

CONFORMED COPY

SWEDISH GRANT RELATED TO CREDIT NUMBER 2127-BO

in respect of the
Social Investment Fund Project
(Credit Number 2127-BO)

between

REPUBLIC OF BOLIVIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator on behalf of the
GOVERNMENT OF THE KINGDOM OF SWEDEN

Dated July 26, 1991

SWEDISH GRANT RELATED TO CREDIT NUMBER 2127-BO

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated July 26, 1991, between REPUBLIC OF BOLIVIA (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Administrator), acting as Administrator of a Grant provided by the GOVERNMENT OF THE KINGDOM OF SWEDEN (Sweden).

WHEREAS the Recipient has requested the assistance of Sweden in the financing of the Social Investment Fund Project (the Project) described in the Schedule 2 to the Development Credit Agreement dated May 7, 1990 for Credit No. 2127-BO (the Development Credit Agreement), between the Recipient and the International Development Association, acting in its own capacity (the Association);

WHEREAS in consideration of the above-mentioned request, Sweden intends to open an account (the Trust Account) and intends to deposit therein an amount of twenty-six million Swedish Kronor (SKr 26,000,000) (the Grant) and has, pursuant to an agreement of even date herewith between Sweden and the Association, (the Administration Agreement), appointed the Association as Administrator of the said Trust Account for the purpose of providing assistance to the Recipient;

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 Association, as Administrator, has agreed on the basis, inter alia, of the foregoing to extend the 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. The parties to this Agreement accept all the provisions of the "General Conditions Applicable to Development Credit Agreements" (the General Conditions) of the Administrator, dated January 1, 1985, with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof:

(a) the term "Association", whenever used in the General Conditions, means the International Development Association acting as Administrator of the Grant pursuant to the provisions of the Administration Agreement, except that in Sections 2.01 and 6.02 thereof, the term "Association" shall also include the Association acting in its own capacity or as Administrator as the case may be;

(b) the term "Development Credit Agreement", whenever used in the General Conditions, means this Agreement;

(c) the term "Credit", whenever used in the General Conditions, means the Grant hereunder;

(d) the term "Credit Account", whenever used in the General Conditions, means the Grant Account as defined hereunder; and

(e) Sections 3.02, 3.03, 3.04, 3.05, 4.01, 4.02, 4.03, 4.04, 4.06, 6.05, 7.01, 8.01 (a), 12.01, 12.02 and 12.05 of the General Conditions are deleted.

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

(a) "Kronor" and the symbol "SKr" mean the currency of the Kingdom of Sweden;

(b) "Grant Account" means the account to be opened by the Administrator in its books in the name of the Recipient to which the amount of the Grant is to be credited;

(c) "Special Account" means the account to be opened by the Recipient pursuant to Section 2.02 (c) of this Agreement; and

(d) "SIF" or "Social Investment Fund" means the Social Investment Fund (Fondo de Inversion Social), established by the President of the Republic of Bolivia as a public entity with juridical personality pursuant to Decreto Supremo No. 22407 of January 11, 1990, published in the Official Gazette No. 1634, dated February 19, 1990, as amended by Decreto Supremo No. 22452 of March 8, 1990, published in the Official Gazette No. 1640, dated March 26, 1990.

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 twenty-six million Swedish Kronor (SKr 26,000,000).

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

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

(c) The Recipient shall, for the purposes of the Grant, open and maintain in

Kronor a Special Account in a commercial bank on terms and conditions satisfactory to the Administrator. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1994, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. Except as the Administrator shall otherwise agree, Articles III and IV of the Development Credit 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 therein to the "Credit" shall be deemed to be references to the Grant, and all references therein to the "Borrower" shall be deemed to be references to the Recipient.

ARTICLE IV

Effectiveness; Termination; Representation

Section 4.01. This Agreement shall become effective when the Development Credit Agreement shall be declared effective by the Association.

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

Section 4.03. The representative designated in Section 8.01 of the Development Credit Agreement shall be the representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 4.04. The addresses specified in Section 8.02 of the Development Credit Agreement shall be the addresses specified for the purposes of Section 11.01 of the General Conditions.

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

ARTICLE V

Transfer of Rights and Obligations

Section 5.01. In accordance with the Administration Agreement, the rights and obligations of the Administrator under this Agreement may be transferred to Sweden. The Recipient accepts and 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 or formality 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 in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF BOLIVIA

By /s/ Jorge Crespo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION,
as ADMINISTRATOR on behalf of the
GOVERNMENT OF THE KINGDOM OF SWEDEN

By /s/ Shahid Husain

Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

Category	Amount of the Grant Allocated (Expressed in Swedish kronor)	% of Expenditures to be Financed
(1) Investment Subprojects for health under Part A.1 of the Project:		90% of amounts disbursed by SIF for each Sub- project for which a Subproject agreement has been signed before Decem- ber 31, 1991
(a) Primary Care	3,120,000	
(b) Nutrition	3,900,000	
(c) Basic Sanitation	3,900,000	
(2) Investment Subprojects for education under Part A.1 of the Project:		90% of amounts disbursed by SIF for each Sub- project for which a Subproject con- tract has been signed before December 31, 1991
(a) Construction of classrooms and libraries	7,020,000	
(b) Equipment, furniture and text distribu- tion	780,000	
(c) Training programs	780,000	
(3) IS Subprojects under Part A.2 of the Project	260,000	90% of amounts for Subprojects disbursed by SIF for each Sub- project for which a Subproject con- tract has been signed before December 31, 1991
(4) Institutional Development of	3,640,000	100% of expendi- tures made by SIF

SIF

before Decem-
ber 31, 1991

(5) Unallocated 2,600,000
TOTAL SKr 26,000,000

2. For the purposes of this Schedule:

(a) the term "Institutional Development of SIF" means the salaries, travel, and training expenses for SIF managers, excluding its executive director, and fixed-term technical staff; equipment, supplies and vehicles; and consultants' services, including travel and subsistence of consultants.

3. Notwithstanding the provisions of paragraph 1 above, and unless otherwise agreed by the Association, no withdrawal shall be made in respect of:

(a) a Subproject unless the Subproject is in accordance with the provisions set forth or referred to in Schedule 4 to the IDA Development Credit Agreement; and

(b) expenditures for any Subproject of each of the groups of Subprojects identified in paragraphs 1 (a) (iii) and (vi), (b) (iii) and 2 of the Annex to Schedule 2 to the Development Credit Agreement unless: (i) a methodology for selection and appraisal of such types of Subprojects and criteria to be met by a Requesting Entity to be eligible for the carrying out of an IS Subproject or a Special Subproject encompassing the same type of services or activities as an IS Subproject, both acceptable to the Association, have been developed by SIF; and (ii) SIF's Evaluation Manual has been amended to incorporate such methodology and criteria.

SCHEDULE 2

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required during the execution of the Project and to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount of SKr 2,600,000 to be withdrawn from the Grant Account and deposited into the Special Account.

2. Except as the Administrator 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 Administrator 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) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Administrator a request or requests for a deposit or deposits 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 Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Administrator requests for deposits into the 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 Grant Account and deposit into the 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 made out of the Special Account for eligible

expenditures. All such deposits shall be withdrawn by the Administrator from the Grant Account in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made to the Recipient out of the 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 the Special Account:

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

(b) once the total unwithdrawn amount of the Grant, less the amount of any outstanding special commitment entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal twice the equivalent of the amount of the Authorized Allocation.

(c) Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant 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 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 the 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 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 the 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 the 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 Special Account.

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