

CONFORMED COPY

CREDIT NUMBER 1977-BO

Development Credit Agreement

(Economic Management Strengthening Operation)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 4, 1989

CREDIT NUMBER 1977-BO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 4, 1989, between THE 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 Borrower intends to obtain from The Inter-American Development Bank (IDB) a grant (the IDB Grant) in an amount equivalent to seven hundred and seventy-five thousand dollars (\$775,000) to assist in financing Part A.2 of the Project on the terms and conditions set forth in an agreement (the IDB Grant Agreement) to be entered into between the Borrower and IDB;

(C) the Borrower intends to obtain from the Government of the Swiss Confederation (Switzerland) a non-reimbursable contribution in an amount of four million Swiss Francs (SwF 4,000,000) (the Swiss Contribution) to assist in financing Parts A.1, B and C of the Project on the terms and conditions set forth in an agreement (the Swiss Contribution Agreement) to be entered into between the Borrower and Switzerland;

(D) Switzerland has appointed the Association to administer the Swiss Contribution in accordance with the provisions of a Procedural Arrangement dated April 9, 1987 (the Arrangement) between Switzerland and the Association, and the Association has accepted such appointment;

(E) the Borrower intends to pursue the possibility of obtaining from the Government of Italy (Italy) an amount to be determined on the terms and conditions to be set forth in an agreement to be entered into between the Borrower and Italy; 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 agreed as follows:

## ARTICLE I

### General Conditions; Definitions

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

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

(a) "Swiss Contribution Accounts" means the account established by Switzerland for the purposes of the Swiss Contribution;

(b) "Project Preparation Advance" means the advance granted by the Association to the Borrower pursuant to an exchange of letters dated February 12, 1988 and May 5, 1988 between the Borrower and the Association;

(c) "MPC" means Ministerio de Planeamiento y Coordinacion, the Borrower's Ministry of Planning and Coordination;

(d) "MF" means Ministerio de Finanzas, the Borrower's Ministry of Finance;

(e) "PSM Program" means the Public Sector Management Strengthening Program, a program to be established under the direction of the Borrower in accordance with paragraph (c) of Section 3.04 of this Agreement, and "PSM Secretariat" means the secretariat to be established under Part C.2 of the Project to administer such program;

(f) "INE" means Instituto Nacional de Estadisticas, the Borrower's National Institute of Statistics;

(g) "MACA" means Ministerio de Asuntos Campesinos y Agropecuarios, the Borrower's Ministry of Agriculture;

(h) "Project Implementing Agencies" means MPC, MF, MACA and INE, and "Project Implementing Agency" means any one of the Project Implementing Agencies; and

(i) "Proposed Decentralized Ministries" means the Borrower's Ministries of Health, Transport and Education, and "Proposed Decentralized Ministry" means any one of the Proposed Decentralized Ministries and "Sector Ministries" means the Proposed Decentralized Ministries and the Borrower's ministries of Energy, Mining, Industry and Agriculture, and "Sector Ministry" means any one of the Sector Ministries;

(j) "RDCs" means Regional Development Corporations, the public entities established by the Law for Administrative Organization of the Executive Branch of the Borrower published in the Borrower's Official Gazette of September 1972 to administer the Borrower's regions, and "RDC" means any one of the RDCs;

(k) "Administrative Services Agreement" means the agreement referred to in Section 3.03 of this Agreement;

(l) "PCU" means the unit established by the Borrower within MPC to administer the Project, and referred to in Sections 3.04 (a) of and 6.01 (b), and Schedule 5 to this Agreement;

(m) "SISIN" means Sistema de Informacion y Seguimiento de la Inversion, a computerized information and financial monitoring system established in MPC, RDCs and

the Sector Ministries; and

(n) "Prior Project" means a project (the Public Financial Management Operation) for which a credit (Credit No. 1809-BO) was granted to the Borrower by the Association pursuant to a development credit agreement dated July 31, 1987.

## 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 nine million seven hundred thousand dollars (\$9,700,000) (SDR 7,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account and the amount of the Swiss Contribution may be withdrawn from the Swiss Contribution 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) Except as the Association and Switzerland shall otherwise agree, the allocation and withdrawal of the Swiss Contribution shall be governed mutatis mutandis by the provisions.

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

Section 2.03. The Closing Date shall be June 30, 1992 or such later date as the Association shall establish.

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

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

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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. (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, 1999 and ending October 15, 2028. Each installment to and including the installment payable on October 15, 2008 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 International Bank for Reconstruction and Development (the Bank) shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

### ARTICLE III

#### Execution of the Project

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

(b) Without limitation or restriction upon the provisions of paragraph (a) of this Section, the Borrower shall:

(i) cause the Proposed Decentralized Ministries, RDCs and such other public entities as shall be required to carry out the Project or any Part thereof, to participate and assist in the implementation of the Project; and

(ii) ensure that, unless otherwise agreed by the Association, the following Project Implementing Agencies shall have primary responsibility for carrying out the stated Part of the Project:

Part A.1	-	MPC
Part A.2	-	MF
Part B	-	MPC (with Proposed
	-	Decentralized
	-	Ministries and RDCs
Part C	-	MPC and PSM Secretariat
Part D	-	INE

Further provisions relating to the Project Implementing Agencies shall be as set forth in Part B of Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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:

(a) enter into an agreement satisfactory to the Association (the Administrative Services Agreement) with a procurement agent acceptable to the Association for the purposes of providing administrative services for the Project on behalf of the Borrower including the contracting of consultants, arranging of training activities and procurement of goods to be financed from the proceeds of the Credit; and

(b) exercise its rights under the Administrative Services Agreement in such a manner as to protect the interests of the Borrower, the Association and the Project Implementing Agencies and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, shall not assign, amend, abrogate or waive the Administrative Services Agreement or any provision thereof.

Section 3.04. The Borrower shall, for the purposes of carrying out the Project:

(a) maintain, in a form and with functions and staffing satisfactory to the Association, a project coordinating unit (the PCU) having overall responsibility for the administration of the Project. Further provisions relating to the PCU shall be as set forth in Part A of Schedule 5 to this Agreement;

(b) establish and maintain, not later than January 15, 1989, in a form and with functions satisfactory to the Association, a working group composed of representatives from the Proposed Decentralized Ministries and RDCs, and chaired by a representative of MPC, who shall be responsible for the formulation and review of proposals for the carrying out of the activities to be carried out under Parts B.2, B.3 and B.4 of the Project;

(c) issue the necessary supreme decree for the implementation of the decentralization strategy referred to in Part B.1 of the Project;

(d) issue the necessary executive decree and implementing regulations establishing and maintaining in a form and with functions satisfactory to the Association the PSM Program;

(e) without limitation or restriction upon the provisions of paragraph (a) of Section 3.01 of this Agreement, furnish, promptly as needed, the funds, facilities, services and other resources required for purposes of paragraphs (a) and (b) of this Section 3.04; and

(f) at the request of the Association, meet with representatives of the Association and IDB, and with representatives of the Association and Switzerland, for the purposes of coordinating, and exchanging views on, the carrying out and progress in implementing Part A.2 and Parts A.1, B and C of the Project, respectively.

Section 3.05. (a) The Borrower and the Association shall, not later than November 30 of each year, exchange views on:

- (i) the progress achieved in carrying out the Project; and
- (ii) the work program for the following year for each Part of the Project.

(b) Not later than four weeks prior to such exchange of views, the Borrower shall furnish to the Association a report in such detail and scope as the Association shall request, which report shall include:

- (i) an evaluation of progress achieved by the Borrower and by each Project Implementing Agency in the carrying out of the Project during such year; and
- (ii) a draft work program for each Project Implementing Agency in respect of the Part of the Project to be implemented by such Agency for the following year, including:
  - (A) a statement of the objectives to be achieved and a description and timetable of the activities to be carried out to achieve such objectives;
  - (B) detailed operating budgets,
  - (C) a financing plan indicating the source of funds for each activity;

- (D) a procurement program detailing the goods and services to be procured; and
- (E) detailed staffing, training and other technical assistance plans.

(c) Not later than December 31 of each year the Borrower shall furnish to the Association a finalized work program, satisfactory to the Association, by each Project Implementing Agency in respect of the Part of the Program to be implemented by such Agency for the following year including, without limitation, the details set out in subparagraph (b) (ii) of this Section 3.05.

Section 3.06. The Borrower shall submit to the Association, not later than March 15, 1989, proposals, satisfactory to the Association in respect of the criteria and procedures governing the use of funds under the Credit for the pre-investment studies referred to in Part A.1 (b) of the Project.

Section 3.07. The Borrower shall submit to the Association, not later than June 1, 1989, a training plan, satisfactory to the Association, for carrying out the provision of the training and technical assistance referred to in Part A.1 (a) of the Project.

Section 3.08. The Borrower shall appoint, not later than March 15, 1989, both the Director for the PSM Program and the Project training coordinator (referred to in Part A.1 of Schedule 4 to this Agreement), both with qualifications and experience, and whose conditions and terms of referene of employment, are all acceptable to the Association.

Section 3.09. The Borrower shall ensure at all times that the Director for the PSM Program and both Project Director and the Project training coordinator (both referred to in Part A.1 of Schedule 4 to this Agreement) is each a person whose qualifications and experience, and whose conditions and terms of reference of employment, are all acceptable to the Association.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained, separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the execution of the Project of each of the Project Implementing Agencies.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Swiss Contribution, 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 months after the end of each such year, a certified copy of the report of such audit by said auditors, or such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain in each of the Project Implementing Agencies, in accordance with paragraph (a) of this Section, records and accounts reflecting such \_\_\_\_\_;
- (ii) retain in each of the Project Implementing Agencies, until at least one year after the Association has received the audit for

the fiscal year in which the last withdrawal from the Credit Account or the Swiss Contribution 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

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following Additional event is specified:

- (i) Subject to subparagraph (ii) of this Section 5.01:
  - (A) The right of the Borrower to withdraw the proceeds of the Swiss Contribution or the IDB Grant or any grant, loan or credit made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing there for, or
  - (B) Any loan or credit for the financing of the Project shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that any of the events specified in sub-paragraph (i) of Section 5.01 of this Agreement shall occur, subject to the proviso contained in sub-paragraph (ii) of Section 5.01 of this Agreement.

#### 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 namely: (a) that the Borrower has entered into the Administrative Services Agreement referred to in Section 3.03 (a) of this Agreement; (b) that the Borrower shall have established the PCU in a form and with functions satisfactory to the Association; and (c) that the Borrower shall have appointed the Project Director (referred to in Part A.1 of Schedule 4 to this Agreement) with qualifications and experience, and whose conditions and terms of reference of employment are all acceptable to the Association.

Section 6.02. 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, a separate opinion on behalf of each party thereto showing that the Administrative Services Agreement has been duly executed and authorized or ratified by, and is legally binding upon each of the parties thereto in accordance with its terms.

Section 6.03. The date April 4, 1989, 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 shall cease on the date on which this Agreement shall terminate, or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

Section 6.05. In the event that Switzerland or the Association terminate the functions of the Association as administrator pursuant to paragraph 8 of the Arrangement, the Association shall notify the Borrower promptly of the date on which Switzerland shall assume the rights and obligations of the Association under this Agreement.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of Planning and Coordination is designated as the 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 Planeamiento y Coordinacion  
La Paz  
Bolivia

Cable address:

Telex:

MINPLANEACION  
La Paz-Bolivia

3280 (MINCORD BV)

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

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.

THE REPUBLIC OF BOLIVIA

By /s/ Carlos Delius

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Rainer Steckhan

Acting Regional Vice President  
Latin America and the Caribbean



SCHEDULE 1

Withdrawal of the Proceeds of the Credit  
and the Swiss Contribution

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)	Amount of the Swiss Contribution Allocated (Expressed in Swiss Francs Equivalent)	% of Expenditures to be Financed by Associa- Switzer- tion land	
(1) Consultants' services:				
(a) for Parts A.1, A.2, B.2, B.3, D.1, D.2 and D.3 of the Project	750,000	600,000 (for Parts A.1, B.2 and B.3 of the Project)	100%	100%
(b) for Part C.2 of the Project	650,000	100,000	100%	100%
(c) for Parts B.1 and C.1 of the Project	500,000	100,000	95%	95%
(2) Training	700,000	600,000	100%	100%
(3) (a) Equipment (other than building equipment) and vehicles	560,000	400,000	100% of foreign expenditures and 90% of local expenditures	
(b) Building equipment and material	40,000		100% of foreign expenditures and 90% of local expenditures	
(4) Personnel Costs	1,500,000	500,000	100%	
(5) Incremental Operating Costs	150,000	100,000	100% of foreign expenditures and 90% of local	
(6) Project Administration Costs	400,000		100%	
(7) Refunding Project Preparation Advance	750,000		Amount due pursuant to Section 2.02 (c) of this Agreement	

(8)	Unallocated	1,200,000	100,000
	TOTAL	\$7,200,000	2,500,000

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;

(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;

(c) the term "Personnel Costs" means payments made for expenditures on account of salaries of members, acceptable to the association, having employment contracts approved by the Association for, and for the duration of, the execution of the Project;

(d) the term "Incremental Operating Costs" means payments made for expenditures on account of the operation and maintenance of the office equipment, including computer hardware and software, to be purchased out of the proceeds of the Credit; and

(e) the term "Project Administration Costs" means payments made for expenditures on account of services provided under the Administrative Services Agreement.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made other than under Category 7 of the table set forth in paragraph 1 of this Schedule, 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 500,000 may be made in respect of Category (1) of said table on account of payments made for expenditures before that date but after August 1, 1988;

(b) payments made for expenditures on account of Parts B.2, B.3 and B.4 (except as it applies to Part B.1 of the Project) of the Project, unless the Borrower has issued the supreme decree referred to in Section 3.04 (c) of this Agreement;

(c) payments made for expenditures on account of Part C.2 of the Project, unless the Borrower has fulfilled the provisions of Section 3.04 (c) of this Agreement;

(d) payments made on account of Category 3 (b), unless the Association shall have received from the Borrower and approved a plan for the establishment of office space for Project personnel;

(e) payments made for expenditures after December 31 of each year unless the Association shall be satisfied, after an exchange of views as described in Section 3.05 of this Agreement with: (i) the progress achieved by the Borrower in the carrying out of the Project; and (ii) the work program to be carried out under the Project during the following year by each Project Implementing Agency.

4. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 3 above, the disbursement percentages for Category (4) shall be reduced to: (a) 90% once the aggregate amount of disbursements made under such Category shall have reached the amount of \$1,800,000; and (b) 70% once the aggregate amount of disbursements made under such Category shall have reached the amount of \$2,200,000.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to strengthen the Borrower's capacity to efficiently manage its economy and public sector and to establish the basis for its long-term administrative reform. 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: Economic Management

1. Public Investment Programming

(a) Strengthening of MPC's Public Investment Division (DIP) with a view to improving DIP's ability to formulate a public sector investment strategy including investment analysis, implementation, monitoring and evaluation and overall information management through the provision of training and technical assistance.

(b) Expanding and strengthening the Financing Disbursement Unit of the DIP.

(c) Training of MPC, Sector Ministries and RDCs Staff in Project analysis and evaluation.

(d) Managing pre-investment and feasibility studies of RDCs and Sector Ministries.

(e) Assisting Sector Ministries and MACA to formulate a sector strategy and to strengthen their public investment programming and implementation capabilities.

(f) Consolidation of operations of SISIN and expansion of its networks to RDC Offices.

(g) Acquisition and utilization of office equipment and computer hardware and software required to carry out all of the foregoing.

2. Tax Administration:

Expansion and continuation of the activities commenced under Part B of the Prior Project including, but not limited to:

(a) extension of systems established thereunder to the Borrower Customs Directorate and to offices of the Borrower's regional public entities;

(b) establishment of a computerized accounting system to be used by the Borrower's tax authorities to register and monitor tax credit applications and payments by the Borrower's tax payers;

(c) acquisition and utilization of office equipment and computer hardware and software required to carry out all of the foregoing; and

(d) provision of technical assistance and training to assist in the foregoing.

Part B: Regional Planning and Management

1. Carrying out analytical studies on the Borrower's central, regional and municipal public entities to assist the Borrower in formulating a decentralization strategy of governmental functions in respect of the Proposed Decentralized Ministries.

2. Establishment of systems and procedures for gradual transfer of responsibility to the Borrower's regional and municipal public entities in respect of the Proposed Decentralized Ministries.

3. Strengthening of the Borrower's central, regional and municipal public entities to enable such entities to take on additional tasks associated with decentralization through training and technical assistance.

4. Acquisition and utilization of equipment required to carry out all of the foregoing.

Part C: Public Sector Management Strengthening

1. Carrying out of studies within the Borrower's civil service on functions, staffing, personnel policies and career development, and on the administration of personnel management in order to assist the Borrower in making policy decisions on implementation of PSM Program and on future reform of the Borrower's civil

2. Creation and administration of Public Sector Management Strengthening Program Secretariat (PSM Secretariat) to administer PSM Program and to supervise the studies

referred to in Part C.1 of the Project.

Part D: Strengthening of Statistical Services

1. Expansion of geographical coverage and social scope of existing socio-economic survey work.
2. Design and establishment of the Borrower's national and regional accounts.
3. Carrying out of income and expenditure surveys in La Paz Santa Cruz and Cochabamba for purposes of calculating new weights for consumer price indices.
4. Provision of technical assistance and acquisition and utilization of equipment and computer hardware and software required to carry out Part D.1, D.2 and D.3 of the Project.

The Project is expected to be completed by December 31, 1991.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Other Procurement Procedures

1. Local competitive bidding

Goods estimated to cost the equivalent of \$75,000 or less, but more than the equivalent of \$20,000, per contract may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Shopping:

Goods estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$800,000 may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the guidelines, in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

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

(a) With respect to goods procured under Part A hereof, and to contracts estimated to cost the equivalent of \$20,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made by the procurement agent referred to in Section 3.03 (a) of this Agreement, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to be furnished to the Association pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) 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) or 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

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

2. Upon notification to that effect given to the Borrower by the Association, consultant's contracts estimated to cost an amount not exceeding the equivalent of \$15,000 per contract, on account of which the Association has authorized withdrawals on the basis of statements of expenditures, may be entered into without prior review by the Association provided, however, that the Borrower shall present to the Association on or before the first day of each quarter, a list satisfactory to the Association and in such detail and scope as the Association shall request, of the contracts to be entered into in such quarter under this paragraph including, in respect of each such contract, the terms of reference, qualifications and experience of the consultant to be hired thereunder such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

3. If at any time the Association shall not be satisfied with the implementation or outcome of the procedures set forth in paragraph 2 of this Section, the Association, at its option, may, by notice to the Borrower declare that the said procedures shall cease to apply and upon such declaration, paragraph 1 of this Section shall thereafter apply to the selection of all consultants to be financed out of the proceeds of the Credit.

### SCHEDULE 4

#### A. Project Coordinating Unit (PCU)

1. The PCU shall be headed by a Project Director and shall be staffed with a project administrator, a training coordinator and two secretaries proficient in both English and Spanish.

2. The PCU shall be responsible, inter alia, for:

(a) ensuring coordination of the activities to be carried out under the Project and between the Project Implementing Agencies and the Association;

(b) supervising and monitoring the performance of the procurement agent referred to in Section 3.03(a) of this Agreement;

(c) assisting the Project Implementing Agencies in preparation of annual work program and budgets under paragraph B.2 of this Schedule;

(d) coordinating and reviewing said annual work programs and budgets;

(e) synthesizing proposals made by the working group to be established under Section 3.04 (b) of this Agreement in respect of Parts B.2, B.3 and B.4 of the Project and incorporating such proposals into the annual work program for Part B of the Project;

(f) preparing the annual progress monitoring reports referred to in Section 3.05 (b)(i) of this Agreement;

(g) coordinating Project - related training activities with Project Implementing Agencies, local training institutions and other agencies;

(h) supervising and monitoring procurement of goods and services to be financed out of the proceeds of the Credit;

(i) processing disbursement applications and supporting documents in accordance with Section 2.02 of, and Schedule 4 to, this Agreement; and

(j) consolidating Project completion reports prepared by each Project Implementing Agency under paragraph B.3 of this Schedule in respect of the Part of the Project Implemented by such Agency for presentation to the Association in accordance with Section 9.07 (c) of the General Conditions.

B. Project Implementing Agencies

Each Project Implementing Agency shall:

1. appoint a project liaison officer, acceptable to the Association, who shall be in charge of coordination with PCU and shall periodically report to the Project Director on the progress of the Part of the Project implemented or to be implemented by such Agency;
  2. prepare an annual work program and budget for each year in accordance with Section 3.05 (b)(ii) and (c) of this Agreement in respect of the Part of the Project to be implemented by such Agency; and
  3. prepare a Project completion report in respect of the Part of the Project implemented by such Agency.
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