

CONFORMED COPY

CREDIT NUMBER 2395 BO

(Second Road Maintenance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SERVICIO NACIONAL DE CAMINOS

Dated July 14, 1992

CREDIT NUMBER 2395 BO

PROJECT AGREEMENT

AGREEMENT, dated July 14, 1992, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and SERVICIO NACIONAL DE CAMINOS (SNC).

WHEREAS: (A) by the Development Credit Agreement of even date herewith between the Republic of Bolivia (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifty-eight million six hundred thousand Special Drawing Rights (SDR 58,600,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that SNC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and SNC, the proceeds of the credit provided for under the Development Credit Agreement will be made available to SNC on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS SNC, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined

in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. SNC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and with the Road Investment Plan and the Road Maintenance Program, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. 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 the Schedule to this Agreement, and shall be made in accordance with the model bidding documents referred to in Section 6.01 (d) of the Development Credit Agreement.

Section 2.03. SNC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. SNC shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, SNC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) SNC shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) SNC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by SNC of its obligations under this Agreement and under the Subsidiary Loan Agreement.

Section 2.06. SNC shall:

(a) (i) carry out or cause to be carried out the Road Maintenance Program with due diligence and efficiency and in conformity with appropriate financial, technical and administrative standards and practices; (ii) provide, or cause to be provided, in a timely manner, the funds, facilities, services and other resources required for the carrying out of the Road Maintenance Program; (ii) furnish to the Association, by not later than September 30, 1992, and by September 30 of each year thereafter, until the completion of the Project, an update of the Road Maintenance Program for the upcoming four-year period, satisfactory to the Association; and (iv) furnish to the Association, by not later than March 31, 1993 and by March 31 of each year thereafter, evidence, satisfactory to the Association, of the expenditures made in respect of the Road Maintenance Program in the previous year and the amounts allocated for the execution of such Program in the current fiscal year.

(b) notwithstanding the provisions above, consult with the Association: (i) before making any commitment to carry out civil works under the Project, if the final engineering costs for such works exceed 25% of the estimated original costs included in the Road Maintenance Program; and (ii) before increasing, cumulatively, the number of kilometers subject to periodic maintenance under the Road Maintenance Program by more than 5% of the number of kilometers referred to in Part A.1 of the Project.

Section 2.07. SNC shall, by not later than December 31, 1992, prepare and furnish to the Association the engineering designs, satisfactory to the Association: (a) included in Part E.2 of the Project; and (b) for the bridges to be maintained and rehabilitated under Part B of the Project.

Section 2.08. SNC shall:

(a) by not later than September 30, 1992, and by September 30 of each year thereafter, until the Project shall have been completed, prepare and furnish to the

Association a list containing the maintenance activities to be carried out under Part A.2 of the Project during the immediately following year, such list to be in form and substance satisfactory to the Association; and

(b) by not later than March 31, 1993, and by March 31 of each year thereafter, until the Project shall have been completed, prepare and furnish to the Association, a report, satisfactory to the Association, including a description of all the expenditures made by SNC on the road maintenance carried out by force account in the immediately preceding year, by category of expenditure.

Section 2.09. SNC shall maintain its maintenance branch (Jefatura de Mantenimiento), MU, BMU, EU and UEP, all in form and with functions, structure and staff satisfactory to the Association.

Section 2.10. SNC shall, not later than December 31, 1993, put into operation the axle weighing equipment included in Part D.2 of the Project.

Section 2.11. (a) SNC shall, not later than December 31, 1993, carry out and furnish to the Association, the studies included in Parts E.4 and E.5 of the Project, under terms of reference satisfactory to the Association.

(b) With respect to, and based on the recommendations of, the study included in Part E.4 of the Project, SNC shall present to the Association, by not later than September 30, 1994, and include in the review to be carried out in accordance with Section 2.14 (b) of this Agreement, an action plan, satisfactory to the Association, containing the mechanisms to finance the road and bridge maintenance costs to be incurred in calendar year 1996 and thereafter.

Section 2.12. SNC shall:

(a) promptly enter into contractual arrangements satisfactory to the Association with an independent auditor or auditors acceptable to the Association, for the purposes of the timely and efficient compliance with the obligations included in Article IV of the Development Credit Agreement;

(b) promptly enter into contractual arrangements satisfactory to the Association, for the purposes of providing services for the Project on behalf of SNC, including the contracting of consultants and procurement of goods and works in respect of each contract therefor estimated to cost more than the equivalent of 200,000 Bolivianos and to be financed out of the proceeds of the Credit; and

(c) exercise its rights under the contractual arrangements referred to in paragraphs (a) and (b) above in such a manner as to protect the interest of SNC, the Borrower and the Association, and to accomplish the purposes of the Credit.

Section 2.13. Without any limitation to or restriction upon its reporting requirements under this Agreement, or upon any of the rights of the Association under this Agreement, SNC shall, not later than March 31, 1993, and not later than each March 31 thereafter, until such time as the report referred to in Section 9.06 (c) of the General Conditions shall have been furnished to the Association, prepare and furnish to the Association a report, of such scope and detail as the Association shall reasonably request, on the progress achieved in the carrying out of the Project during the immediately preceding year, such report to be satisfactory to the Association, and to include, inter alia, any proposed organizational or institutional change in the Borrower's road subsector.

Section 2.14. SNC shall: (a) not later than September 30, 1993, and not later than September 30 thereafter, until the Project shall have been completed, review with the Association and the Borrower, under terms and conditions satisfactory to the Association, the progress in the carrying out of the Project and in the achievements of the objectives of the Project, such reviews to be based on the reports referred to in Section 2.13 of this Agreement;

(b) without any limitation or restriction upon its obligation under paragraph (a) above, include in the review to be carried out on September 30, 1994, an assessment of SNC's maintenance planning and budget allocations and the correspondence between such allocations and the actual and timely release of the respective allocated funds by the Borrower to SNC; and

(c) if, as a result of any of the above reviews, the Association determines

that the progress in the execution of the Project or in the achievement of the objectives of the Project is not satisfactory, SNC shall promptly take, or cause to be taken, all such remedial action, satisfactory to the Association, as shall be necessary for the efficient execution of the Project or for the achievement of the objectives of the Project.

### ARTICLE III

#### Management and Operations of SNC

Section 3.01. SNC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, all in accordance with the organizational changes referred to in Section 6.01 (b) of the Development Credit Agreement.

Section 3.02. SNC shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and SNC practices.

Section 3.03. SNC shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) SNC shall maintain records and separate accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) SNC shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with 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 said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

### ARTICLE V

#### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of SNC thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify SNC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

## ARTICLE VI

### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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:

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

For SNC:

Servicio Nacional de Caminos  
Edificio Centro de Comunicaciones  
Avenida Mariscal Santa Cruz  
esquina Oruro  
Piso 8  
La Paz, Bolivia

Telex:

2648 MINCOM

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of SNC may be taken or executed by its Director Nacional or such other person or persons as the Director Nacional shall designate in writing, and SNC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yoshiaki Abe

Acting Regional Vice President  
Latin America and the Caribbean

SERVICIO NACIONAL DE CAMINOS

By /s/ Jorge Crespo Velasco

Authorized Representative

SCHEDULE

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

2. To the extent practicable, contracts for traffic counters, weighing scales, laboratory equipment and safety road materials shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

Part B: Preference for Domestic Manufacturers

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

Part C: Other Procurement Procedures

1. Works for road periodic maintenance under Part A.1 of the Project, estimated to cost less than the equivalent of \$2,000,000 per contract, up to an aggregate amount not to exceed the equivalent of \$22,900,000, and works for bridge maintenance and repair and for the improvement of work compounds (including warehouses) and the construction of workshops under Part C of the Project, estimated to cost less than the equivalent of \$300,000 per contract, up to an aggregate amount not to exceed the equivalent of \$8,800,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Works for the repair of road maintenance equipment, estimated to cost more than the equivalent of \$25,000 per contract, up to an aggregate amount not to exceed the equivalent of \$3,000,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

3. Works for the repair of road maintenance equipment, estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$500,000, and traffic counters, weighing scales, laboratory equipment and road safety materials, estimated to cost the equivalent of less than \$25,000 per contract, up to an aggregate amount not to exceed the equivalent of \$500,000, 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 D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract awarded pursuant to Parts A and C.2 hereof and to each contract for works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of

the Special Account in respect of such contract.

(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 out of the Special Account, 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 said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

In order to assist SNC 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.

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