Ms. Yolanda Mayora de Gavidia  
Secretaria General  
Secretaría de Integración Económica Centroamericana (SIECA)  
4a. Avenida 10-25 Z. 14,  
Republic of Guatemala  

Re: Regional: IDF Grant for Strengthening Institutions for Regional  
Integration in Central America Project  
IDF Grant No. TF097748

Dear Madam:

In response to the request for financial assistance made on behalf of the Secretaría de Integración Económica Centroamericana (SIECA) (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient, for the benefit of the Republic of Costa Rica, the Republic of Guatemala, the Republic of Honduras, the Republic of Nicaragua and the Republic of El Salvador (“Member Countries”), a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed four hundred ninety two thousand two hundred and sixty nine United States Dollars (US$492,269) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.
Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Laura Frigenti  
Acting Country Director  
Central America Country Management Unit  
Latin America and the Caribbean Region

AGREED:

SECRETARÍA DE INTEGRACIÓN ECONÓMICA CENTROAMERICANA (SIECA)

By: /s/ Yolanda Mayora de Gavidia  
Authorized Representative

Name: Yolanda Mayora de Gavidia

Title: Secretaria General

Date: November 5, 2010

Enclosures:


Article I

Standard Conditions; Definitions

1.01.  **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02.  **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II

Project Execution

2.01.  **Project Objectives and Description.** The objective of the Project is to promote the regional economic integration agenda in Central America by strengthening the institutional capacity of: (i) the Recipient to coordinate and implement policies; and (ii) policy makers and public officials in the Member Countries to address challenges associated with regional economic integration. The Project consists of the following parts:

Part 1: Strengthening the Recipient’s Institutional Capacity

(a) Provision of technical assistance to the Recipient for the implementation of its institutional modernization plan that includes, *inter alia:* the update of the human resources system, the creation of a planning and monitoring unit, and the creation of a strategic studies unit.

(b) Preparation, in coordination with the Member Countries, of a regional economic integration plan.

(c) Preparation and implementation of a capacity building development plan aligned with the regional economic integration strategy.

Part 2: Capacity for Policymakers

(a) Preparation of capacity building activities focused on regional economic integration, including, *inter alia:* (i) the development of a training curriculum focused on key areas identified by the Recipient; and (ii) the preparation of training materials.

(b) Carrying out of a training for trainers program for key officials of the Member Countries, based on the capacity building activities developed under Part 2 (a) of the Project.

(c) (i) Preparation of a report to assess the impact of the training activities carried out under Part 2 (b) of the Project; and (ii) carrying out of a conference in each one of the Member
Countries to provide a forum to the key officials of the Member Countries trained under Part 2 (b) of the Project to lead discussions on regional economic integration.
Part 3: Assessing the Impact of the Recipient Institutional Reform Plan

(a) Carrying out of an assessment to evaluate the results of the implementation of activities under Part 1 and Part 2 of the Project.

(b) (i) Preparation and carrying out of a conference to present the assessment prepared under Part 3 (a) of the Project; and (ii) preparation of documents to reflect the outcomes of said conference.

Part 4: Project Audit

Carrying out of two (2) audits, and preparation of audit reports of the activities executed under the Project.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.

2.03. Institutional and other Arrangements. (a) Prior to the carrying out of the Project activities in a Member Country, the Recipient shall enter into an agreement (the “Country Participation Agreement”) with said Member Country, under terms and conditions acceptable to the World Bank.

(b) (i) The Recipient shall exercise its rights and carry out its obligations under each Country Participation Agreement in such manner as to protect the interest of the Recipient and the World Bank and to accomplish the purposes of the Grant; and (ii) except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, repeal, terminate, waive or fail to enforce any Country Participation Agreement or any provision thereof. In the event of any inconsistency between the provisions of the Country Participation Agreement and the provisions of this Agreement, the latter shall prevail.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) Key officials of each one of the Member Countries have participated in the dissemination and discussion activities under the Project.

(ii) Key officials of each one of the Member Countries have been trained under Part 2 of the Project and have carried out seminars to share
knowledge among relevant agencies working on economic integration topics in their respective Member Country.

(iii) A final report including an assessment of the successes achieved by the trained key officials is submitted to each one of the Member Countries prior to dissemination and discussion through relevant agencies working on economic integration topics.

(c) The Recipient shall, upon the World Bank’s request, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five months after the Closing Date.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement.**

(a) **General.** All services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I (excluding paragraph 1.16) of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods; and

(ii) Sections I (excluding paragraph 1.24) and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”), in the case of consultants’ services.

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.
(c) **Particular Methods of Procurement of Goods.** Goods shall be procured under contracts awarded on the basis of Shopping.

(d) **Particular Methods of Procurement of Consultants’ Services.**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) the first contract to be awarded in accordance with each procurement method; and (b) any contract awarded Single-source Selection method. All other contracts shall be subject to Post Review by the World Bank.

### Article III

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
For the purposes of this Section, the term “Training and Workshops” means reasonable non-consultant costs incurred in connection with the provision of training and workshops conducted under the Project in the territory of the Member Countries, including printing, purchase and publication of materials, coffee and lunch services, rental of facilities and equipment, and travel and subsistence of trainees, and workshop organizers but excluding salaries of the Recipient’s staff and civil service.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

**Article IV**

**Additional Remedies**

4.01. **Additional Event of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely that any of the Member Countries has ceased to be a member of the World Bank or has been affected in a manner that negatively impacts the implementation of the Project activities.

**Article V**

**Termination**

5.01. **Termination for Lack of Implementation or Disbursement.** This Agreement and all obligations of the parties under it shall terminate if the Grant has not been implemented or has not
disbursed any funds by May 10, 2011 unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

6.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Secretaria General.
6.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Secretariat for Economic Integration  
in Central América (SIECA)  
4a. Avenida 10-25 Z. 14,  
Republic of Guatemala


6.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:  
Telex:  
Facsimile:

INTBAFRAD  248423 (MCI) or  1-202-477-6391  
Washington, D.C.  64145 (MCI)
APPENDIX
Modifications to the Standard Conditions and the Anti-Corruption Guidelines

Section I. The Standard Conditions are modified as follows:

1. The reference to “Member Country” in the Standard Conditions and in this Agreement means any of the following countries: the Republic of Costa Rica, the Republic of Guatemala, the Republic of Honduras, the Republic of Nicaragua and the Republic of El Salvador. “Member Countries” means collectively, all such countries.

Section II. The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“…(a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier
with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”