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CONFORMED COPY

TRUST FUND NUMBER 024243

Swedish Grant Agreement

in respect of the

Education Quality and Equity Strengthening Project

(Credit No. 3096-BO)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

as Administrator on behalf of the

KINGDOM OF SWEDEN

Dated October 1, 2001

TRUST FUND NUMBER 024243

SWEDISH GRANT AGREEMENT

AGREEMENT, dated October 1, 2001, between the REPUBLIC OF BOLIVIA (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Administrator), acting as Administrator of a Grant provided by the KINGDOM OF SWEDEN (Sweden).

WHEREAS (A) pursuant to Development Credit Agreement (3096-BO Education Quality and Equity Strengthening Project) dated July 20, 1998 between the Recipient and the Administrator (the Credit Agreement) the Administrator has extended to the Recipient a credit in an amount in various currencies equivalent to fifty-five million seven hundred thousand Drawing Rights (SDR 55,700,000) (the Credit) to assist in the financing of the Project described in Schedule 2 of the Credit Agreement (the Project);

(B)

the Recipient has requested assistance of Sweden in the financing of the Project and in consideration of this request, Sweden intends to deposit in IBRD's Cash Account "T" in Sveriges Riksbank (the Swedish Trust Fund Account) an aggregate amount of one hundred and two millions five-hundred thousand Swedish Kronor (SEK102,500,000) (the Swedish Grant), and has, pursuant to an agreement dated November 17, 2000 between Sweden and the Administrator (the Swedish Administration Agreement) appointed the Administrator as Administrator of said Grant for the purpose of providing assistance to the Recipient in accordance with the provisions of the Cofinancing, Technical Assistance and Trust Fund Framework Agreement between Sweden and the International Bank for Reconstruction and Development and the Administrator, dated March 23, 1998 (the Framework Agreement); and

(C)

the Recipient and the Administrator intend, to the extent practicable, that the proceeds of the Grant provided for in this Agreement be disbursed on account of expenditures in respect of the Project before the disbursements of the proceeds of

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the Credit are made, pursuant to the provisions of the Credit Agreement, as applicable;

WHEREAS, the Recipient acknowledges that the financial assistance extended to the Recipient under this Agreement shall be considered as part of the bilateral development aid extended by Sweden to the Recipient; and

WHEREAS the Administrator has agreed on the basis, inter alia, of the foregoing to extend the Swedish Grant to the Recipient upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Development Credit Agreements of the Administrator, dated January 1, 1985 (as

amended through December 2, 1997) with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

(i)

Article I;

(ii)

Sections 2.01 (1), (2), (3), (4), (5), (6), (7), (8), (9), (12) and (14), 2.02 and 2.03;

(iii)

Section 3.01;

(iv)

Sections 4.01 and 4.05;

(v)

Article V;

(vi)

Sections 6.01, 6.02, 6.03, 6.04 and 6.06;

(vii)

Section 8.01 (b);

(viii) Sections 9.01, 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08;

(ix)

Article X; and

(x)

Article XI.

(b)

The General Conditions shall be modified as follows:

(i)

the term "Association", wherever used in the General Conditions, other than in Section 6.02 (e) thereof, means the International Development Association acting as Administrator of the Swedish Grant pursuant to the Swedish Administration Agreement, except that in Section 6.02, the term "Association" shall also include the International Development Association acting in its own capacity;

(ii)

the term "Borrower", wherever used in the General Conditions, means the Recipient;

(iii)

the term "Development Credit Agreement", wherever used in the General Conditions, means this Agreement except that in Section 6.02 (a), the term "Development Credit Agreement" means the Credit Agreement;

(iv)

the term "Credit", wherever used in the General Conditions, means the Swedish Grant;

(v)

the term "Credit Account", wherever used in the General Conditions, means the Swedish Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited; and

(vi)

Section 4.01 shall be modified to read:

"Withdrawals from the Swedish Grant Account shall be made in Swedish

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Kronor; provided, however, that if the expenditures to be financed out of the proceeds of the Swedish Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase

such currency with the proceeds of such withdrawal."

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

(a)

"BCB" means Banco Central de Bolivia, the Recipient's central bank;

(b)

"FPS Swedish Special Account" means the special deposit account referred to in Section 2.02 (c) (ii) of this Agreement;

(c)

"MECD Swedish Special Account" means the special deposit account referred to in Section 2.02 (c) (i) of this Agreement;

(d)

"Swedish Kronor" and the symbol "SEK" mean the currency of Sweden; and

(c)

"Swedish Special Account" means the MECD Swedish Special Account or the FPS Special Account.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to extend to the Recipient, on the terms and conditions herein set forth or referred to, a grant in an amount of one hundred and two millions five hundred thousand Swedish Kronor (SEK102,500,000) in accordance with the provisions of the Swedish Administration Agreement.

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

(b)

Withdrawals from the Swedish Grant Account shall be made in the respective currencies in which the expenditures to be financed out of the proceeds of the Swedish Grant have been paid or are payable, or, at the option of the Administrator, in Swedish Kronor.

(c)

The Recipient may, for the purposes of each of: (i) Parts B, D and E of the Project; and (ii) Parts A and C of the Project, open and maintain in Dollars separate special deposit accounts in BCB on terms and conditions satisfactory to the Administrator. Deposits into, and payments out of, each Swedish Special Account shall be made in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.03 No withdrawals shall be made from the Grant Account after December 31, 2003, or such later date that Administrator shall establish by notice to the Recipient (the Closing Date). However, withdrawals may be made after the Closing Date for expenditures incurred prior to the Closing Date, if the corresponding withdrawal application is received by the Administrator within four (4) months after the Closing Date, after which time any amount of the Grant remaining unwithdrawn from the Grant Account shall be canceled.

ARTICLE III

Execution of the Project

Section 3.01. Except as the Administrator shall otherwise agree, the provisions of Articles III, IV and V of the Credit Agreement for the Education Quality and Equity Strengthening Project (as amended to the date of this Agreement) are hereby incorporated into this Agreement with the same force and effect as if they were fully set forth herein, it being understood that all references therein to the "Association" shall be deemed to be references to the Administrator under this Agreement, all references to the "Credit" shall be deemed to be references to the Swedish Grant, and all references to the "Borrower" shall be deemed to be references to the Recipient.

ARTICLE IV

Effectiveness; Termination; Representation

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Section 4.01. This Swedish Grant Agreement shall become effective upon its execution.

Section 4.02. This Swedish Grant Agreement and all obligations of the Recipient and the Administrator shall terminate on the date on which the Credit Agreement shall terminate in accordance with its terms.

Section 4.03. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 4.04. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministerio de Hacienda

Palacio de Comunicaciones, Piso 19

Av. Mariscal Santa Cruz, esq. Calle Oruro s/n

La Paz, Bolivia

Cable address:

FINANZA

La Paz, Bolivia

For the Administrator:

International Development Association

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address:

Telex:

INDEVAS

248423 (MCI) or

Washington, D.C.

64145 (MCI)

Section 4.05. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Credit Agreement.

ARTICLE V

Transfer of Rights and Obligations

Section 5.01. In accordance with the Framework Agreement, the rights and obligations of the Administrator under this Agreement may be transferred to Sweden.

The Recipient agrees that, upon notice by the Administrator to the Recipient to that effect, Sweden shall, ipso facto, from the date specified in such notice, be substituted in all rights and obligations of the Administrator under this Agreement as if Sweden had been an original party to this Agreement, without any further action required on the part of any party, and from such date the Administrator shall cease to have any rights or obligations as a party under this Agreement.

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

REPUBLIC OF BOLIVIA

By /s/ Jacques Trigo Loubiere

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION,

as Administrator on behalf of the

KINGDOM OF SWEDEN

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By /s/ Isabel Guerrero

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Swedish Grant

Section A:

General

1.

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

Amount of the
Swedish Grant Allocated
% of

(Expressed in
Expenditures
Category
SEK Equivalent)
to be Financed

(1)

Civil Works under
38,700,000
100% of FPS financial
Part A.1 of the Project
share under each
Educational Subproject

(2)

Goods

(a)

under Part A.1
13,100,000
100% of FPS financial
of the Project
share under each
Educational Subproject

(b)

under Part B.3 (e) 37,400,000
100% of foreign
of the Project
expenditures; 87%
of local expenditures

(3)

Consultants' Services and 8,500,000
87%

Training under Part B.3
of the Project

(4)

Unallocated
4,800,000

TOTAL

102,500,000

2.

For the purposes of this Schedule:

(a)

"foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods supplied from the territory of any country other than that of the Recipient; and

(b)

"local expenditures" means expenditures in the currency of the Recipient or for goods supplied from the territory of the Recipient.

3.

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

(a)

for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SEK10,250,000, may be made in respect of Categories (1) through (3) of the table in paragraph 1 above on account of payments made for expenditures incurred before the date of this Agreement but after June 1, 2000; and

(b)

expenditures that the Administrator shall have financed or agreed to finance.

4.

The Administrator may require withdrawals from the Swedish Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and consultant's services in respect of which the procedures for Prior Review and Prior Review for Consultants referred to in Schedule 3 to the Credit Agreement will not be required in accordance with the provisions of the table in Section V of such Schedule, all under such terms and conditions as the Administrator shall specify by notice to the Recipient.

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SCHEDULE 2

Swedish Special Accounts

1.

For the purposes of this Schedule:

(a)

the term "Eligible Categories" means the Categories 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 Swedish Grant 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: (i) an amount equivalent to \$500,000 to be withdrawn from the Swedish Grant Account and deposited into the MECD Swedish Special Account pursuant to paragraph 3(a) of this Schedule; and (ii) an amount equivalent to \$500,000 to be withdrawn from the Swedish Grant Account and deposited into the FPS Swedish Special Account pursuant to paragraph 3(a) of this Schedule.

2.

Payments out of the respective Swedish Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3.

After the Administrator has received evidence satisfactory to it that the respective Swedish Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Swedish Special Account shall be made as follows:

(a)

For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Administrator a request or requests for deposit into the respective Swedish Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Recipient, withdraw from the Swedish Grant

Account and deposit into the respective Swedish Special Account such amount or amounts as the Recipient shall have requested.

(b)

(i)

For replenishment of the respective Swedish Special Account, the Recipient shall furnish to the Administrator requests for deposits into the respective Swedish Special Account at such intervals as the Administrator shall specify.

(ii)

Prior to or at the time of each such request, the Recipient shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Recipient, withdraw from the Swedish Grant Account and deposit into the respective Swedish Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Swedish Special Account for Eligible Expenditures. All such

deposits shall be withdrawn by the Administrator from the Swedish Grant Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4.

For each payment made by the Recipient out of the respective Swedish Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5.

Notwithstanding the provisions of paragraph 3 of this Schedule, the Administrator shall not be required to make further deposits into any Swedish Special Account.

Account:

(a)

if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Recipient directly from the Swedish Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b)

if the Recipient shall have failed to furnish to the Administrator, within the period of time specified in Section 4.01 (b)(ii) of the Credit Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for any Swedish Special Account;

(c)

if, at any time, the Administrator shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Swedish Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d)

once the total unwithdrawn amount of the Swedish Grant allocated to the Eligible Categories for the respective Swedish Special Account, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocations.

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

6.

(a)

If the Administrator shall have determined at any time that any payment out of any Swedish Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the respective Swedish Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into any Swedish Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b)

If the Administrator shall have determined at any time that any amount outstanding in any Swedish Special Account will not be required to cover further payments for Eligible Expenditures, the Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

(c)

The Recipient may, upon notice to the Administrator, refund to the Administrator all or any portion of the funds on deposit in the Swedish Special Accounts.

(d)

Refunds to the Administrator made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Swedish Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.