Mr. Roy Zúñiga Sáenz  
Dean  
Alajuela, Campus Walter Kissling Gam  
2 Km al Oeste del Vivero PROSESA # 1, La Garita  
Apartado Postal: 960-4050  
Alajuela, Republic of Costa Rica

Re: SFLAC Grant No. TF099916  
INCAE Regional Public Sector Leadership Program Project

Dear Sir:

In response to the request for financial assistance made on behalf of Instituto Centroamericano de Administración de Empresas (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as administrator of grant funds provided by the Government of Spain under the Spanish Fund for Latin America and the Caribbean (SFLAC), proposes to extend to the Recipient for the benefit of the Participating Countries (Member Countries), a grant in an amount not to exceed three hundred thousand United States Dollars (U.S.$300,000) (“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”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this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/ C. Felipe Jaramillo
Director
Central America Country Manager Unit
Latin America and the Caribbean Region

AGREED:

INSTITUTO CENTROAMERICANO DE ADMINISTRACION DE EMPRESAS

By: /s/ Roy Zúñiga
Authorized Representative

Name: Roy Zúñiga

Title: Dean

Date: July 19, 2011

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
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, and the following additional terms have the following meanings:

   (a) “INCAE” means Instituto Centroamericano de Administración de Empresas, a private, multinational institution, established and operating pursuant to Legislative Decree No. 6743, dated April 20, 1982 and published in Alcance No. 9 a la Gaceta No. 84, on May 4, 1982.

   (b) “Participating Countries” means the countries in Central America which are participating in the Project, namely: the Republic of Costa Rica, the Republic of El Salvador, the Republic of Guatemala, the Republic of Nicaragua and the Republic of Panamá.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support the development of a regional leadership program for public administration officials of the Participating Countries with a view to build a cadre of experts able to lead public sector modernization initiatives and public policy reforms. The Project consists of the following parts:

Part I: Delivery of Pilot Course

   Strengthening public sector management capacities through the carrying out of a pilot course of the advanced management program for a first cadre of professionals in Central America, to enable them in formulating medium and long-term policies and strategies.

Part II: Development of the Leadership Course
(a) Designing a leadership course including the development of approximately five case studies based on recent relevant experience and practical on the ground experience sharing of challenges and problems solving; and

(b) disseminating said leadership course.

Part III: External Audit

Conducting an audit of the activities carried out by the Grant.

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 and revised in January 2011 (“Anti-Corruption Guidelines”); and

(c) this Article II.

2.03. Institutional and Other Arrangements. For purposes of carrying out the Project, the Recipient shall maintain at all times during Project implementation professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank, to perform all Project’s related functions including, inter alia, procurement and financial management.

2.04. Donor Visibility. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Government of Spain’s support for the Project.

2.05. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty five days after the end of the period covered by such report.

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

(i) Percentage of graduating students/experts that are promoted or given more responsibility in the public administration.
(ii) Number of case studies that are used in subsequent programs and across World Bank training.

(c) The Recipient shall 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 six months after the Closing Date.

2.06. 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 forty five days 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.

2.07. Procurement.

(a) General. All goods non-consulting services and consultants’ 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 of the “Guidelines: Procurement of Goods and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).
(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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services.**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(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 are specified in the Procurement Plan: (A) Selection based on Consultants’ Qualifications; (B) Single-source Selection of consulting firms; (C) Selection of Individual Consultants; and (D) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

## Article III

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services</td>
<td>5,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating Costs</td>
<td>295,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this paragraph the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, printing services, transportation costs for experts, communication and insurance costs, administration costs, utilities, travel, room, board and per diem of participants.

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 June 30, 2014.

**Article IV**

**Effectiveness; Termination**

4.01. **Termination for Lack of Implementation or Disbursement.** This Agreement and all obligations of the parties under it shall terminate if: (a) the Grant has not been signed before March 10, 2012; or (b) it has not been implemented or has not disbursed any funds after 6 months of its signature; or (c) the SFLAC Secretariat has determined that there is lack of progress in the implementation of this Project, unless the World Bank, after consideration of the reason 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 V**

**Recipient’s Representative; Addresses**
5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Dean of the *Instituto Centroamericano de Administración de Empresas*.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

   Alajuela, Campus Walter Kissling Gam  
   2 Km al Oeste del Vivero PROSESA # 1, La Garita.  
   Apartado Postal: 960-4050  
   Alajuela, Republic of Costa Rica

   Facsimile:  
   506-2433-9101

5.03. **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:  
   INTBAFRAD

   Telex:  
   248423 (MCI) or 1-202-477-6391

   Facsimile:  
   Washington, D.C. 64145  
   (MCI)