

CONFORMED COPY

CREDIT NUMBER 1828 BO

(Second Reconstruction Import Credit Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 31, 1987

CREDIT NUMBER 1828 BO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 31, 1987, between REPUBLIC OF BOLIVIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Project will be carried out by the Central Bank of the Borrower with the Borrower's assistance and, as part of such assistance, the Borrower shall make available to Central Bank the proceeds of the Credit;

(C) the Borrower has requested from Overseas Economic Cooperation Fund of Japan (OECF) a loan (the Cofinancing Loan) in an amount equivalent to \$50,000,000, to assist in financing the Project on the terms and conditions to be set forth in the agreement (the Cofinancing Loan Agreement) to be entered into between the Borrower and OECF; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement (as hereinafter defined) of even date herewith between the Association and Central Bank;

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) "Project Agreement" means the agreement between the Association and Central Bank, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

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

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

(d) "Credit Facility" means the facility established by Central Bank pursuant to Section 2.05 of the Project Agreement for purposes of carrying out the Project;

(e) "ENFE" means Empresa Nacional de Ferrocarriles, a railway public utility wholly-owned by the Borrower and established by Decreto Supremo No. 06909 of November 1, 1964, of the Borrower;

(f) "YPFB" means Yacimientos Petroliferos Fiscales Bolivianos, a petroleum company wholly-owned by the Borrower and established by Decreto Ley of December 31, 1936, of the Borrower, and the term includes any relevant subsidiary thereof;

(g) "Public Enterprises" means collectively, YPFB and ENFE; "Public Enterprise" means either YPFB or ENFE;

(h) "Financing Agreement" means any of the agreements to be entered into between the Central Bank and any of the Public Enterprises pursuant to the provisions of Section 2.05 (a) of the Project Agreement and Schedule 2 thereto;

(i) "Eligible Producer" means a private individual or entity established under the laws of the Borrower, engaged in a productive enterprise that Central Bank has qualified as a producer in the manufacturing or agricultural-based sectors and declared eligible to receive Subloans under Part D of the Project;

(j) "Eligible Importer" means any private individual or entity established under the laws of the Borrower, engaged in agricultural production or supplying eligible goods for agricultural producers and declared eligible by Central Bank to receive foreign exchange under Part E of the Project;

(k) "Financial Intermediary" means any private banking institution operating in Bolivia which has entered into, or proposes to enter into, a Participating Agreement (hereinafter defined) with Central Bank for purposes of making Subloans (hereinafter defined) to Eligible Producers;

(l) "Participating Agreement" means any of the agreements to be entered into between Central Bank and any Financial Intermediary, for purposes of carrying out Part D of the Project pursuant to the provisions of Section 2.05 (c) of the Project Agreement and Schedule 3 thereto;

(m) "Subloan" means a loan denominated in dollars payable in national currency (hereinafter defined) made, or proposed to be made, by a Financial Intermediary to an Eligible Producer for purposes of financing working capital or the acquisition of locally procured goods under Part D of the Project;

(n) "Medium-term Policy Framework" means the statement of the medium-term economic and financial policy framework for 1987-1989, dated November 1986, presented by the Borrower to the Association, and complementary reform measures adopted

thereafter;

(o) "Annual PIP" means any of the yearly, detailed public investment programs of the Borrower for the years 1987 through 1989;

(p) "Project Coordinating Committee" means the committee which shall monitor and coordinate the carrying out of the Project and which shall be maintained pursuant to Section 2.07 of the Project Agreement;

(q) "Comision" means the Comision de Coordinacion, Control y Supervision, a unit within the Central Bank, which shall be established and maintained pursuant to Section 2.07 of the Project Agreement;

(r) "Administrative Services Contracts" means those contracts referred to in Section 3.05 (a) of this Agreement; "Administrative Services Contract" means any one of such contracts;

(s) "SNC" means Servicio Nacional de Caminos (National Road Services), a division of the Ministry of Transport of the Borrower;

(t) "SNC Grant Agreement" means that agreement referred to in Section 2.05 (b) of the Project Agreement;

(u) "SITC" means the United Nations Standard International Trade Classification, 1974 Revision (SITC, Rev. 2), published in Commodity Indexes for the Standard International Trade Classifications, Revised, Statistical Papers, Series M, No. 38/Rev. 2 (1981);

(v) "national currency" means the unit of currency of the Borrower;

(w) "Prior Project" means the Reconstruction Import Credit Project financed from the proceeds of a Credit granted pursuant to Development Credit Agreement No. 1703 BO entered into between the Borrower and the Association, dated June 2, 1986; and

(x) "Working Capital" means amounts used by an Eligible Producer in the day-to-day operations of its business, represented by the excess of current assets (cash, accounts receivable, marketable securities and inventories) over current liabilities (accounts payable, deposits payable and short-term loans).

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty-six million one hundred thousand Special Drawing Rights (SDR 36,100,000).

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, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, for amounts paid by Central Bank for expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable costs of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall open and maintain in dollars a special account in a commercial bank for purposes of the Project 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 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1990 or such later date as the Association shall establish. The Association shall promptly notify the Borrower and Central Bank 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 Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15 commencing October 15, 1997, and ending April 15, 2037. Each installment to and including the installment payable on April 15, 2007, shall be one-half of one percent ( $1/2$  of 1%) of such principal amount, and each installment thereafter shall be one and one-half percent ( $1-1/2\%$ ) of such principal amount.

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

Section 2.09. The Central Bank is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement shall:

- (i) cause Central Bank to perform, in accordance with the provisions of the Project Agreement, all the obligations of Central Bank therein set forth;
- (ii) cause YPFB, ENFE and SNC to perform their respective obligations under Parts A, B and C of the Project; and
- (iii) take all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Central Bank, YPFB, ENFE and SNC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall transfer the proceeds of the Credit to Central Bank for purposes of establishing a Credit Facility to carry out the Project under a Subsidiary Agreement to be entered into between the Borrower and Central Bank, which shall include the terms and conditions set forth in Schedule 5 to this Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not change, assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for: (i) Parts A, B, C and E of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement; and (ii) Part D of the Project and to be financed by means of Subloans made from the proceeds of the Credit shall be governed by the provisions of Schedule 4 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project

shall be carried out by Central Bank pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall carry out and cause to be carried out the Action Program set forth in Schedule 3 to this Agreement as the same may be revised from time to time with the prior agreement of the Association.

Section 3.05. (a) The Borrower shall cause YPF, ENFE and SNC to enter into separate contracts, acceptable to the Association, for purposes of providing to YPF, ENFE and SNC, respectively, administrative services for the contracting of any consultants and the procurement of any goods to be financed from the proceeds of the Credit, and required for the carrying out of Parts A, B and C of the Project, respectively.

(b) The Borrower shall cause YPF, ENFE and SNC to exercise their respective rights under each such contract referred to in paragraph (a) of this Section in such a manner so 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 ensure that YPF, ENFE and SNC not assign, amend, abrogate or waive such arrangements or any provision thereof.

(c) The Borrower shall take all measures necessary, including, if appropriate, the issuance of a Decreto Supremo, to ensure that the procurement of goods and related services and the employment of consultants, in respect of Parts A, B and C of the Project, is in accordance with the provisions of Schedule 1 to the Project Agreement.

Section 3.06. The Borrower shall take, or cause to be taken, all action necessary or appropriate, to establish and maintain domestic sales prices of Liquid Petroleum Gas (LPG) at such levels as shall be required to ensure economic utilization of LPG. To this end, the Borrower shall:

- (i) furnish to the Association, by December 31, 1987, a plan of action acceptable to the Association, including a timetable for the implementation thereof, to achieve LPG price levels equivalent to opportunity costs; opportunity costs shall be determined using methodologies and criteria acceptable to the Association, and which incorporate factors such as economic utilization and socio-economic conditions prevailing in Bolivia; and
- (ii) carry out such plan of action thereafter in accordance with the agreed timetable for implementation.

Section 3.07. The Borrower shall: (i) furnish to the Association by October 31, 1987, a plan of action, acceptable to the Association, to establish the distribution and marketing systems for natural gas in Bolivia; and (ii) cause such plan of action to be carried out thereafter.

Section 3.08. The Borrower shall cause YPF to carry out the plan of action agreed to by the Borrower, the Association and YPF to improve the accounting, budgeting, financial control and management information systems of YPF, in accordance with the agreed timetable for implementation of such plan.

Section 3.09. The Borrower shall, by October 31, 1987, establish a central monitoring unit, acceptable to the Association, within the Ministry of Agriculture of the Borrower, with the responsibility to coordinate project preparation and execution among the governmental and private agencies working in the agricultural sector in Bolivia.

Section 3.10. (a) Except as the Association shall otherwise agree, the Borrower shall cause ENFE to maintain, for each of ENFE's fiscal years after the fiscal year ending on December 31, 1987, a ratio of total working expenses to total operating revenues of not higher than 0.90.

(b) Before October 1 in each of ENFE's fiscal years through Project completion, the Borrower shall cause ENFE, on the basis of forecasts prepared by ENFE and satisfactory to the Association, to review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year, and shall furnish to the Association the results of such review upon its completion.

(c) If any such review shows that ENFE would not meet the requirements set

forth in paragraph (a) for the fiscal year covered by such review, the Borrower shall, or shall cause ENFE to, promptly take all necessary measures including, without limitation, adjustments to the structure or levels of its tariffs in order to meet such requirements.

(d) For purposes of this Section:

(i) The term "total working expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding depreciation, interest and other charges on debt.

(ii) The term "total operating revenues" means revenues from all sources related to operations.

Section 3.11. The Borrower shall cause ENFE to: (i) furnish to the Association by December 31, 1987, a plan of action, acceptable to the Association and based on the results of the railway cost study financed under the Prior Project, for the restructuring and improvement of the ENFE freight tariff structure; and (ii) carry out such plan of action in a timely manner.

Section 3.12. The Borrower shall cause ENFE to:

(i) adjust, by July 31, 1987, passenger fares on its railway network to a level acceptable to the Association;

(ii) furnish to the Association, by March 31, 1988, a plan of action acceptable to the Association, including a timetable for the implementation thereof, to ensure that such passenger fares are at least equal to the long-run marginal costs of passenger operations; such long-run marginal costs shall be determined using methodologies and criteria acceptable to the Association; and

(iii) carry out such plan of action thereafter in accordance with the agreed timetable for implementation.

#### ARTICLE IV

##### Other Covenants

Section 4.01. The Borrower and the Association shall review the financial condition, investment programs and import plans of the Public Enterprises and SNC. To that end, the Borrower shall, and shall cause each Public Enterprise and SNC to provide all information necessary or appropriate for purposes of conducting such review. Such review shall occur by November 30 of each year through Project completion, beginning on November 30, 1987 and at all other times as the Association shall reasonably request.

Section 4.02. (a) The Borrower and the Association shall review the progress of implementing the Medium-term Policy Framework within six months after the Effective Date of this Credit, and at all other times as the Association shall reasonably request.

(b) If, as a result of any review referred to in paragraph (a) of this Section, it is determined by the Association that additional actions need to be taken by the Borrower, Central Bank, any of the Public Enterprises or SNC, the Borrower and the Association shall agree on the actions to be taken and a timetable for completing said actions.

(c) The Borrower shall ensure that such actions referred to in paragraph (b) of this Section shall be carried out in accordance with the agreed timetable, with due diligence and in a manner designed to achieve the objectives of this Credit.

#### ARTICLE V

##### Remedies of the Association

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

(a) Central Bank shall have failed to perform any of its obligations under the Project Agreement;

(b) the Borrower and the Association shall have failed to reach the agreement referred to in Section 4.02 (b) of this Agreement;

(c) the Borrower shall have failed to carry out or caused to be carried out, any of the actions in accordance with the timetable referred to in Section 4.02 (c) of this Agreement;

(d) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Central Bank will be able to perform its obligations under the Project Agreement;

(e) Ley of July 20, 1928, establishing the Central Bank, as amended by Ley No. 9428 of October 20, 1970 and Decreto Ley No. 94440 of November 4, 1970 of the Borrower, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Central Bank to perform any of its obligations under the Project Agreement;

(f) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of Central Bank, a Public Enterprise, or for the suspension of their respective operations, provided, however, that the remedies of Section 6.02 of the General Conditions may apply, if the Association shall so choose, only to the amount of the Credit that corresponds to the part of the Project being carried out by the respective Public Enterprise;

(g) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Project Coordinating Committee and the Comision;

(h) a change shall have been made in any Financing Agreement, SNC Grant Agreement or Participating Agreement without the Association's consent, or that a default has occurred under a Financing Agreement or Participating Agreement, provided, however, that the remedies provided for in Section 6.02 of the General Conditions may apply, if the Association shall so choose, only to an amount of the Credit that corresponds to the Credit advanced pursuant to such Financing Agreement, SNC Grant Agreement or Participating Agreement;

(i) the Cofinancing Agreement shall have failed to become effective by February 15, 1988, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; and

(j) (i) subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the Cofinancing Loan 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 Cofinancing Agreement; or

(B) the Cofinancing Loan shall have become due and payable prior to the agreed maturity thereof;

(ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or acceleration of maturity 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 with the obligations of the Borrower under this Agreement.

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

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

(b) any event specified in paragraphs (b), (c), (e), (f), (g), (h) or (i) of Section 5.01 of this Agreement shall occur; and

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

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. 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) the Subsidiary Agreement has been entered into between the Borrower and Central Bank;

(b) at least one of the Financing Agreements has been executed by Central Bank and a Public Enterprise; and

(c) the Central Bank has established the Credit Facility pursuant to Section 2.05 of the Project Agreement and confirmed the composition of the Project Coordinating Committee and the Comision maintained pursuant to Section 2.07 the of the Project Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by, and is legally binding upon, the Central Bank in accordance with its terms;

(b) that the Subsidiary Agreement as been duly authorized or ratified by, and is legally binding upon, the Borrower and Central Bank in accordance with its terms; and

(c) that each Financing Agreement, entered into in compliance with Section 6.01 (b), has been executed and duly authorized or ratified by the Central Bank and the respective Public Enterprise and is legally binding upon Central Bank and said Public Enterprise in accordance with its terms.

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

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

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

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

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

For the Borrower:

Minister of Finance  
Ministerio de Finanzas  
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)

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

REPUBLIC OF BOLIVIA

By /s/ Fernando Illanes

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. Shahid Husain

Regional Vice President  
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) Goods and related installation services under Part A of the Project	9,960,000	100% of foreign expenditures
(2) Goods under Part B (1) of the Project	5,360,000	100% of foreign expenditures
(3) Technical Assis- tance under Part B (2) of the Project	380,000	100%
(4) Goods under Part C of the Project	2,760,000	100% of foreign expenditures
(5) Subloans made under Part D of the Project	5,360,000	100% of amounts disbursed by the Central Bank for

		Subloans made by Financial Inter- mediaries
(6) Goods under Part E of the Project	6,130,000	100% of foreign expenditures
(7) Administrative Services Contracts	770,000	100%
(8) Unallocated	5,380,000	
TOTAL	36,100,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made for:

(a) expenditures for goods included in the following SITC groups or sub-groups:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971.0	-	Gold, non-monetary (excluding gold ores and concentrates)

(b) payments made for expenditures under Parts A or B of the Project unless the Association has received satisfactory evidence that the applicable Financing Agreement and Administrative Services contract have been entered into including an acceptable opinion of counsel acceptable to the Association, that the applicable

Financing Agreement and Administrative Services Contract have been duly executed and authorized or ratified by Central Bank and the respective Public Enterprise and is legally binding upon the Central Bank and the respective Public Enterprise, in accordance with its terms;

(c) payments made for expenditures under Part C of the Project unless the Association has received satisfactory evidence that the SNC Grant Agreement and applicable Administrative Services Contract have been entered into with respect to SNC;

(d) payments made by the Central Bank on account of a Subloan under Part D of the Project unless the Association has received satisfactory evidence that a Participating Agreement has been entered into with the appropriate Financial Intermediary and that such Subloan has financed no more than a maximum of 75% of the cost of the locally procured goods;

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

(f) expenditures for goods and services supplied under a contract financed in whole or in part by any national or international financing institution or agency other than the Association, or if such institutions or agencies have agreed to finance such goods and services; and

(g) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to help restore economic growth and reactivate exports of Bolivia by financing priority imported equipment, spare parts and other inputs required by the energy, transport, industrial and agricultural sectors and by financing locally procured goods and working capital of local producers in the Bolivian economy.

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: YPFB

A program of imports by YPFB that will enable it to acquire spare parts, materials and equipment and related services, for purposes of improving production of YPFB's oil and gas fields and ensuring continued operation and maintenance of YPFB's pipelines, processing plants and distribution systems.

#### Part B: ENFE

1. A program of imports by ENFE that will enable it to acquire spare parts, materials and equipment, for purposes of improving ENFE's western and eastern railway systems.

2. Technical assistance to ENFE for purposes of restructuring and implementing freight tariffs, preparing and evaluating equipment and services bids and carrying out a diagnostic study of railway organization, operation and management.

#### Part C: SNC

A program of imports by SNC that will enable it to acquire road maintenance and construction equipment and spare parts for purposes of maintenance and rehabilitation main roads.

#### Part D: Subloans

A program of Subloans for private entities or individuals (Eligible Producers) engaged in manufacturing industries, including agricultural-based industries, for purposes of financing Working Capital and the acquisition of locally procured goods that will enable such entities to enhance their productive capacity.

#### Part E: Agriculture

A program of imports for private entities or individuals engaged in agricultural-based industries or agricultural production (Eligible Importers) for purposes of enhancing their productive capacity.

\* \* \*

The Project is expected to be completed by December 31, 1989.

### SCHEDULE 3

#### Action Program

Action to be taken	Completion Date
I. Public Expenditure Programming	
A. Furnish a statement to the Association for its review and comment, of the proposed Annual PIP for the following year, specifically providing inter alia, details of proposed investments in the energy, transportation, agriculture and social sectors, as well as levels of resources to be devoted to such investments.	by November 30 of each year, beginning on November 30, 1987, through Project completion
B. Furnish a proposed draft of procurement legislation to the Association for its review and comment, for simplifying the procurement procedures utilized in the public sector.	by November 30, 1987
C. Present to the Borrower's Congress proposed procurement legislation acceptable to the Association.	by January 31, 1988
II. Energy Sector	
A. Furnish a proposed draft of hydrocarbon legislation to the Association for its review and comment.	by January 31, 1988
B. Present to the Borrower's Congress, proposed hydrocarbon legislation acceptable to the Association.	by March 31, 1988
C. Inform the Association of the status of negotiations, agreements reached and implementation of such agreements with respect to payments on contracts with foreign investors in the petroleum sector in Bolivia.	by October 31, 1987 and semiannually thereafter through Project completion
D. Cause YPF to furnish to the Association for its review and comment, a detailed investment plan for YPF for the following	by November 30, 1987 and annually thereafter through Project completion

year, describing specific activities to be carried out and the financing plan for production, exploration, refining, transport, marketing and administration.

### III. Transportation Sector

- |    |   |   |
|----|---|---|
| A. | Cause ENFE to rehabilitate and maintain locomotives in order to increase the availability of functioning locomotives in the western rail network to 75% and in the eastern network to 85% of all available locomotives.               | by December 31, 1988 and continuing maintenance thereafter                              |
| B. | Cause ENFE to increase utilization of locomotives to at least 105,000 kilometers per year.  | by December 31, 1988 and continuing thereafter  |
| C. | Cause ENFE to improve rail wagon utilization by increasing the availability of functioning wagons in each of the eastern and western rail networks to 80% of all available wagons.  | by December 31, 1988 and continuing thereafter  |
| D. | Cause ENFE to complete its revaluation of fixed assets and utilize such its 1988 balance sheets.  | by December 31, 1987<br>revaluation in preparing  |
| E. | Cause SNC to furnish to the Association for its review and comment, a breakdown of proposed total expenditures for the main road network (primary and secondary roads) among maintenance, rehabilitation, improvements and expansion. | by November 30 of each year, beginning on November 30, 1987, through Project completion |

### SCHEDULE 4

#### Special Account

#### 1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (5) and (6) 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 \$3,000,000 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 and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

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

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

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

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

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

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

#### SCHEDULE 5

#### Terms and Conditions of Subsidiary Agreement

1. The Borrower and Central Bank shall enter into a Subsidiary Agreement that shall

provide the terms and conditions for and procedures to be followed in the establishment of the Credit Facility, satisfactory to the Association, in order to carry out the Project.

2. The procedures to be followed in operating the Credit Facility by the Central Bank shall include, inter alia:

- (i) review and verification by the Comision of Subloans and proposed expenditures for imports and services for purposes of determining eligibility for financing out of the proceeds of the Credit; and
- (ii) approval and authorization by the Project Coordinating Committee of: (a) Subloans to Eligible Producers; (b) credit to each Public Enterprise; (c) transfer of funds to SNC; and (d) provision of foreign exchange to Eligible Importers.

3. The terms and conditions of the transfer of the proceeds of the Credit from the Borrower to Central Bank and for the repayment of such funds to the Borrower shall include, inter alia, provisions that:

- (i) the proceeds of the Credit shall be transferred to the Central Bank for purposes of establishing and operating a Credit Facility in order to carry out the Project;
- (ii) the Borrower shall pay an annual fee to the Central Bank of one-half of one percent (1/2%) per annum on all amounts administered by the Central Bank so long as any principal amounts remain due and outstanding;
- (iii) for the transfer by the Central Bank to the Borrower of all payments of principal, interest and other charges made to the Central Bank by Public Enterprises and Financial Intermediaries on funds made available through the Credit Facility; and
- (iv) the Central Bank shall make funds available from the Credit Facility:
  - (a) by means of loans to Public Enterprises evidenced by appropriate Financing Agreements;
  - (b) by means of a grant to SNC evidenced by the SNC Grant Agreement;
  - (c) by means of Subloans to Eligible Producers through Financial Intermediaries which have entered into appropriate Participating Agreements with Central Bank; and
  - (d) by means of provision of foreign exchange evidenced by documents showing payment for imports, acceptable to the Association for agricultural producers.

