

CONFORMED COPY

CREDIT NUMBER 1882 BO

(Second Emergency Social Fund Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 4, 1988

CREDIT NUMBER 1882 BO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 4, 1988, between the REPUBLIC OF BOLIVIA (the Borrower) and the 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; and

(B) the Borrower intends to obtain from bilateral and multilateral aid and development organizations (hereinafter "Additional Financiers") loans and grants (hereinafter "Additional Funding") to assist in expanding the activities of the Emergency Social Fund (as hereinafter defined) on the terms and conditions to be set forth in agreements to be entered into between the Borrower and each of the Additional Financiers;

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 (the General Conditions), constitute an integral part of this Agreement, with the modification that the last sentence of Section 3.02 is deleted.

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) "ESF" or "Emergency Social Fund" means the Emergency Social Fund (Fondo Social de Emergencia) established by the President of the Republic of Bolivia as a public entity with full juridical personality, by Chapter I of Decreto Supremo No. 21137 of November 30, 1985 and revised by Decreto Supremo No. 21456 of November 28, 1986 of the Borrower;

(b) "Subsidiary Contractual Arrangements" means the contractual arrangements to be entered into between the Borrower and ESF 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 such contractual arrangements;

(c) "SA Subproject" means a social assistance subproject, including, inter alia, training, health, educational support, nutrition, food supplement, and vaccination subprojects for Beneficiaries, to be financed in part out of the proceeds of the Credit;

(d) "SI Subproject" means a social infrastructure subproject, including, inter alia, drinking water, sewerage, school construction and repair, health post construction, housing, and cultural subprojects for Beneficiaries, to be financed in part out of the proceeds of the Credit;

(e) "EI Subproject" means an economic infrastructure subproject, including, inter alia, rural roads maintenance and drainage, street paving, urban improvement, erosion control, reforestation, irrigation and drainage, and other construction subprojects for Beneficiaries to be financed in part out of the proceeds of the Credit;

(f) "SP Subproject" means a production activity subproject, including, inter alia, working capital credit, small manufacturing subprojects, and cooperative subprojects for Beneficiaries, to be financed in part out of the proceeds of the Credit;

(g) "Subprojects" means collectively, EI Subprojects, SP Subprojects, SI Subprojects and SA Subprojects; "Subproject" means any one of such Subprojects;

(h) "Beneficiaries" means residents of Bolivia adversely affected by the economic conditions prevailing since 1980 or by the economic stabilization measures taken by the Borrower, including, inter alia, unemployed persons from both the private and public sector, their families, and those persons with critical nutritional or health needs; "Beneficiary" means any one of such Beneficiaries;

(i) "Implementing Entities" means any of the governmental and non-governmental entities which propose to carry out or are carrying out, a Subproject; "Implementing Entity" means any one of such Implementing Entities;

(j) "Supervising Entities" means any of the governmental and non-governmental entities which propose to supervise, or are supervising, the carrying out of Subprojects; "Supervising Entity" means any one of such Supervising Entities;

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

(l) "ESF Procedure Guide" means the guide (Guia de Procedimiento) issued by ESF for processing and monitoring Subprojects provided by the Borrower to the Association in December, 1987;

(m) "ESF Appraisal Manual" means the manual (Guia del Evaluador) issued by the ESF, setting forth criteria for evaluating and approving funding for Subprojects

provided by the Borrower to the Association in December 1987;

(n) "MINPLAN" means the Ministry of Planning and Coordination (Ministerio de Planeamiento y Coordinación) of the Borrower;

(o) "Interagency Committee" means the committee which was established pursuant to Section 3.04 (a) of the First ESF Credit Agreement;

(p) "Organizational Chart" means the chart detailing key management personnel positions for ESF provided by the Borrower to the Association on December 16, 1987;

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

(r) "First ESF Credit Agreement" means the Development Credit Agreement, dated July 31, 1987, between the Borrower and the Association, with respect to the first Emergency Social Fund Project (Credit No. BO-1829).

## 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 nineteen million Special Drawing Rights (SDR 19,000,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in a commercial bank 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 5 to this Agreement.

Section 2.03. The Closing Date shall be November 30, 1990 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 April 15 and October 15 in each year.

Section 2.07. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.08. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15 commencing April 15, 1998 and ending October 15, 2027. Each installment to and including the installment payable on October 15, 2007 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and to this end, shall carry out the Project through ESF, with due diligence and efficiency and in conformity with appropriate financial, administrative and managerial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall enter into subsidiary contractual arrangements, satisfactory to the Association, with ESF providing, inter alia, for:

(i) the transfer of the proceeds of the Credit on a grant basis to ESF for purposes of carrying out the Project; and

(ii) the obligation of ESF to carry out the Project in accordance with the terms and conditions set forth in this Agreement, including, without limitation, carrying out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Contractual Arrangements 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, assign, amend, abrogate or waive such Subsidiary Contractual Arrangements or any provision thereof.

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 3 to this Agreement.

Section 3.03. The Borrower shall cause ESF, until Project completion:

(a) to keep all of the key personnel positions detailed on the Organizational Chart, including those at the Director through the Executive Director level, filled with employees possessing experience and qualifications acceptable to the Association, and to consult with the Association with respect to replacement of any such key personnel prior to any such replacement; and

(b) to employ any fixed-term staff financed in whole or in part out of the proceeds of the Credit with persons having qualifications and experience, and on terms and conditions of employment, satisfactory to the Association.

Section 3.04. The Borrower shall:

(a) maintain the Interagency Committee until completion of the Project;

(b) cause the Interagency Committee to monitor or supervise the monitoring of

the socio-economic effects of Subprojects; and

(c) cause ESF and the Interagency Committee to carry out, with the assistance of MINPLAN, the study referred to in Part B.2 (i) of Schedule 2 of the First ESF Credit Agreement under terms of reference satisfactory to the Association, and furnish the results of such study, by March 31, 1988, to the Association for its review and comment.

Section 3.05. (a) Without any limitation to or restriction upon its other reporting requirements under the General Conditions and this Agreement, the Borrower shall, and shall cause ESF:

(i) to exchange views with the Association, at all such times as the Association shall reasonably request, but in any event on or about November 30, 1988, with regard to the progress of the Project and Sub-projects, the management of the operations of ESF, the performance of personnel, including key personnel, of ESF, the performance by ESF of its obligations under the Subsidiary Contractual Arrangements, and the performance by ESF, Implementing Entities and Supervising Entities of their respective obligations under Subproject Agreements, and other matters relating to the purposes of the Credit; and

(ii) to exchange views with the Association, at all such times as the Association shall reasonably request, but in any event on or about May 30, 1988, and at six-month intervals thereafter until Project completion, with regard to the procurement practices and procedures being followed by ESF, Implementing Entities or sponsors of Subprojects in connection with awarding contracts.

(b) The Borrower shall, and shall cause ESF, based upon recommendations made by the Association following any of the exchanges of views referred to in the preceding subparagraph (a), within ninety days after receiving such recommendations, either to revise and update the Project and its implementation in a manner satisfactory to the Association or to reach agreement with the Association on a plan of action for such revising and updating. The matters to be included in such revising and updating, shall include, as appropriate, the allocation of resources, the granting of further commitments, the management of ESF's operations, the staffing, including key personnel, of ESF, the procedures for approving Subprojects, the implementation of Subprojects, the supervision and monitoring of Subprojects, Implementing Entities and Supervising Entities, the procurement practices of ESF, Implementing Entities and sponsors of Subprojects, and other matters related to the Project.

Section 3.06. Without limitation to or restriction upon its other reporting requirements under the General Conditions and this Agreement, the Borrower shall and shall cause ESF to:

(a) promptly inform the Association of any condition which interferes, or threatens to interfere, with the progress of the Project and Subprojects, the accomplishment of the purposes of the Credit, or the performance of ESF of its obligations under the Subsidiary Contractual Arrangements, or the performance of ESF, Implementing Entities and Supervising Entities under Subproject Agreements;

(b) provide by July 1, 1988 and thereafter by the first day of each October, January, April and July, reports of such scope and in such detail as the Association shall reasonably request, on the progress of obtaining Additional Funding, other sources of funds, the application of funds and the progress of implementing the Project and Subprojects; and

(c) provide by March 31, 1990, a report, of such scope and in such detail as the Association shall reasonably request, on the operations of ESF during the 1988 and 1989 calendar years.

Section 3.07. (a) The Association and the Borrower agree that: (i) the Borrower shall cause ESF to request approval of, or authorization for withdrawal of the proceeds of the Credit with respect to, Subprojects in a prompt, timely and expeditious manner; and (ii) the Association shall promptly review and respond to such requests referred to in subparagraph (i) of this Section within a reasonable period of time.

(b) Any Subproject (i) whose cost does not exceed the equivalent of \$250,000; (ii) which was approved by the Association in accordance with the First ESF Credit

Agreement; and (iii) which was approved by ESF after January 1, 1988, shall be deemed approved by the Association for purposes of this Agreement.

Section 3.08. (a) The Borrower shall cause ESF, the Interagency Committee, or any other appropriate agency or department of the Borrower, no later than July 31, 1988, to furnish to the Association a report, in form and substance satisfactory to the Association: (i) describing arrangements made or to be made among ESF, appropriate ministries and other agencies or entities of the Borrower, and appropriate non-governmental organizations, if any, for the purpose of having such ministries, agencies, entities and organizations, as the case may be, assume responsibility for the various activities and functions of ESF; (ii) defining options for retaining as an organized unit selected functions or personnel of ESF that are considered of special value to the Borrower's economy and are not readily replaced; and (iii) make recommendations to the Interagency Committee.

(b) The Borrower shall cause ESF, the Interagency Committee, or any other appropriate agency or department of the Borrower, no later than March 31, 1988, to furnish to the Association, for its review and comment, an outline of or terms of reference for the report referred to in the immediately preceding subparagraph (a), such outline or terms of reference to be satisfactory to the Association, and shall exchange views with the Association on such outline or terms of reference.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall, or shall cause ESF, to maintain separate records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of ESF and the operation, resources and expenditures in respect of the Project and each Subproject.

(b) The Borrower shall, or shall cause ESF, to:

(i) have the records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) of ESF, including 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 four months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall, or shall cause ESF, to:

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

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

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls

involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Other Covenants

Section 5.01. The Borrower shall cause ESF:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative, financial and managerial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

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

#### ARTICLE VI

##### Remedies of the Association

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

(a) as a result of events which have occurred after the date of this Agreement, a situation shall have arisen which shall make it improbable that ESF will be able to perform its obligations under the Subsidiary Contractual Arrangements or under Subproject Agreements;

(b) Decreto Supremo No. 21456 of November 28, 1986 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ESF to perform any of its obligations under the Subsidiary Contractual Arrangements or under Subproject Agreements;

(c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ESF, or for the suspension of its operations, other than in accordance with the provisions for closing the operations of ESF set forth in the Decreto Supremo referred to in paragraph (b) of this Section; or

(d) the Borrower or ESF shall have failed to revise and update the Project or reach agreement with the Association on a plan of action to that effect, pursuant to Section 3.05 (b) of this Agreement.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified: (i) any event specified in paragraph (b) or (d) of Section 6.01 of this Agreement shall occur and continue for a period of sixty days; and (ii) any event specified in paragraph (c) of Section 6.01 of this Agreement shall occur.

#### ARTICLE VII

##### Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) that the Subsidiary Contractual Arrangements have been entered into between the Borrower and ESF;

(b) that ESF has revised and updated in a manner satisfactory to the Association, the ESF Appraisal Manual, so as to include, among other things, separate provisions for Subprojects in the areas of infrastructure and construction, production, and social assistance; and

(c) that ESF has employed or retained as a consultant a costing expert for the purpose of improving and refining its standard prices.

Section 7.02. The following is specified as an additional matter, 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, namely, that the Subsidiary Contractual Arrangements have been duly authorized or ratified by, and are legally binding upon ESF and the Borrower in accordance with their terms.

Section 7.03. The date of June 2, 1988 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.04. The obligations of the Borrower under Articles III, IV and V of this Agreement and the provisions of Section 6.02 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 VIII

##### Representative of the Borrower; Addresses

Section 8.01. 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 8.02. 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  
Calle Bolivar No. 582  
La Paz, Bolivia

Cable address:

MINFIN  
La Paz, Bolivia

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)

With a copy to:

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

Telex:

3528 FSETEL-BV

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, month and year first above written.



REPUBLIC OF BOLIVIA

By /s/ Luis Paz

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. Shahid Husain

Regional Vice President  
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) SA Subprojects under Part A.1 of the Project	1,630,000	80% of amounts disbursed by ESF for each Sub- project
(2) SI Subprojects under Part A.2 of the Project	5,850,000	80% of amounts disbursed by ESF for each Sub- project
(3) EI Subprojects under Part A.3 of the Project	7,310,000	80% of amounts disbursed by ESF for each Sub- project
(4) SP Subprojects under Part A.4 of the Project	1,460,000	80% of amounts disbursed by ESF for each Sub- project
(5) Institutional support, includ- ing consultants' services, equipment and salaries, travel costs and training for fixed term staff, under Part B of the Project	850,000	100%
(6) Unallocated	1,900,000	
TOTAL	SDR19,000,000	

2. Notwithstanding the provisions of paragraph 1 above and unless otherwise agreed by the Association, 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

1,900,000, may be made on account of payments made for expenditures before that date but after January 1, 1988;

(b) expenditures for any Subproject for which the estimated financing to be provided by ESF is the equivalent of \$50,000 or more, and less than the equivalent of \$250,000, unless the Association shall have received the information set forth in the Appendix to Schedule 4 in respect of such Subproject and shall have authorized withdrawal from the Credit Account in respect of such Subproject; and

(c) expenditures for a Subproject for which the estimated financing to be provided by ESF is the equivalent of \$250,000 or more, unless the Subproject has been approved by the Association prior to signing the relevant Subproject Agreement and the Association shall have received the information set forth in the Appendix to Schedule 4 in respect of such Subproject.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in: (i) carrying out a program of employment generation and social assistance in order to meet the needs of those persons adversely affected by economic recession and economic adjustment and stabilization measures; (ii) strengthening the management, operations and implementation capacity of ESF; (iii) mobilizing other donors to assist in the financing of the foregoing objectives; and (iv) assisting the Borrower in reforming its education and health sectors.

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: Subprojects

##### 1. SA Subprojects

Financing and carrying out of social assistance subprojects, including, inter alia, training, health, educational support, nutrition, food supplement, and vaccination subprojects to benefit unemployed, displaced and low-income persons residing in Bolivia.

##### 2. SI Subprojects

Financing and carrying out of social infrastructure subprojects, including, inter alia, drinking water, sewerage, school construction and repair, health post construction, housing, and cultural subprojects to benefit unemployed, displaced and low-income persons residing in Bolivia.

##### 3. EI Subprojects

Financing and carrying out of economic infrastructure subprojects, including, inter alia, rural roads maintenance and drainage, street paving, urban improvement, erosion control, reforestation, irrigation and drainage, and other construction subprojects to benefit unemployed, displaced and low-income persons residing in Bolivia.

##### 4. SP Subprojects

Financing and carrying out of production activity subprojects, including, inter alia, working capital credit, small manufacturing, and cooperative production subprojects to benefit unemployed, displaced and low-income persons residing in Bolivia.

#### Part B: Institutional Support

1. Provision of technical assistance to ESF and Implementing Entities for purposes of identifying, preparing, appraising, monitoring and implementing Subprojects.

2. Employment and maintenance, including travel and training, by ESF of fixed-term staff.

3. Acquisition, utilization and maintenance by ESF of office equipment, including computers.

\* \* \*

The Project is expected to be completed by May 31, 1990.

### SCHEDULE 3

#### Procurement and Consultants' Services

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

###### Part A: Local Competitive Bidding

1. Items or groups of items to be procured under Part A of the Project, including civil works and goods, estimated to cost the equivalent of \$250,000 or more per contract and with respect to which competitive bidding is feasible, shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, to suppliers selected by the sponsor of a Subproject and eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the International Bank for Reconstruction and Development in May 1985 (the Guidelines), in accordance with procedures acceptable to the Association.

2. To the extent practicable within each Subproject, contracts for civil works or for goods shall be grouped in packages for purposes of soliciting bids.

3. The amount of \$250,000 referred to in the above paragraph 1 of this Section I, Part A, may be adjusted by the Association by notice to the Borrower, within sixty days of any of the exchanges of views referred to in Section 3.05 (a) of this Agreement.

4. Except as provided below in Part C, entitled "Local Shopping", goods to be procured under Part B of the Project, shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, to suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

###### Part B: Direct Contracting

1. Items or groups of items to be procured under Part A of the Project, including civil works and goods, estimated to cost less than the equivalent of \$250,000 per contract, shall be procured by direct contracting, on the basis of the standard prices established by ESF and approved by the Association, from suppliers eligible under the Guidelines and, at the option of the Implementing Entity of a Subproject, either nominated by such Implementing Entity or selected by such Implementing Entity on the basis of local competitive bidding.

2. Except as the Association shall otherwise agree, no contractor shall be awarded any contract pursuant to this Part B, if the amount of such contract, when added to the aggregate amount of all prior contracts financed by the Association and awarded pursuant to ESF's standard price procedure directly or indirectly to such contractor, would exceed the equivalent of \$500,000.

###### Part C: Local Shopping

Goods to be procured under Part B of the Project, up to the equivalent of \$20,000 per contract and not exceeding the equivalent of \$50,000 in the aggregate, shall be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines in accordance with procedures acceptable to the Association. To the extent practicable, contracts for goods shall be grouped in packages for purposes of soliciting price quotations.

###### Part D: Review by the Association of Procurement Decisions

###### 1. Review of awards and final contracts:

(a) With respect to each contract for civil works and goods estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(b) The provisions of the preceding subparagraph (a) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be

retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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

## Section II. Employment of Consultants

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

### SCHEDULE 4

#### Implementation Program

##### I. ESF Operating Procedures

1. Proposals for Subprojects may be initiated or sponsored by governmental and non-governmental entities, community and other groups. Proposals for Subprojects shall identify the type of Subproject, describe the works or goods to be financed, and identify the Implementing Entity, Supervising Entity and Beneficiaries.

2. ESF shall process the proposals for Subprojects received in accordance with the ESF Procedure Guide. The ESF Procedure Guide shall be modified from time to time, on a basis and in a manner acceptable to the Association, and taking into consideration the results of the study referred to in Part B.2 of Schedule 2 of the First ESF Credit Agreement.

3. ESF shall:

- (i) identify and promote the development of Sub-projects;
- (ii) screen and appraise Subprojects;
- (iii) identify additional sources of funds and obtain Additional Funding to expand the number of Sub-projects financed by ESF; and
- (iv) contract for and monitor the implementation of Subprojects.

4. ESF shall evaluate Subprojects in accordance with the ESF Appraisal Manual. The ESF Appraisal Manual shall be modified from time to time on a basis and in a manner acceptable to the Association.

5. ESF shall estimate the value of each Subproject, such estimated value to be reasonable and acceptable to the Association.

6. ESF shall approve each Subproject on the basis of criteria acceptable to the Association and shall submit to the Association:

- (i) each Subproject for which the estimated financing to be provided by ESF is the equivalent of \$250,000 or more, for review and approval by the Association, prior to entering into the relevant Sub-project Agreement for such Subproject; and
- (ii) each Subproject for which the estimated financing to be provided by ESF is the equivalent of \$50,000 or more but less than the equivalent of \$250,000, for review, and authorization by the Association to withdraw funds from the Credit Account with respect to such Subproject; provided, however, that this subparagraph (ii) shall not apply in respect of any Subproject approved by the Association pursuant to the First ESF Credit Agreement.

The information that shall be provided to the Association with respect to each Subproject shall be acceptable to the Association and shall include at least the information set forth in the Appendix to this Schedule.

7. Subprojects shall be carried out pursuant to written agreements between ESF, the Implementing Entity, Supervising Entity and other relevant parties, under terms and

conditions satisfactory to the Association, including inter alia, providing for the following obligations and rights:

- (i) the obligation to carry out the Subproject with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;
- (ii) the requirement that: (A) the goods and services to be financed from the proceeds of the Credit shall be procured in accordance with Schedule 3 of this Agreement; and (B) such goods and services shall be used exclusively in the carrying out of the Sub-project;
- (iii) the right of ESF to inspect, by itself, or jointly with representatives of the Association, if the Association shall so request, such goods and the sites, works, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;
- (iv) the right of ESF to obtain all such information as ESF or the Association shall reasonably request regarding the foregoing, the administration, operations and financial condition of the Subproject and the benefits to be derived from the Subproject;
- (v) the right of ESF to suspend or terminate the right of the Implementing Entity and Supervising Entity to use the proceeds of the Credit for the Sub-project upon failure by any such Entity to perform any of its respective obligations under its Sub-project Agreement with ESF; and
- (vi) the obligation of the Implementing Entity and Supervising Entity to report on the progress of implementing the Subproject.

## II. Terms and Conditions of Subprojects

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

- (i) financing may be on a grant or loan basis;
- (ii) financing out of the proceeds of the Credit shall not exceed 80% of the actual disbursements of ESF for each Subproject; and
- (iii) a mobilization advance of 20% of the estimated value of the Subproject may be paid upon signing of the Subproject Agreement. Subsequent payments thereafter may be made on the basis of a percentage, acceptable to the Association, of works completed or goods procured, and shall be evidenced by written documentation thereof. A retention of 10% of the estimated value of the Subproject may be paid upon Completion of the Subproject, as evidenced by a certificate of completion, acceptable to the Association.

2. SEI Subprojects under Categories 31, 33, 34, 35, 41, 42, 43, 51, 61, 62, 63, 64 and 65 as set forth in the ESF Appraisal Manual and which have an estimated value of the equivalent of \$100,000 or more, shall be eligible for financing out of the proceeds of the Credit only if an economic rate of return of at least 12% can be demonstrated, calculated on a basis and using criteria acceptable to the Association.

#### APPENDIX TO SCHEDULE 4

##### Key Indicators for Subproject Review by the Association

Type of Project:

Total Estimated Value of Subproject:

Total ESF Contribution to Subproject:

Region:

Location of Project:

Target Population:

Description of Project:

Duration of Project:

Requesting Agency:

Implementing Entity:

Supervising Entity:

Summary of costs:

Number of man-months of employment generated:

Total cost per man-month:

Economic rate of return (if relevant):

Other benefit indicators:

(for example, number of beneficiaries, qualitative description, kilometers of road, traffic density, number of hectares irrigated, medical services provided, quantity of potable water provided, etc.)

Cost recovery provision:

Procurement method:

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) 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 \$8,000,000 to be withdrawn from the Credit Account and deposited in 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 in 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 documents 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 to the Association, 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.

