, under terms and conditions satisfactory to the Association, for the purposes of ensuring the participation of PNB in the implementation of such Part of the Project.

Section 3.06. The Borrower shall exercise its rights and comply with its obligations under the Subsidiary Agreement, any Prefecture Participation Agreement, and the PNB Participation 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, waive or fail to enforce the Subsidiary Agreement or any Prefecture Participation Agreement or the PNB Participation

Agreement or any provision thereof.

Section 3.07. (a) At all times during the execution of the Project, the Borrower (through SNC) shall maintain UCP, with structure and responsibilities satisfactory to the Association, including the following responsibilities:

- (i) coordinating Project interventions with other agencies of the Borrower (in particular the technical and administrative units of SNC) and civil society representatives at the national level;
- (ii) maintaining the Project impact monitoring system; and
- (iii) monitoring compliance by Participating Prefectures with appropriate procedures and eligibility criteria for Subprojects.

(b) The Borrower shall ensure that UCP is staffed, at all times during the execution of the Project, by core professional staff in numbers and with experience and qualifications acceptable to the Association, operating under terms of reference satisfactory to the Association, and selected in accordance with competitive and transparent procedures satisfactory to the Association, all as prescribed in the Operational Manual.

Section 3.08. (a) Without limitation to the terms of Section 3.01(b) above, the Borrower, through SNC, shall carry out the Project in accordance with an operational manual, satisfactory to the Association, said manual to provide the rules and procedures for the implementation of the Project, in the areas of:

- (i) Project institutional setup, including organization and functions of SNC;
- (ii) disbursement, accounting, auditing and reporting procedures;
- (iii) procurement responsibilities, processes and internal controls;
- (iv) monitoring and evaluation plans for the Project;
- (v) procedures and eligibility criteria for Subprojects, including maximum rehabilitation cost per kilometer, specific institutional requirements, and socio-economic criteria; and
- (vi) procedures for identification, preparation, approval, execution and supervision of Subprojects, including environmental assessment procedures and guidelines, and a list of non-eligible works.

(b) If any provision of the Operational Manual is inconsistent with a provision of

this Agreement, the provisions of this Agreement shall govern.

Section 3.09. (a) The Borrower, through SNC, shall not later than October 31 of each year of Project implementation, starting in 2002, prepare and furnish to the Association an annual road maintenance and resurfacing program for the following calendar year, such program to specify:

the Borrower's contributions to CNCV;

the activities to be financed out of the proceeds of the Credit during the respective calendar year in the Project Area;

the implementation schedule and SNC's budget proposal for such activities;

the portion of the National Road Network to be maintained through contracts with micro-enterprises;

expected productivity targets in the maintenance of the National Road Network; and

upon the Association's request, information on the rehabilitation and maintenance activities that SNC intends to undertake in the Project Area with its own resources in Non-Project Roads that are critical because of their integration with Project Roads; and

carry out such Annual Road Maintenance and Resurfacing Program in accordance with its terms.

Section 3.10. The Borrower, through SNC, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) not later than March 31 and October 31 of each year of Project implementation, starting in 2003, furnish to the Association progress reports on the execution of the Project during the preceding calendar semester, of such scope and in such detail as the Association may reasonably request, including, inter alia:

- (i) information on the progress in the execution of the Project and the achievement of the objectives thereof;
- (ii) status of the allocation and utilization of the proceeds of the Credit;
- (iii) achievement of the Performance Indicators;
- (iv) updated implementation and disbursement schedules for the subsequent

calendar semester; and

- (v) compliance of Borrower's obligations under this Agreement and, whenever necessary, action plans proposed to ensure such compliance.

Section 3.11. The Borrower through SNC, shall:

(a) not later than March 31 of each year of Project implementation, starting in 2003, prepare and furnish to the Association (for its review and approval) a report, of such scope and in such detail as the Association may reasonably request, on the progress of the Annual Road Maintenance and Resurfacing Program for the preceding calendar year, including, inter alia:

- (i) expenditures incurred in the maintenance of the National Road Network;
- (ii) allocation and utilization of CNCV resources by type of maintenance contract;
- (iii) productivity targets in the maintenance of the National Road Network by type of maintenance contract;
- (iv) results of SNC's rating of the condition of the national trunk roads; and
- (v) operational and financial performance of SNC, together with an action plan to address identified shortcomings; and

(b) not later than June 30 of each year of Project implementation, starting in 2003, publish and disseminate the report referred to in paragraph (a) above, as approved by the Association.

Section 3.12. The Borrower, through SNC, shall:

(a) not later than March 31 of each year of Project implementation, starting in 2003, hold a Project annual review with the Association, such review to be based on the reports referred to in Section 3.10 (b) of this Agreement and to focus, inter alia, on:

- (i) progress in the execution of the Project and the achievement of the objectives thereof;
- (ii) performance of SNC and Participating Prefectures;
- (iii) progress in the implementation of Part E of the Project, including compliance by Participating Prefectures with SEPCAM Institutional Reform Plans;
- (iv) experience with the rules and procedures set forth in the Operational Manual; and
- (v) justification of the investment and institutional proposals for the implementation of the Project during the subsequent year;

(b) in respect of the review to be held not later than March 31, 2004, and with the participation of representatives of NDF, MDE, MH, VMT, Participating Prefectures and other stakeholders, focus on the following matters in addition to those mentioned in paragraph (a) above:

- (i) operation of CNCV for the maintenance of the National Road Network;
- (ii) adequacy of the funding for, and management of, maintenance of the National Road Network under CNCV;
- (iii) adequacy of the alternative contractual mechanisms for undertaking the maintenance of the National Road Network;
- (iv) assessment of the changes in the stock and conditions of the Borrower's National Road Network assets; and
- (v) overall evaluation of the implementation of the Project; and

(c) if, as a result of any of the above reviews, the Association shall have reasonably determined that the progress in the execution of the Project or in the achievement of the objectives thereof is not satisfactory, promptly take or cause to be taken all such remedial action, satisfactory to the Association, as shall be necessary for the efficient execution of the Project or the timely achievement of its objectives.

Section 3.13. The Borrower, through SNC, shall:

(a) not later than December 31 of each year of Project implementation, starting in 2003, contract technical audits for the preceding calendar year of Project implementation, with independent auditors of experience and qualifications satisfactory to the Association operating under terms of reference satisfactory to the Association, such audits to focus on the operation of CNCV, including achievement of physical targets, quality and cost of the civil works, and compliance with the Operational Manual, the Environmental Manual, the Social Action Plan, and the Indigenous Peoples Development Plan;

(b) not later than March 31 of each year of Project implementation, furnish to the Association the report of such audits by said auditors; and

(c) not later than June 30 of each year of Project implementation, discuss the results of such audits with representatives of NDF, MDE, MH, VMT, and other stakeholders, taking into account the Association's comments thereon.

Section 3.14. The Borrower, through SNC, shall:

(a) not later than December 31, 2004, start an assessment of overall Project impact, such assessment to be conducted with the assistance of independent consultants of experience

and qualifications satisfactory to the Association, operating under terms of reference satisfactory to the Association;

(b) not later than June 30, 2005 furnish to the Association, for its review and comments, the findings and recommendations of such assessment; and

(c) not later than October 31, 2005 discuss the results of such assessment with representatives of NDF, MDE, MH, VMT, Participating Prefectures and other stakeholders, taking into account the Association's comments thereon.

Section 3.15. With regard to Part D.1 of the Project, the Borrower (through SNC) shall:

(a) not later than June 30, 2002, appoint a road safety task group, with membership structure, functions and responsibilities satisfactory to the Association, to study different alternatives and recommend the most adequate institutional framework to manage road safety issues in the territory of the Borrower;

(b) not later than June 30, 2003, furnish to the Association, for its review and comments, the recommendations of the road safety task group referred to in paragraph (a) above; and

(c) not later than December 31, 2003, implement the recommendations of the road safety task group referred to in paragraph (b) above, taking into account the Association's comments thereon.

Section 3.16. The Borrower, through SNC, shall:

(a) open and thereafter maintain until the completion of the Project a fiscal account, under terms and conditions satisfactory to the Association; and

(b) deposit into the Fiscal Account, at the beginning of each month during the execution of the Project, the counterpart funding required for payments to be made during that month in respect of expenditures on account of goods, works or services procured or to be procured under the Project.

Section 3.17. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower (through SNC) shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the continued achievement of Project objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall cause SNC to maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) The Borrower shall cause SNC to:

- (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 auditing standards acceptable to the Association, 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 six (6) months after the end of each such Fiscal Year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such Fiscal Year as so audited; and (B) an opinion on such statements and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including as part of the information to be provided in each such report a management letter concerning SNC's internal controls; and
- (iii) furnish to the Association such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may 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 FMRs or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one (1) year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(d) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (c) (i) of this Section and those for the Special Account 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 six (6) months after the end of each such Fiscal Year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the FMRs or 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; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 3.10 of this Agreement, the Borrower shall cause SNC to prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) Law No. 1788 or Supreme Decree No. 25134 or Law No. 2064 or Supreme Decree No. 26336 or Supreme Decree No. 26487 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the Borrower or SNC to perform any of its obligations under this Agreement or the Subsidiary Agreement;

(b) an extraordinary situation shall have arisen which shall make it improbable that the Road Rehabilitation and Maintenance Program or any Annual Road Maintenance and Resurfacing Program will be carried out;

(c) the NDF Loan Agreement shall have failed to become effective by not later than December 31, 2002 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; and

(d) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the NDF Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the NDF Loan Agreement; or

(B) the NDF Loan 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 the NDF Loan 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.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (a) and (c) of Section 5.01 of this Agreement shall occur; and

(b) the event specified in paragraph (d) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (d) (ii) of that Section.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) that the Borrower shall have issued regulations, satisfactory to the Association, for the operation of CNCV;

(b) that the Borrower shall have furnished to the Association evidence, satisfactory to the Association, about the progress in carrying out the SNC Institutional Reform Plan;

(c) that the Borrower shall have issued SNC Organizational Manual, in form and substance satisfactory to the Association;

(d) that the Borrower shall have issued the Operational Manual in form and substance satisfactory to the Association; and

(e) that arrangements to generate FMRs, satisfactory to the Association, shall have been established by SNC and become operational.

Section 6.02. The date July 22, 2002 is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Hacienda  
Palacio de Comunicaciones, Piso 19  
Av. Mariscal Santa Cruz, esq. Calle Oruro s/n  
La Paz, Bolivia

Cable address:

Facsimile:

FINANZA  
La Paz, Bolivia

(5912) 239-2891

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

(202) 477-6391

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

REPUBLIC OF BOLIVIA

By /s/ Jacques Trigo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John L. Newman

Authorized Representative  
Latin America and the Caribbean Region

## **SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

Part A: General

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be financed</u>
(1) Civil works		
(a) Under Part A of the Project	21,150,000	80%
(b) Under Part B of the Project	3,220,000	80%
(c) Under Part C.2 of the Project	27,510,000	80% until withdrawals under this Category have reached an aggregate amount equivalent to SDRs 8,000,000; 60% until withdrawals under this Category have reached an aggregate amount equivalent to SDRs 16,000,000; and 30% thereafter
(2) Consultants' services and training		
(a) Under Parts D.1, D.2, D.3 (a), D.4 and D.5 of the Project	3,480,000	80%
(b) Under Part E of the Project	650,000	80%
(3) Goods	113,000	100% of foreign expenditures and 80% of local expenditures

(4) Unallocated 5,877,000

TOTAL 62,000,000

2. For the purposes of this Schedule, the terms:

(a) “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower;

(b) “local expenditures” means expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower; and

(c) “training” means reasonable expenditures incurred by SNC, Participating Prefectures and VMT in connection with the carrying out of training activities under the Project, including: (i) the travel cost and per diem of trainers and trainees; (ii) rental of training facilities; and (iii) training materials.

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 SDR4,000,000, may be made in respect of Categories 1 through 3 of the table in Part A.1 of this Schedule on account of payments made for expenditures incurred within twelve months before the date of this Agreement but after May 1, 2002; and

(b) payments made for expenditures under Categories 1 (b) and 3 of the table in Part A.1 of this Schedule for the benefit of a Participating Prefecture, unless the respective Prefecture Participation Agreement has been executed and delivered and is legally binding upon the parties thereto.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for works, goods and services as set forth in the Disbursement Letter.

#### Part B: Special Account

1. The Borrower shall open and maintain in Dollars a separate special deposit account in *Banco Central de Bolivia*, on terms and conditions satisfactory to the Association. Deposits into, and withdrawals from, the Special Account shall be made in accordance with the provisions of this Part B and the procedures set forth in the Disbursement Letter.

2. (a) For the purposes of this Part B, the terms:

(i) “Eligible Categories” means Categories 1 through 3 of the table set forth in Part A.1 of this Schedule; and

- (ii) “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories.

(b) Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures. If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, the Association may require the deposit into the Special Account (or, if the Association shall so determine, require the refund to the Association) of an amount equal to the amount of such payment.

3. The Association shall not be required to make further deposits into the Special Account if, at any time:

(a) the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant said Section in respect of the audit of the records and accounts for the Special Account; and

(b) the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are: (a) to improve transitivity and accessibility of key segments of the National Road Network and the Secondary Road Network; and (b) to strengthen the Borrower’s institutional capacity to manage road assets.

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: Rehabilitation of the National Road Network**

Rehabilitation of approximately 353 kilometers of key segments of the National Road

Network in the Project Area, including the roads between:

1. Calamarca and San Pedro, on the main road between La Paz and Oruro; and
2. Boyuibe and Yacuiba, on the main road between Santa Cruz and Yacuiba.

Part B: Rehabilitation of the Secondary Road Network

Rehabilitation of approximately 200 kilometers of key segments of the Secondary Road Network in the Project Area.

Part C: Routine Maintenance and Resurfacing of the National Road Network

1. Routine maintenance of the National Road Network through use of CNCV.
2. Resurfacing of key segments of the National Road Network through use of CNCV.

Part D: Technical Assistance

1. Development of a road safety initiative to strengthen the Borrower's capacity to respond to and reduce road accidents.
2. Carrying out of pre-investment studies to support the preparation of technical, social and environmental studies under the Transport Master Plan.
3. Supervision of the civil works financed under: (a) Parts A and B of the Project; and (b) Part C of the Project.
4. Carrying out of the Project's technical and financial audits pursuant to Sections 3.13, 4.01 (b) (i), and 4.01 (d) (i) of this Agreement.
5. Carrying out of the Project's impact assessment pursuant to Section 3.14 of this Agreement.

Part E: Institutional Development

1. Consolidation of the institutional reform of SNC and Participating Prefectures, including in the areas of: (a) procurement and contracting practices; and (b) maintenance and investment programming systems.
2. Development of alternative mechanisms for carrying out road maintenance activities

through micro-enterprises or performance-based contracts.

3. Development of information management systems to strengthen the financial accountability and contract management capacity of SNC.
4. Development of the Borrower's roads users' charges policies, and strengthening of the evaluation capacity of VMT and SNC with respect to CNCV.
5. Provision of training to VMT, SNC and Participating Prefectures.

\* \* \*

The Project is expected to be completed by June 30, 2007.

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

##### **Section I. Procurement of Goods and Works**

###### **1. Guidelines**

Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines), as such Guidelines may be revised by the Bank from time to time; and (b) the applicable provisions of this Schedule.

###### **2. Grouping of Contracts**

(a) Contracts for goods and works shall be packaged in sizes adequate to attract maximum competition and to ensure economy and efficiency in the procurement process. Contracts shall not be divided into smaller units in order to make them less appropriate for competitive procedures. Any proposal to divide a contract into smaller packages shall require the prior approval of the Association.

(b) To the extent practicable: (i) contracts for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each; and (ii) contracts for works shall be grouped in bid packages estimated to cost \$3,000,000 equivalent or more each.

###### **3. Preference for domestically manufactured goods**

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

###### **4. Standard documents**

In the procurement of goods or works under NCB, S(I/N) and PSW (as hereinafter defined) the Borrower shall use standard documents acceptable to the Association.

Section II:      Employment of Consultants

Consultant Guidelines

Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines), as such Consultant Guidelines may be revised by the Bank from time to time; and (b) the applicable provisions of this Schedule.

Section III.      Records and audits

1.      Records

(a)      The Borrower shall:

- (i)      maintain or cause to be maintained Procurement Records (as hereinafter defined) adequate to reflect in accordance with sound procurement practices (including related supervision, review and auditing) the procurement activities of SNC; and
- (ii)      ensure that all such Procurement Records evidencing such procurement activities are retained until at least two (2) years after the Closing Date.

(b)      For the purposes of this Section, the term "Procurement Records" means:

- (i)      with respect to procurement of goods and works: public notices of bidding opportunities; bidding documents and addenda; bid opening information; bid evaluation reports; formal appeals by bidders and outcomes; signed contracts, addenda and amendments; records on claims and dispute resolution; and records of time taken to complete key steps in the process; and
- (ii)      with respect to selection of consultants: public notices for expressions of interest; requests for proposals and addenda; technical and final evaluation reports; formal appeals by firms and related outcomes; signed contracts, addenda and amendments; records on claims and dispute resolution; and records of time taken to complete key steps in the process.

2.      Audits:

The Borrower shall:

- (a)      have the Procurement Records audited annually, in accordance with internationally accepted procurement standards consistently applied, by independent procurement experts acceptable to the Association;

(b) furnish to the Association, as soon as available, but in any case no later than six (6) months after the end of each calendar year of Project implementation, the report of said audit, of such scope and in such detail as the Association shall have reasonably requested; and

(c) at any time during Project implementation, furnish to the Association such other information concerning said audit, as the Association may reasonably request.

**Section IV. Review of Procurement Action**

1. Prior to the issuance of: (a) any invitations to bid for goods or works; or (b) any requests for proposals to consultants, the proposed procurement plan for the Project shall be furnished to the Association by SNC, for the Association review and approval in accordance with the provisions of paragraphs 1 of Appendixes 1 to the Guidelines and the Consultant Guidelines. Procurement of all goods and works, and selection of all consultants' services shall be undertaken in accordance with such procurement plan as shall have been approved by the Association (the Procurement Plan), and with the provisions of said paragraphs.

2. Not later than June 1st and December 1st of each year of Project implementation, the Borrower (through SNC) shall furnish to the Association, for its review and approval, a detailed update of the Procurement Plan for the upcoming calendar semester. Such update shall include: (a) a firm list of contracts to be procured in the upcoming calendar semester and a tentative list of contracts to be procured in the subsequent semester; (b) estimated contract costs; (c) schedule for bidding; and (d) particular methods of procurement of goods and works, and selection of consultants.

3. The Borrower shall arrange the publication of a summary of the Procurement Plan and any update thereof in the UN Development Business Magazine\*\* See footnote 19 to paragraph 2.7 of the Guidelines..

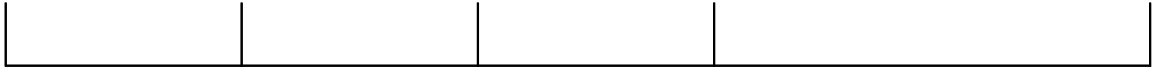
4. The Borrower and the Association shall meet from time to time to review progress in the implementation of the Procurement Plan.

5. Any modification to the Procurement Plan shall require the Association's prior review and approval.

**Section V. Specific Provisions for Procurement of Goods and Works, and Employment of Consultants**

<b>Procurement item as per Procurement Plan</b>	<b>Contract Value (Threshold)</b>	<b>Procurement Method</b>	<b>Association Review</b>
1. <b><u>Civil Works</u></b>	\$3,000,000 equivalent or more	ICB	Prior Review: Each contract
	Less than \$3,000,000 equivalent but more than \$250,000	NCB	Prior Review: Each contract

	equivalent		
	\$250,000 equivalent or less	PSW	Prior Review: Twice-yearly review of Procurement Plan, as per paragraph 2 of Section IV of this Schedule.  Post Review: Random sample of contracting documents
	As provided in the Procurement Plan	Other Methods of Procurement	As provided in the Procurement Plan
<b>2. <u>Goods</u></b>	\$200,000 equivalent or more	ICB	Prior Review: Each contract
	Less than \$200,000 equivalent but more than \$50,000 equivalent	NCB	Prior Review: Each contract
	\$50,000 equivalent or less	S(I/N)	Prior Review: Twice-yearly review of Procurement Plan, as per paragraph 2 of Section IV of this Schedule.  Post Review: Random sample of contracting documents.
	As provided in the Procurement Plan	Other Methods of Procurement	As provided in the Procurement Plan



<b>Procurement item as per the Procurement Plan</b>	<b>Contract Value (Threshold)</b>	<b>Procurement Method</b>	<b>Association Review</b>
<b><u>3. Consultant Services</u></b>			
3.1 Firms	As provided in the Procurement Plan	QCBS	Prior Review for Consultants: All TORs, RFPs, short lists, technical and combined evaluations of each contract estimated to cost \$50,000 equivalent or more.
			Post Review for Consultants: Random sample of contracting documents of each contract estimated to cost less than \$50,000 equivalent.
	As provided in the Procurement Plan	Other Methods of Selection	As provided in the Procurement Plan
3.2 Individual Consultants	As provided in the Procurement Plan	IC	Prior Review for Consultants: Each contract estimated to cost \$20,000 equivalent or more.
			Post Review for Consultants: Random sample of contracting documents of each contract estimated to cost less than \$20,000 equivalent.
<b><u>4. Amendments and extensions of contracts</u></b>	Increase in contract value above threshold established in the Association Review column of this Table		Prior Review or Prior Review for Consultants, as the case may be.

**Definitions:**

1. “ICB” means the International Competitive Bidding procedure set forth in Section II of the Guidelines and paragraph 5 of Appendix 1 thereto;
2. “IC” means the Individual Consultants selection procedure set forth in paragraphs 5.1 through 5.3 of the Consultant Guidelines;
3. “NCB” means the National Competitive Bidding procedure set forth in paragraphs 3.3 and 3.4 of the Guidelines;
4. “Other Methods of Procurement” means the methods of procurement set forth in Section III of the Guidelines;
5. “Other Methods of Selection” means the methods of selection set forth in Section III of the Consultant Guidelines;
6. “Post Review for Consultants” means the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines, provided, however, that if the Association determines, at any time, that the proposed selection is inconsistent with the provisions of the Consultant Guidelines or this Schedule, it shall promptly inform the Borrower and state the reasons for its determination;
7. “Post Review” means the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines, provided, however, that if the Association determines, at any time, that the proposed procurement is inconsistent with the provisions of the Guidelines or this Schedule, it shall promptly inform the Borrower and state the reasons for its determination;
8. “Prior Review for Consultants” means the procedures set forth in paragraphs 1, 2 and 5 of Appendix 1 to the Consultant Guidelines;
9. “Prior Review” means the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines;
10. “PSW” means the Procurement of Small Works procedure for lump sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully;
11. “QCBS” means the Quality and Cost-based selection procedure set forth in Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the applicable provisions of paragraphs 3.13 through 3.18 thereof;
12. “RFP” means request for proposals;

13. “S(I/N)” means the Shopping (International or National) procedure referred to in paragraphs 3.5 and 3.6 of the Guidelines; and

14. “TORs” means terms of reference.

#### Section VI. Special Provisions

A. In addition to and without limitation on any other provision set forth in this Schedule or the Guidelines, the following rules shall govern all procurement of goods and works under NCB:

1. A merit point system shall not be used in the prequalification of bids.

2. The award of goods and works contracts shall be based exclusively on price and, whenever appropriate, shall also take into account factors similar to those referred to in paragraph 2.51 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.

3. The Borrower shall open all bids at the stipulated time and place in accordance with a procedure satisfactory to the Association.

4. The Borrower shall use a single envelope procedure.

5. Whenever there is a discrepancy between the amounts in figures and in words of a bid, the amounts in words shall govern.

6. Except as the Association shall otherwise agree, the bidding process shall not be declared void if only three (3) bids or less have been submitted unless such bids have been determined to be non-responsive.

7. Any standards and technical specifications (quoted in the bidding documents) which are at least substantially equivalent to the Borrower’s standards and technical specifications shall be acceptable.

8. Foreign bidders shall be allowed to participate.

9. Foreign bidders shall not be required to legalize any documentation related to their bids with the Borrower’s authorities as a prerequisite of bidding.

10. No margin of preference shall be granted for any particular category of bidders.

11. The auction procedure (*Puja Abierta*) shall not be used.

12. 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 bid with the second lowest evaluated price.

13. Foreign bidders shall not, as a condition for submitting bids, be required to enter into a

joint venture agreement with local bidders.

14. No other procurement rules or regulations of SNC shall apply without the prior review and approval of the Association.

B. In addition to and without limitation on any other provisions set forth in this Schedule or the Consultant Guidelines, the following rules shall govern all procurement of consultants' services referred to in this Schedule:

1. As a condition for participating in the selection process, foreign consultants shall not be required to enter into a joint venture agreement with local consultants, unless the conditions stated in paragraph 1.12 of the Consultant Guidelines are met.

2. As a condition for participating in the selection process, foreign consultants shall not be required to legalize their proposals, or any documentation related to such proposals, with Bolivian authorities.

3. Foreign consultants shall not be required to be registered in the Borrower's National Registry of Consultants (*Registro Nacional de Consultoría*).

