

CONFORMED COPY

CREDIT NUMBER 2013 BO

(Mining Sector Rehabilitation Project)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 4, 1989

CREDIT NUMBER 2013 BO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 4, 1989, 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) Part A of the Project will be carried out by Corporacion Minera de Bolivia and its subsidiaries (COMIBOL), a public mining enterprise with full juridical personality which is wholly-owned by the Borrower and established by Decreto Supremo No. 3196 of October 2, 1952 of the Borrower, with the Borrower's assistance, and, as part of such assistance, the Borrower will make available to COMIBOL part of the proceeds of the credit as provided in this Agreement;

(C) Part B of the Project will be carried out by Banco Central de Bolivia (the Central Bank), the Borrower's Central Bank which is an agency of the Borrower and established by Ley of July 20, 1928, as amended by Ley No. 9428 of October 28, 1970 and Decreto Ley No. 9440 of November 4, 1970 of the Borrower, with the Borrower's

assistance, and, as part of such assistance, the Borrower will make available to the Central Bank part of the proceeds of the Credit as provided in this Agreement;

(D) the Borrower has requested from the Inter-American Development Bank (IDB), the Government of Sweden (Sweden), and from other sources, loans in an aggregate amount equivalent to approximately twenty-five million dollars (\$25,000,000) to assist in financing part of the Project on the terms and conditions set forth in various agreements (collectively, the Cofinancing Agreements) to be entered into, respectively, between the Borrower and each of Sweden and IDB; 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, in the project agreement of even date herewith between the Association and COMIBOL (the COMIBOL Project Agreement) and in the project agreement of even date herewith between the Association and the Central Bank (the Central Bank Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth in Schedule 4 to this Agreement (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 terms have the following meanings:

- (a) "Boliviano" means the Borrower's unit of currency;
- (b) "DCD" means the Central Bank's Development Credit Department;
- (c) "MMM" means Ministerio de Minería y Metalurgia, the Borrower's Ministry of Mining and Metallurgy, established by the Borrower's Constitution and Ley de Organización Administrativa del Poder Ejecutivo, and organized by the Borrower's Ley Organica del Ministerio de Minería y Metalurgia;
- (d) "MMM Project Coordination Unit" means the unit to be established and maintained by the Borrower pursuant to Section 3.06 (b) of this Agreement, and "MMM Sub-Project Coordinator" means the person to be appointed by the Borrower to head the MMM Project Coordination Unit pursuant to that Section;
- (e) "COMIBOL Project Coordination Unit" means the unit to be established and maintained by COMIBOL pursuant to Section 2.06 (a) of the COMIBOL Project Agreement, and "COMIBOL Project Coordinator" means the person to be appointed by COMIBOL to head the COMIBOL Project Coordination Unit pursuant to that Section;
- (f) "GEOBOL" means Servicio Geológico de Bolivia, the Borrower's Geological Survey Organization;
- (g) "BAMIN" means Banco Minero de Bolivia, a mining bank majority-controlled by the Borrower, engaged in financing and trading activities in the Borrower's mining sector and established by the Borrower's Decreto Supremo of July 24, 1936, and reorganized under the Borrower's Decreto Supremo No. 9028 of December 10, 1969 and Decreto No. 21660 of July 10, 1987;
- (h) "Financial Intermediary" means any banking or other financial institution operating in the Borrower's territory which has entered into, or has been declared by the Central Bank and the Superintendencia (hereinafter defined), and accepted by the Association, as eligible to enter into, a Participating Agreement (hereinafter defined) with the Central Bank for purposes of making Sub-loans (hereinafter defined) under Part B of the Project to Eligible Miners (hereinafter defined) and the term Financial Intermediary includes BAMIN provided, however, that the Central Bank shall have previously authorized BAMIN to act as a Financial Intermediary and shall have received evidence of BAMIN's compliance with a restructuring action plan satisfactory to the Association;
- (i) "COMIBOL Subsidiary Loan Agreement" means the agreement to be entered

into between the Borrower and COMIBOL pursuant to Section 3.01 (d) of this Agreement and Section 2.04 of the COMIBOL Project Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the COMIBOL Subsidiary Loan Agreement;

(j) "Central Bank Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and the Central Bank pursuant to Section 3.01 (f) of this Agreement and Section 2.04 of the Central Bank Project Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Central Bank Subsidiary Loan Agreement;

(k) "Participating Agreement" means any of the agreements entered into or to be entered into between the Central Bank and any Financial Intermediary, for purposes of carrying out Parts B (1) and (2) of the Project in accordance with, or pursuant to, the provisions of Section 2.05 of the Central Bank Project Agreement and Schedule 1 thereto;

(l) "Superintendencia" means the Superintendencia de Bancos, the Borrower's Superintendency of Banks;

(m) "Fiscal Year" means the twelve-month period corresponding to any of the Borrower's, any of its agencies' or entities' listed in paragraph (b) (i) of Section 3.01 to this Agreement, or any of the Central Bank's fiscal year, which period coincides with the calendar year;

(n) "Project Preparation Advance" means the advances granted by the Association to the Borrower pursuant to an exchange of letters dated December 5, 1985, December 12, 1985, November 17, 1987, June 13, 1988 and August 1, 1988 between the Borrower and the Association;

(o) "Credit Guidelines" means the guidelines and operating regulations to be furnished to and accepted by the Association pursuant to Schedule 1, paragraph 3 (d) (ii) of this Agreement and Section 2.08 (a) of the Central Bank Project Agreement for the provision of credit under Parts B (1) and (2) of the Project, and the term Credit Guidelines includes the Operating Guidelines for Credit Disbursement Procedures adopted by the Central Bank on October 20, 1988;

(p) "Sub-loan" means a loan made, or proposed to be made, by a Financial Intermediary out of the proceeds of the Credit relented to it by the Central Bank to an Eligible Miner (hereinafter defined) for an Investment Project, Working Capital or a Financial Restructuring (all hereinafter defined);

(q) "Central Bank Loan" means a loan made or proposed to be made by the Central Bank out of the proceeds of the Credit relented to it by the Borrower for purposes of Parts B (1) and (2) of the Project to a Financial Intermediary;

(r) "Eligible Miner" means an individual miner or a private mining firm or cooperative of such miners that a Financial Intermediary has declared to be, and the Association has accepted as, eligible according to the Credit Guidelines to receive Sub-loans;

(s) "Working Capital" means amounts used by an Eligible Miner in its day-to-day operations and eligible for financing as working capital according to the Credit Guidelines; and "Working Capital Sub-loan" means a Sub-loan made or proposed to be made for the financing exclusively of Working Capital;

(t) "Investment Project" means a specific development project, including pre-investment studies and exploration expenses, to be carried out by an Eligible Miner utilizing the proceeds of a Sub-loan, including the working capital needs related to such project;

(u) "Financial Restructuring" means a project for the technical and financial restructuring of an Eligible Miner;

(v) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 2 (b) of Schedule 2 to the Central Bank Project Agreement;

(w) "IDM" means Instituto de Desarrollo Minero, the Borrower's mining and metallurgical institute to be established by the Borrower pursuant to the provisions of Section 3.01 (c) (ii) of this Agreement;

(x) "STCM" means Servicio Tecnico y de Catastro Minero, the Borrower's technical mining cadastre institute to be established by the Borrower pursuant to the provisions of Section 3.01 (c) (ii) of this Agreement;

(y) "Implementation Agreements" means the agreements to be entered into, or the arrangements to be made, pursuant to the provisions of Section 3.01 (b) (ii) of this Agreement;

(z) "Charter" means Ley Organica del Banco Central de Bolivia, issued by the Borrower's Decreto Ley No. 14791 of August 1, 1977; and

(aa) "LIBOR" means the six (6) month London Interbank Offered Rate.

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 twenty-six million five hundred thousand Special Drawing Rights (SDR 26,500,000).

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

(b) 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, 1995, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge at the 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 the 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 June 30 immediately preceding the accrual date and 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 from the next payment date in that year specified in Section 2.06 of this Agreement.

(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 March 15 and September 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 semi-annual installments payable on each March 15 and September 15 commencing September 15, 1999 and ending March 15, 2029. Each installment to and including the installment payable on March 15, 2009 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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. (a) COMIBOL 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 in respect of Part A of the Project.

(b) 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 in respect of Part B of the Project.

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 Part C of the Project through the agencies or entities listed in paragraph (b) (i) of this Section, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and mining practices, and shall provide or cause to be provided, promptly as needed, the funds (including foreign exchange), facilities, services and other resources required for the Project.

(b) (i) Without any limitation or restriction upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall ensure that the following agencies or entities shall participate in the carrying out of the stated corresponding part of the Project:

MMM	Part C (1) of the Project
GEOBOL	Part C (2) of the Project
IDM	Part C (3) of the Project
STCM	Part C (4) of the Project
BAMIN	Part C (5) of the Project; and

(ii) the Borrower shall enter into agreements or make arrangements, as the case may be, satisfactory to the Association, with each of such agencies or entities providing for their respective obligations in the carrying out of such parts of the Project and for the transfer, on a grant basis, to such agencies or entities of part of the proceeds allocated for the carrying out of such parts of the Project.

(c) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause COMIBOL to perform in accordance with the provisions of the COMIBOL Project Agreement all the obligations of COMIBOL therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable COMIBOL to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(d) The Borrower shall relend to COMIBOL the proceeds of the Credit required for the carrying out of Part A of the Project under a subsidiary loan agreement (the COMIBOL Subsidiary Loan Agreement) to be entered into between the Borrower and COMIBOL, as follows:

(i) the Borrower shall relend part of said proceeds of the Credit to COMIBOL by means of a loan or loans in an aggregate amount not to exceed seventeen million six hundred thousand dollars (\$17,600,000) for purposes of Parts A (1) (a) and (b) of the Project under terms and conditions which shall have been approved by the Association, including, inter alia:

- (A) said loan or loans shall be denominated in dollars and repaid by COMIBOL to the Borrower in Bolivianos, at the official rate of exchange as determined by the Central Bank as of the date each repayment is made, such repayments to be made at least semi-annually;
- (B) COMIBOL shall pay interest on the principal amount of said loan or loans withdrawn and outstanding from time to time at a rate per annum equal to the LIBOR plus two (2) percentage points; and
- (C) COMIBOL shall repay said loan or loans over a period not to exceed ten (10) years, including a grace period of five (5) years; and

(ii) the Borrower shall relend part of the proceeds of the Credit to COMIBOL by means of a loan or loans in an aggregate amount not to exceed an amount in dollars equivalent to three million nine hundred thousand Special Drawing Rights (SDR 3,900,000) (approximately \$5,100,000) for purposes of Parts A (1) (c), (2) and (3) of the Project under terms and conditions which shall have been approved by the Association which shall include, inter alia:

- (A) said loan or loans shall be denominated in dollars equivalent to the SDR amounts relent, and repaid in dollars;
- (B) COMIBOL shall pay to the Borrower the commitment charge and service charge set forth in Sections 2.04 and 2.05 of this Agreement allocable to the part of the proceeds of the Credit relent to COMIBOL; and
- (C) COMIBOL shall repay the principal amount of said loan or loans and applicable charges in accordance with the provisions set forth in Section 2.07 of this Agreement.

(e) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause the Central Bank to perform in accordance with the provisions of the Central Bank Project Agreement all the obligations of the Central Bank therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Central Bank to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(f) The Borrower shall relend to the Central Bank the proceeds of the Credit required for the carrying out of Parts B (1) and (2) of the Project under a subsidiary loan agreement (the Central Bank Subsidiary Loan Agreement) to be entered into between the Borrower and the Central Bank, under terms and conditions which shall have been approved by the Association and which shall include, inter alia, that:

(i) the Borrower shall relend part of the proceeds of the Credit to the Central Bank by means of a loan or loans in an aggregate

amount not to exceed an amount in dollars equivalent to five million five hundred thousand Special Drawing Rights (SDR 5,500,000) (approximately \$7,300,000);

- (ii) said loan or loans shall be denominated in dollars equivalent to the SDR amounts relent, and repaid by the Central Bank to the Borrower in dollars;
- (iii) the Central Bank shall pay to the Borrower the commitment charge and service charge set forth in Sections 2.04 and 2.05 of this Agreement allocable to the part of the proceeds of the Credit relent to the Central Bank; and
- (iv) the Central Bank shall repay the principal amount of said loan or loans in accordance with the provisions of Section 2.07 of this Agreement.

(g) The Borrower shall exercise its rights and comply with its obligations under the COMIBOL Subsidiary Loan Agreement and the Central Bank Subsidiary Loan Agreement, in such a 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 assign, amend, abrogate or waive the Central Bank Subsidiary Loan Agreement or the COMIBOL Subsidiary Loan Agreement, or any provision thereof.

Section 3.02. 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 Part A of the Project shall be carried out by COMIBOL and that those in respect of Part B of the Project shall be carried out by the Central Bank pursuant to Section 2.03 of the COMIBOL Project Agreement and Section 2.03 of the Central Bank Project Agreement, respectively.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. (a) The Borrower shall enter into contractual arrangements satisfactory to the Association, with a procurement agent acceptable to the Association, for the purposes of providing services for the Project in the contracting of consultants and procuring the goods and services financed out of the proceeds of the Credit.

(b) The Borrower shall exercise its rights and comply with its obligations under the contractual arrangements referred to in paragraph (a) above in such a manner as to protect the interests of the Borrower and Association, and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive said contractual arrangements or any provision thereof.

Section 3.05. The Borrower shall:

(a) not later than December 31, 1989, make, or cause to be made, equity contributions, in an aggregate amount not to exceed the equivalent of nine million dollars (\$9,000,000), to COMIBOL with the exclusive purpose of covering all cash deficits incurred by COMIBOL during COMIBOL's Fiscal Year (as such term is defined in the COMIBOL Project Agreement) 1989;

(b) not later than December 31, 1990, enter into an agreement, satisfactory to the Association, with COMIBOL, which agreement shall set forth the terms and conditions for, inter alia, the distribution of cash or shares payable from COMIBOL earnings in respect of COMIBOL stock;

(c) not later than June 30, 1990: (i) complete, or cause to be completed, the reorganization of MMM, GEOBOL, and BAMIN in a manner satisfactory to the Association and consistent with the Institutional Master Plan, dated January 1989 (Plan Maestro), previously agreed upon between the Association and the Borrower; and (ii) establish IDM and STCM in a form and with functions satisfactory to the Association;

(d) not later than November 30 of each of its Fiscal Years, after its Fiscal

Year ending December 31, 1988, prepare and submit, or cause to be prepared and submitted, for the Association's review and approval, the training program to be carried out, during the immediately following Fiscal Year, under Part C of the Project; and

(e) without limitation to the provisions of Section 9.06 of the General Conditions, not later than December 31 of each of its Fiscal Years, after its Fiscal Year ending December 31, 1988, prepare and submit, or cause to be prepared and submitted, to the Association: (i) each February 15, May 15, August 15 and November 15 thereafter, a report, of such scope and in such detail as the Association shall reasonably request, on the progress achieved in the execution of the Project during the immediately preceding quarter of the Fiscal Year; and (ii) for the Association's review and approval, a plan of action for the implementation of the Project during the immediately following Fiscal Year, taking into account the Borrower's proposed budgetary allocations for the Project for the Fiscal Year in question.

Section 3.06. (a) The Borrower shall appoint and maintain a Project coordinator in MMM with functions and qualifications and terms of employment all satisfactory to the Association for purposes of supervising the overall implementation of all Parts of the Project.

(b) The Borrower shall establish and thereafter maintain, or shall cause to be established and thereafter maintained, in a form and with functions satisfactory to the Association, a Project coordination unit in MMM (the MMM Project Coordination Unit) for purposes of Part C of the Project to, among other things, supervise the overall day-to-day implementation of such Part of the Project, and shall staff the said unit with personnel in numbers and with qualifications and experience and terms of employment all satisfactory to the Association, such personnel to include, a sub-Project coordinator (the MMM Sub-Project Coordinator) to be appointed by the Borrower to head the MMM Project Coordination Unit.

Section 3.07. Not later than December 31, 1990, the Borrower shall take all measures acceptable to the Association to promote investment activities in its mining sector generally, including, inter alia, the improvement of present licensing procedures for mineral exploration and exploitation, improvement of cadastral services, establishment of a joint venture framework and a taxation and investment policy conducive for the promotion of said activities and the improvement and minimization of restrictions of mineral exploration policies, rules and regulations. All such measures shall be basically consistent with the draft legislation furnished by the Borrower to the Association under letter dated March 27, 1989.

Section 3.08. Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower undertakes to take, or cause to be taken, all action necessary to: (i) enable COMIBOL to comply with its obligations under Sections 2.09, 4.02, 4.03, 4.04 and 4.05 of the COMIBOL Project Agreement; and (ii) enable BAMIN to comply with a restructuring action plan satisfactory to the Association.

Section 3.09. Not later than June 30, 1991, the Borrower shall prepare and submit, or cause to be prepared and submitted, to the Association a national environmental protection action plan, acceptable to the Association, for, inter alia, the disposal of solid and liquid waste generated by the Borrower's mining and related activities.

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 Part C of the Project of the agencies or entities listed in paragraph (b) (i) of Section 3.01 of this Agreement and other agencies or entities of the Borrower responsible for the carrying out of such Part of the Project, or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section 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 (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
 - (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:
- (i) maintain or cause to be maintained in each agency listed in paragraph (b) of Section 3.01 of this Agreement and in each other department or agency of the Borrower responsible for the carrying out of Part C of the Project, or any part thereof, in accordance with sound accounting practices, records and accounts reflecting such expenditures;
 - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained in each such agency and department until at least one (1) year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made;
 - (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 events are specified:

- (a) COMIBOL shall have failed to perform any of its obligations under the COMIBOL Project Agreement;
- (b) the Central Bank shall have failed to perform any of its obligations under the Central Bank Project Agreement;
- (c) the Central Bank or any Financial Intermediary shall have failed to perform any of its respective obligations under the applicable Participating Agreement;
- (d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that COMIBOL or the Central Bank will be able to perform any of its respective obligations under the COMIBOL Project Agreement or the Central Bank 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 or the Charter or the Credit Guidelines, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Central Bank to perform any of its obligations under the Central Bank Project Agreement;
- (f) Decreto Supremo No. 3196 of October 2, 1952, establishing COMIBOL shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of COMIBOL to perform any of its obligations under the COMIBOL Project Agreement;

(g) The Borrower, or any other authority having jurisdiction, shall have taken any action for the dissolution or disestablishment of COMIBOL or of the Central Bank, or for the suspension of the operations of either one or of both of them;

(h) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds under any of the Cofinancing Agreements or of 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 therefor; or

(B) Any of the Cofinancing Agreement or any such loan or credit 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;

(i) The Borrower shall, in the opinion of the Association, have failed to take any or all of the measures referred to in Section 3.07 of this Agreement, so as to promote investment activities in its mining sector as provided in said Section;

(j) Decreto Supremo No. 7148 of May 7, 1965, shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Association, materially and adversely the ability of the Borrower or COMIBOL to perform any of its obligations under this Agreement or the COMIBOL Project Agreement, respectively; and

(k) Decreto Supremo No. 21377 of August 25, 1986, shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Association, materially and adversely the ability of COMIBOL to perform any of its obligations under the COMIBOL Project Agreement.

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

(a) that the event specified in sub-paragraph (h) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of sub-paragraph (h) (ii) of that Section;

(b) that any event specified in paragraphs (a), (b), (c), (e) or (f) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(c) any event specified in paragraph (g) of Section 5.01 of this Agreement shall occur.

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 COMIBOL Subsidiary Loan Agreement has been executed on behalf of the Borrower and of COMIBOL;

(b) that the Central Bank Subsidiary Loan Agreement has been executed on behalf of the Borrower and of the Central Bank;

(c) that COMIBOL has complied with Section 2.12 (a) of the COMIBOL Project

Agreement;

(d) that the Borrower has complied with its obligation under Section 3.06 (a) of this Agreement; and

(e) that all conditions precedent to the effectiveness of the cofinancing agreements with the Government of Sweden, or the right to make withdrawals thereunder, except only the effectiveness of this Agreement, shall have been fulfilled, and that the Association has received from IDB assurances, satisfactory to the Association, that IDB intends to cofinance part of the Project.

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 COMIBOL Project Agreement has been duly authorized or ratified by, and is legally binding upon, COMIBOL in accordance with its terms and conditions;

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

(c) that the COMIBOL Subsidiary Loan Agreement has been duly authorized or ratified by, and is legally binding upon, the Borrower and COMIBOL in accordance with its terms and conditions; and

(d) that the Central Bank Subsidiary Loan Agreement has been duly authorized or ratified by, and is legally binding upon, the Borrower and the Central Bank in accordance with its terms and conditions.

Section 6.03. The date November 7, 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, IV and V of this Agreement shall cease on the date on which this Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Planning and Coordination 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:

Ministerio de Planeamiento y Coordinacion
La Paz
Bolivia

Cable address:

MINPLANEACION
La Paz - Bolivia

Telex:

3280 (MINCORD BV)

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/ Carlos Delius

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) Works under Part A of the Project	10,600,000	100% of foreign expenditures and 90% of local expenditures
(2) Works under Part C of the Project	1,100,000	100% of foreign expenditures and 90% of local expenditures
(3) Goods (including equipment, spare parts therefor and materials) under Part A of the Project	5,000,000	100% of foreign expenditures and 80% of local expenditures
(4) Goods (including equipment, spare parts therefor and materials) under Part C of the Project	900,000	100% of foreign expenditures and 80% of local expenditures
(5) Sub-loans made under Part B of the Project	5,500,000	70% of amounts disbursed by the Central Bank for Sub-loans made by Financial Intermediaries
(6) Consultants' ser- vices (including training) under Part A of the	800,000	100% of foreign expenditures and 90% of local expenditures

Project			
(7)	Consultants' services (including training) under Part C of the Project	900,000	100% of foreign expenditures and 90% of local expenditures
(8)	Refunding of Project Preparation Advance	1,000,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(9)	Unallocated	700,000	
	TOTAL	26,500,000	

2. For the purposes of this Schedule 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 the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 2,600,000 may be made in respect of Categories on account of payments made for expenditures before that date but after March 1, 1989;

(b) expenditures under Categories (1), (3) and (6) of the table in paragraph 1 above, unless COMIBOL has appointed the COMIBOL Project Coordinator as provided in Section 2.06 (b) of the COMIBOL Project Agreement;

(c) expenditures under Category (2), (4) and (7) of the table in paragraph 1 above, unless the Borrower has appointed the MMM Sub-Project Coordinator as provided in Section 3.06 (b) of this Agreement and (i) in respect of GEOBOL and Part C (2) of the Project, unless the Borrower has entered into or made arrangements, satisfactory to the Association, with GEOBOL pursuant to Section 3.01 (b) (ii) of this Agreement; (ii) in respect of IDM and Part C (3) of the Project, unless the Borrower has entered into or made arrangements, satisfactory to the Association, with IDM pursuant to said Section; (iii) in respect of STCM and Part C (4) of the Project, unless the Borrower has entered into or made arrangements, satisfactory to the Association, with STCM pursuant to said Section; and (iv) in respect of BAMIN and Part C (5) of the Project, unless the Borrower has entered into or made arrangements, satisfactory to the Association, with BAMIN pursuant to said Section;

(d) expenditures under Category (5) of the table in paragraph 1 above, unless:

- (i) the Central Bank has appointed the Administrator within the DCD as provided in Section 2.08 (b) of the Central Bank Project Agreement;
- (ii) the Central Bank has submitted to the Association, and the Association has approved, the Credit Guidelines referred to in Section 2.08 (a) of the Central Bank Project Agreement;
- (iii) the Association has received satisfactory evidence that the Central Bank has entered into at least two (2) Participating Agreements with Financial Intermediaries; and
- (iv) the Sub-loan in question has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 2 to the Central Bank Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) assist the Borrower in implementing

its mining sector strategy; (ii) increase the sources of funding available to mining companies operating in the Borrower's territory, including the Central Bank's ability to promote mining credit within the Borrower's banking system; (iii) attract new private mining investment, both local and foreign, in accordance with the Borrower's

Part A: COMIBOL Rehabilitation, Strengthening, and Promotion of Investment through Joint Ventures and Other Contractual Arrangements

(1) COMIBOL Rehabilitation:

(a) Upgrading of the following mines: Huanuni, San Jose, San Vicente, Chorolque, Colquiri, Caracoles, Viloco and Unificada;

(b) Upgrading of COMIBOL plant facilities and central offices; and

(c) Carrying out of studies, including: (i) studies to promote the joint venturing, or other profitable forms of operating, the following mines, among others: Tatasi, Tasna, Chorolque, Animas Inocentes, Poopo, and Santa Fe; (ii) studies on the technical and financial feasibility on the optimal operational capacity of the following mines: San Jose, San Vicente, Unificada, Caracoles, and Viloco; and (iii) studies on the hydropower supply at the Colquiri mine, on leaching at the Unificada and Animas Inocentes mines, and on the use of tailings at the Catavi Siglo XX areas.

(2) COMIBOL Management Strengthening and Training of COMIBOL Personnel

(a) Strengthening of COMIBOL management through the recruitment of management and technical experts and the provision of technical assistance in the fields of strategic planning, human resources, marketing, industrial safety and environmental protection and mine project evaluation;

(b) (i) Carrying out of a training program for COMIBOL personnel; and (ii) establishment of a training unit within COMIBOL for purposes of supervising the training under Part A (2) (b) (i) of the Project.

(3) COMIBOL Promotion of Joint Ventures and Other Contractual Arrangements

(a) Promotion of joint ventures and other contractual arrangements for the mines to be studied under Part A (1) (c) (i) of the Project;

(b) Identification of the possibility of, and promotion of joint ventures for, the profitable operation of selected mines, including talings, which are currently non-operational; and

(c) Promotion of joint ventures, leasing, management or other contractual arrangements in respect of COMIBOL's exploration holdings with minor or no recent work.

Part B: Sub-loans

(1) A program of Sub-loans to Eligible Miners for Investment Projects and Working Capital;

(2) A program of Sub-loans to Eligible Miners for Financial Restructuring; and

(3) Provision of technical assistance for strengthening of Financial Intermediaries in the appraisal of the technical and financial feasibility of mining projects.

Part C: Mining Sector Institutional Strengthening

(1) Strengthening the capacity of MMM to supervise and coordinate mining sector policy through: (a) the provision of consulting services for, and training of, MMM key personnel; and (b) the provision of data processing and communications equipment for MMM.

(2) (a) Strengthening the operations of GEOBOL through (i) technical assistance; (ii) training of its key personnel; and (iii) construction and equipping of laboratories and other installations; and

(b) carrying out of selected geological and mineral investigation projects.

(3) Strengthening of IDM in its capacity to render specialized services and provide

advice to the Borrower's mining community through: (a) technical assistance; (b) training and carrying out of selected metallurgical projects; and (c) provision of laboratory and office equipment.

(4) Reinforcing and improving the Borrower's cadastral services through the provision of technical assistance, and training and equipment required therefor.

(5) (a) Provision of technical assistance for the restructuring of BAMIN and the strengthening of its capabilities in, inter alia, revaluation of assets, recovery of loans and establishment of a management information system; and

(b) Training of BAMIN key personnel in the areas of, inter alia, accounting, financial planning, inventory management, project appraisal, credit management and marketing of minerals.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods and Works for Parts A and C of the Project

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 goods and works shall be grouped in bid packages estimated to cost the equivalent of \$200,000 or more each.

Part B: Preference for Domestic Manufacturers

1. in the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the territory of the Borrower 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. Limited International Bidding:

Items or group of items costing less than \$200,000 equivalent and goods which can only be procured from a limited number of firms, up to an aggregate amount not to exceed \$2,200,000 for Part A of the Project and \$300,000 for Part C of the Project, 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 four 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).

2. Local Competitive Bidding:

Computers, office equipment and spare parts for Parts A and C of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Direct Contracting:

Proprietary items for Part A of the Project not exceeding in the aggregate \$400,000 equivalent may be procured by direct contracting from suppliers eligible under the Guidelines.

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 for goods estimated to cost more than the

equivalent of \$300,000 and each contract for works estimated to cost more than the equivalent of \$500,000, 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.

(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) of this Agreement.

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

Section II: Employment of Consultants

1. In order to assist the Borrower in the carrying out of the Project, the Borrower and COMIBOL, as the case may be, shall, in respect of Parts A and C of the Project, employ mining, engineering, financial and management 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.

Section III: Procurement of Goods, Works and Services under Part B of the Project

1. Contracts for goods and works to be financed out of the proceeds of Sub-loans shall be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and in the case of works, of their quality and the competence of the parties rendering them; provided, however, that (i) contracts for goods, works and services to be financed out of the proceeds of the Sub-loans estimated to cost more than the equivalent of \$25,000 per contract, shall be awarded on the basis of comparison of price quotations solicited from a list of at least three (3) suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association; (ii) the condition, value and useful life of used equipment procured through the proceeds of the Sub-loans shall be certified by independent and qualified experts acceptable to the Association; and (iii) proceeds of the Sub-loans allocated for the procurement of used equipment shall not exceed in the aggregate the equivalent of \$2,000,000.

2. Contracts for the provision of technical assistance services to be financed out of the proceeds of the Sub-loans in respect of Part B of the Project shall provide for the employment of consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Modifications of the General Conditions

For purposes of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) The words "the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (e) by the date specified in sub-paragraph 3 (c) of Schedule 2 to the Central Bank Project Agreement, the Association shall, in respect of any portion of the Credit: (i) have received no applications or requests permitted under sub-paragraphs (a) or (b) of said paragraph; or (ii) have denied any

such applications or requests, the Association may, by notice to the Borrower, terminate the right to submit such applications or approvals or to make withdrawals from the Credit Account, as the case may be, with respect to such amount or portion of the Credit. Upon the giving of such notice, such amount or portion of the Credit shall be cancelled."

