

CONFORMED COPY

CREDIT NUMBER 1818 BO

(Power Sector Rehabilitation Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 31, 1987

CREDIT NUMBER 1818 BO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 31, 1987, 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, has requested the Association to assist in the financing of the Project;

(B) the Project will be carried out by EMPRESA NACIONAL DE ELECTRICIDAD, S.A. (ENDE) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ENDE the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement, of even date herewith, between the Association and ENDE;

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, (the General Conditions), with the last sentence of Section 3.02 deleted, 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) "Project Agreement" means the agreement between the Association and ENDE 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 Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ENDE pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(c) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(d) "ENDE" means Empresa Nacional de Electricidad, S.A. a public utility wholly owned, by the Borrower and established by Decreto Supremo No. 05999 of February 9, 1962, Decreto Supremo No. 06792 of June 9, 1964, Decreto Supremo No. 07591 of April 10, 1966, and Resolucion Suprema No. 127462 of February 4, 1965, of the Borrower;

(e) "Project Unit" means the unit to be established pursuant to Section 2.10 of the Project Agreement; and "Project Manager" means the individual appointed by ENDE to head the Project Unit;

(f) "DINE" means Direccion Nacional de Electricidad, a department of the Ministry of Energy and Hydrocarbons of the Borrower;

(g) "COBEE-BPC" means the Compania Boliviana de Energia Electrica, S. A. - Bolivian Power Company, a privately owned corporation, engaged in the generation and distribution of power in the cities of La Paz and Oruro;

(h) "Electricity Code" means Codigo de Electricidad, Decreto Supremo No. 8438 of July 31, 1968, as the same may be revised or amended from time to time by the Borrower;

(i) "Decreto Supremo No. 21527" means the Supreme Decree of February 26, 1987 of the Borrower, establishing inter alia, a system of tariff and rate adjustments for the provision of power to Distribution Companies (as hereinafter defined);

(j) "Distribution Companies" means companies, privately or publicly owned, engaged in distribution of power to consumers in Bolivia;

(k) "Power Expansion Master Plan" means the national plan for power expansion to be developed by ENDE pursuant to Section 2.08 of the Project Agreement;

(l) "Management Information System" means the integrated system for retaining and utilizing information required to manage ENDE, to be developed pursuant to Section 2.09 of the Project Agreement;

(m) "Energy Assessment" means the assessment of the energy sector in the territory of the Borrower, including analysis of energy resources, tariffs and pricing, which is being carried out pursuant to United Nations Development Programme (UNDP) Project Document 86/025 BO;

(n) "Asset Revaluation Study" means the study to be carried out by ENDE pursuant to Section 2.07 of the Project Agreement; and

(o) "national currency" 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 the Development Credit Agreement, an amount in

various currencies equivalent to five million three hundred thousand Special Drawing Rights (SDR 5,300,000).

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 and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a Special Account in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994, 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 (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 March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing September 1, 1997, and ending March 1, 2037. Each installment to and including the installment payable on March 1, 2007, shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter shall be one and one-half percent (1-1/2%) of such principal amount.

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 Central Bank of Bolivia 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause ENDE to perform in accordance with the provisions of the Project Agreement all the obligations of ENDE therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ENDE 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 make the proceeds of the Credit available to ENDE under a Subsidiary Loan Agreement to be entered into between the Borrower and ENDE, under terms and conditions which shall have been approved by the Association and

which shall include the terms and conditions set forth in Schedule 4 to this Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such 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 change or fail to enforce any provision of the Subsidiary Loan Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. 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 respectively to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of the Project shall be carried out by ENDE pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial and Other 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 the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) above, including 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 four months after the end of each such 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 proceeds of the Credit withdrawn in respect of such expenditures, were used for the purposes for which they were provided, and whether 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. The Borrower shall take all measures necessary to:

(a) place into legal effect, the provisions of the Electricity Code which have given DINE the responsibility, authority and resources required to regulate the power sector in the territory of the Borrower, including establishing electricity tariffs and rates for ENDE and the Distribution Companies and carrying out the actions set forth in paragraphs (b), (c) and (d) of this Section;

(b) cause DINE to carry out, by not later than October 31, of each year, beginning on October 31, 1988 through completion of the Project, an annual analysis of the investment programs of ENDE and of the Distribution Companies;

(c) cause DINE to prepare and carry out tariff studies in conjunction with ENDE and the Distribution Companies;

(d) cause DINE to review compliance by ENDE and the Distribution Companies with the fiscal provisions of the Electricity Code, including, without limitation, such provisions relating to tariffs, rates and quality of service; and

(e) cause, without limitation to the reporting requirements of Section 9.06 of the General Conditions and of this and the Project Agreement, DINE to furnish to the Association, semiannual reports on the progress of carrying out paragraphs (b),

(c) and (d) of this Section, beginning on December 31, 1988 and every June 30 and December 31 thereafter, through completion of the Project.

Section 4.03. The Borrower shall: (a) by not later than October 31, 1987, furnish the results of the Energy Assessment to the Association for its review and comment; (b) taking into consideration the results of the Energy Assessment, the Asset Revaluation Study, the comments of the Association thereon and the final Power Expansion Master Plan, propose, by not later than October 31, 1988, a plan of action, acceptable to the Association, to improve the structure and level of rates of ENDE and the Distribution Companies, including a timetable for implementation of such plan (hereinafter referred to as "Tariff Plan"); and (c) implement such Tariff Plan thereafter in accordance with the agreed timetable.

Section 4.04. (a) The Borrower shall take all measures necessary to ensure that the system set forth in Decreto Supremo No. 21527, of rate increases for electricity provided by ENDE is implemented in accordance with its terms until such time as the Borrower shall begin implementation of the Tariff Plan.

(b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower shall cause DINE to issue a resolution, regarding rates for electricity provided by ENDE, in accordance with the provision of Decreto Supremo No. 21527, which shall be effective until such time as the Borrower shall begin implementation of the Tariff Plan.

(c) Except as the Association shall otherwise agree, the Borrower shall not amend the provisions of the Electricity Code.

Section 4.05. The Borrower shall ensure that:

(a) the provisions of Decreto Supremo No. 21007 of August 1, 1985 (providing procedures for procurement of goods, works and consultants' services by ENDE) shall continue in effect through completion of the Project; and

(b) ENDE maintains a level of responsibility and authority, satisfactory to the Association, to develop and manage its operational budget.

Section 4.06. The Borrower shall take all measures necessary to: (a) establish that ENDE shall have the responsibility and authority to plan the expansion of the national generation and transmission system, based on the energy policies of the Borrower; and (b) enable ENDE to carry out the provisions of Section 2.11 of the Project Agreement.

Section 4.07. The Borrower shall: (a) furnish to the Association, on a quarterly basis, beginning, in January, 1988, a report of such scope and in such detail as the Association shall reasonably request, on the progress of negotiations with COBEE-BPC regarding the contract for generating and distributing electricity in the cities of La Paz and Oruro (hereinafter called the "COBEE-BPC Contract"); and (b) by not later than December 31, 1988, furnish to the Association, a plan of action, acceptable to the Association, with respect to the provision of power in such cities after the expiration, of the COBEE-BPC Contract.

Section 4.08. The Borrower shall, through DINE: (a) review and comment upon the Asset Revaluation Study carried out by ENDE pursuant to Section 2.07 of the Project Agreement; (b) assist ENDE in applying the methodology referred to in Section 2.07 (d) of the Project Agreement in the revaluation of ENDE's assets.

Section 4.09. The Borrower shall: (a) by December 31, 1987, furnish to the Association a plan of action, acceptable to the Association, for the transfer of ENDE shares previously owned by CBF; and (b) ensure that such plan of action maintains a level of autonomy, acceptable to the Association, with respect to the operation of ENDE.

Section 4.10. The Borrower shall: (a) approve by not later than September 30, 1988, a final Power Expansion Master Plan, acceptable to the Association, prepared by ENDE pursuant to Section 2.08 of the Project Agreement and the comments of the Association; and (b) except as otherwise agreed with the Association, ensure that all investment in the power sector shall be made in accordance with the final Power Expansion Master Plan, as the same may be revised from time to time in a manner acceptable to the Association.

Section 4.11. The Borrower shall, through DINE, and by November 30 of each year, take all measures, including without limitation, the authorization of changes in

tariffs and rates, necessary to ensure compliance with the rate of return requirements for ENDE set forth in Section 4.02 of the Project Agreement.

ARTICLE V

Remedies of the Association

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

(a) ENDE shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that ENDE will be able to perform its obligations under the Project Agreement.

(c) Decretos Supremos Nos. 05999, 06792, or 07591 or Resolucion Suprema No. 127462 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations of ENDE and its ability to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ENDE or for the suspension of its operations.

(e) The Borrower, DINE, or any other authority having jurisdiction, shall have changed the provisions of Decreto Supremo No. 21527 or the resolution referred to in paragraph (b) of Section 4.04 of this Agreement without the prior agreement of the Association.

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

(a) the events specified in paragraphs (a) and (e) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the Subsidiary Loan Agreement referred to in Section 3.01 (b) of this Agreement shall have been executed on behalf of the Borrower and ENDE;

(b) all measures necessary to carry out Sections 4.02 (a) and 4.06 (a) of this Agreement have been taken by the Borrower;

(c) the Borrower shall have caused DINE to issue the resolution referred to in Section 4.04 (b);

(d) ENDE shall have appointed the Project Manager and established the Project Unit referred to in Section 2.10 of the Project Agreement, both acceptable to the Association; and

(e) ENDE shall have passed the resolution referred to in Section 2.11 of the Project Agreement.

Section 6.02. 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 Project Agreement has been duly executed and authorized or ratified by ENDE, and is legally binding upon ENDE in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly executed and authorized or ratified by the Borrower and ENDE and is legally binding upon the Borrower and ENDE in accordance with its terms.

Section 6.03. The date October 29, 1987 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Articles III and IV of this Agreement, and the provisions of paragraphs (a) and (b) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

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:

Minister of Finance
Ministerio de Finanzas
La Paz
Bolivia

Cable address:

MINFINANZAS
La Paz, Bolivia

Telex:

BX 5332

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/ Fernando Illanes

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. Shahid Husain

Regional Vice President

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
(1) Civil Works	860,000	100% of foreign expenditures and 90% of local expenditures
(2) Spare parts	780,000	100% of foreign expenditures and 90% of local expenditures (ex-factory cost)
(3) Substation and transmission line equipment and material	2,470,000	100% of foreign expenditures and 90% of local expenditure (ex-factory cost)
(4) Consultants' services	895,000	100% of foreign expenditures
(5) Unallocated	295,000	
TOTAL	5,300,000	

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 160,000, may be made in respect of spare parts under Category (2) on account of payments made for expenditures before that date but after January 1, 1987; and

(b) expenditures for goods procured under contracts costing less than \$5,000 equivalent.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) improve and expand power services in Bolivia; and (ii) improve the operational efficiency, generation capacity and transmission system of ENDE.

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: Power Generation Facilities Maintenance

Acquisition and utilization of spare parts and equipment for purposes of maintaining ENDE's generation units and appertinent facilities.

Part B: Substation Adaptation and Sub-transmission System Improvements

1. Construction of the Alalay substation (Cochabamba).
2. Construction of the Urbana Sur substation (Santa Cruz).
3. Modification and addition of transformers in the Potosi and Telemayu substations in order to change voltage of transmission lines.
4. Addition of a transformer in the Montero substation (Santa Cruz) in order to increase transmission capacity.
5. Construction of a subtransmission line between Huaracachi and S/E Sur in order to close the Santa Cruz subtransmission loop.

Part C: Technical Assistance

1. Engineering consultants' services to assist in:
 - (a) preparation of technical specifications for the procurement of equipment under the Project, cost estimates and bid evaluation;
 - (b) preparation of the Power Expansion Master Plan; and
 - (c) the carrying out of distribution studies.
2. Management consultants' services to assist in:
 - (a) development and implementation of a methodology for revaluation of fixed assets, investments and inventories of ENDE;
 - (b) development and implementation of an Integrated Management Information System, including systems for accounting, financial management, inventory control, construction and maintenance; and
 - (c) acquisition, utilization and adaption of appropriate computer hardware and software for the Integrated Management Information System.

* * * * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:
 - (a) the term "Eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term "Authorized Allocation" means an amount equivalent to five hundred thousand dollars (\$500,000) to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special

Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for Eligible Expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such and other evidence as the Association shall reasonably request, showing that such payment was made for Eligible Expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to the Eligible Categories, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account and immediate cancellation.

SCHEDULE 4

Terms and conditions of Subsidiary Loan Agreement

The terms and conditions of the Subsidiary Loan Agreement shall include, inter alia, provisions that:

- (i) such credit received by ENDE shall be denominated in dollars and repaid in national currency, the rate of exchange to be determined as of the date each repayment is made, such repayments to be made at least semiannually;
 - (ii) ENDE shall pay to the Borrower a commitment charge at the rate of three-quarters of one percent (3/4 of 1%) per annum on the principal amount of the Subsidiary Loan not withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by ENDE from the Subsidiary Loan or shall be cancelled. The commitment charge shall be payable semiannually and shall be payable in national currency, the rate of exchange between the dollar and national currency to be determined as of the date such payment is made;
 - (iii) such credit shall bear a fixed interest rate of eight and one-half percent (8.5%) per annum on the principal amount withdrawn and outstanding from time to time, or such other rate and on such other terms as shall be acceptable to the Association;
 - (iv) such credit shall be repaid over a period of twenty (20) years, including a grace period of up to four (4) years; and
 - (v) the Borrower shall have the right to:
 - (a) inspect, by itself, or jointly with representatives of the Borrower and the Association, if the Association shall so request, the goods and works and services so financed, and any relevant records and documents;
 - (b) obtain all such information as the Association or the Borrower shall reasonably request regarding the foregoing administration, operations and financial condition of ENDE and the benefits to be derived from the goods and services financed under the Subsidiary Loan Agreement; and
 - (c) suspend or terminate the right of the ENDE to use the proceeds of the Credit upon failure by ENDE to perform its obligations under the Subsidiary Loan Agreement; and
 - (vi) the Borrower shall cause the Central Bank of Bolivia to take all measures necessary to facilitate the prompt processing and payment from the Special Account and the Credit Account, of expenditures to be financed out of the proceeds of the Credit.
- 