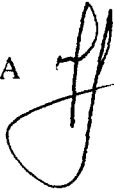


**TRANSMITTAL OF OFFICIAL DOCUMENTS**

TO: Official Documents Desk

Date: August 25, 2004

FROM: Mariángeles Sabella, Counsel, LEGLA



EXTENSION: 35313

SUBJECT: NICARAGUA: Dutch Grant for Education for All – Fast Track Initiative  
Grant Number TF053991

Attached are the originals of Official Documents described below for safekeeping and IRIS4 filing.

Description of Document(s)	Notes/Comments
<p>1. Dutch Grant Agreement for the above-captioned Project, dated August 12, 2004, signed by Amparo Ballivián, Authorized Representative of Bank and the Association (as Administrators of grant funds provided under the Bank-Netherlands Partnership Program (BNPP), and countersigned on behalf of Nicaragua by the Minister of Finance and Public Credit, Eduardo Montiel, on August 19, 2004, and by the Minister of Education, Silvio De Franco, on August 17, 2004.</p> <p>2. Authorization dated August 5, 2004 from Ulrich Zachau, Director, Strategy and Operations, LCRVP, to Amparo Ballivian, Country Manager for Nicaragua, to sign, on behalf of the Bank and the Association, the Grant Agreement described in para. 1 above.</p>	
No. of Pages attached:	7

*Mariángeles Sabella*

*2004/006 36*

*off Docs*

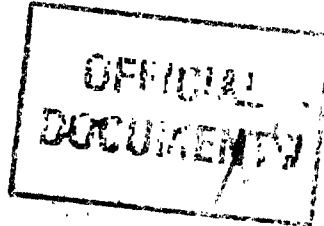
**The World Bank**  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.  
Washington, D.C. 20433  
U.S.A.

(202) 477-1234  
Cable Address: INTBAFRAD  
Cable Address: INDEVAS

August 12, 2004

His Excellency  
Mr. Eduardo Montiel  
Minister of Finance and Public Credit  
Ministry of Finance and Public Credit  
Frente al Edificio de la Asamblea Nacional  
Managua, Nicaragua



*Eduardo Montiel*  
(53991)

Re: **NICARAGUA** – Dutch Grant for Education for All – Fast Track Initiative  
Grant Number TF053991

Dear Sir:

I am writing on behalf of the International Bank for Reconstruction and Development and the International Development Association (collectively the Bank) to indicate the Bank's agreement, as administrator of grant funds provided under the Bank-Netherlands Partnership Program (BNPP), to make a grant in an amount not exceeding seven million US Dollars (US\$7,000,000) (the Grant) to the Republic of Nicaragua (the Recipient). The Bank shall pay the Grant to the Recipient in two tranches, the first in the amount of three million and five hundred U.S. Dollars (\$3,500,000) (the First Tranche), and the second in the amount of three million and five hundred U.S. Dollars (\$3,500,000) (the Second Tranche) subject to the availability of funds.

The Bank has received from the Recipient the Education Sector Policy of Government, dated February, 2004, the *Plan Común de Trabajo del MECD* (Ministry of Education, Culture and Sports) (2004-2006), which describes a program of actions, objectives, and policies designed to achieve primary education for all children in the Recipient's territory (the Program), declaring the Recipient's commitment to the execution of the Program, and requesting the Bank's assistance in supporting the Program during its execution. On the basis of the Recipient's letter, the Bank has decided to support the Program by making the Grant on the terms and conditions set forth in this Letter Agreement and its Annex.

The Recipient represents, by confirming its agreement below, that it is authorized to contract and withdraw the Grant in support of the Program on the terms and conditions set forth in this Letter Agreement and its Annex.

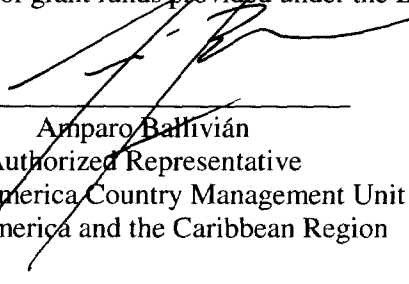
It is the Bank's policy to make publicly available this Letter Agreement and any information related thereto, after this Letter Agreement has become effective and the Recipient

has given its consent to such disclosure. The Recipient, by countersigning this Letter Agreement, confirms its consent to such disclosure.

Please confirm your agreement to the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by the Bank of the copy of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of your countersignature.

Very truly yours,

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION**  
(as Administrator of grant funds provided under the BNPP)

By:   
Amparo Ballivián  
Authorized Representative  
Central America Country Management Unit  
Latin America and the Caribbean Region

AGREED:  
MINISTER OF FINANCE

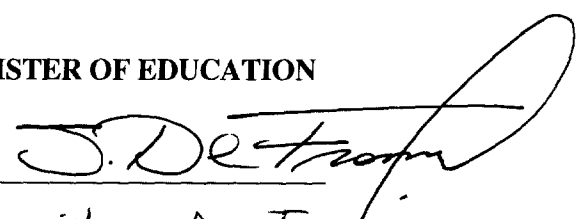
By: 

Name: Eduardo Montiel

Title: Ministro de Hacienda y Crédito Público

Date: Agosto 19, 04

MINISTER OF EDUCATION

By: 

Name: Silvio De Franco

Title: Ministro de Educación

Date: Agosto 17, 04

ANNEX

**Purpose, Terms, and Conditions of the Grant**

1. The Grant

1.1. Purpose of the Grant. Subject to the provisions of this Letter Agreement, the Recipient may withdraw the Grant proceeds from the Grant Account for activities in support of the Common Work Program of the Ministry of Education.

1.2. Grant Account. The amount of the Grant shall be credited to an account opened by the Bank on its books in the name of the Recipient (the Grant Account).

1.3. Deposit Account. The Recipient shall open, prior to furnishing to the Bank the first request for withdrawal from the Grant Account, and thereafter maintain in a financial institution acceptable to the Bank, a deposit account in a currency and on terms and conditions acceptable to the Bank (the Deposit Account). All withdrawals from the Grant Account shall be deposited by the Bank into the Deposit Account.

1.4. Withdrawals. Whenever the Recipient desires to withdraw any amount from the Grant Account, it shall deliver to the Bank a written application for withdrawal of such amount in such form as the Bank shall specify. Withdrawal applications shall be: (a) signed on behalf of the Recipient by the General Director of the Administration of the Ministry of Education or such other person as he or she shall have authorized in writing; and (b) accompanied by such evidence in support of the application as the Bank shall reasonably request, whether before or after the Bank shall have permitted any withdrawal requested in the application. Authenticated specimen signatures of the person authorized to sign withdrawal applications shall be provided not later than the first application bearing his or her signature. Each withdrawal application for an amount of the Grant and its supporting evidence must be sufficient in form and substance to satisfy the Bank that the Recipient is entitled to withdraw such amount from the Grant Account. The Bank shall pay the amounts withdrawn by the Recipient from the Grant Account only to, or on the order of, the Recipient.

1.5. Currency of Withdrawal. Withdrawals of the proceeds of the Grant shall be made in the currency of the Grant. The Bank, at the Recipient's request and acting as an agent of the Recipient, shall purchase with the currency of the Grant withdrawn from the Grant Account such currencies as shall be required to pay for expenditures to be financed out of the proceeds of the Grant. Whenever it shall be necessary, for the purposes of this Letter Agreement, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Bank.

1.6. Excluded Expenditures. The Recipient undertakes that the proceeds of the Grant shall not be used to finance expenditures excluded pursuant to the provisions of the Attachment to this Annex. If the Bank determines at any time that any proceeds of the Grant have been used to make a payment for an expenditure so excluded, the Recipient shall, promptly upon notice from the Bank: (a) deposit into the Deposit Account an amount equal to the amount of this payment, or (b) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Grant Account for cancellation.

1.7. Tranche Release Conditions. After the amount of the First Tranche shall have been fully withdrawn from the Grant Account, no further withdrawals shall be made from the Grant Account unless the Bank shall be satisfied, after an exchange of views described in Section 2.1 of this Annex

to the Letter Agreement, based on evidence satisfactory to it and 6 months after First Tranche Release, with the progress achieved by the Recipient in the carrying out of the Program. If, after this exchange of views, the Bank is not so satisfied, the Bank may give notice to the Recipient to that effect, and, if within 90 days after such notice, the Recipient shall not have taken steps satisfactory to the Bank to achieve progress in the carrying out of the Program, then the Bank may, by notice to the Recipient, cancel all or any amount of the Second Tranche.

1.8. Closing Date. The Bank may at any time after March 31, 2005 terminate, by notice to the Recipient, the right of the Recipient to make withdrawals from the Grant Account (the Closing Date). The Bank may establish a later Closing Date, and in such case, it shall promptly notify the Recipient of such later date.

2. The Program

2.1. Exchange of Views. The Recipient and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program. Prior to each such exchange of views, the Recipient shall furnish to the Bank for its review and comment a report in form and detail satisfactory to the Bank, on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request. Without limitation upon the foregoing, the Recipient shall: (a) furnish to the Bank not later than 4 months after the Closing Date, for the Bank's review and comment, the final such report; and (b) exchange views with the Bank on any proposed action to be taken after the final withdrawal of the proceeds of the Grant which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program.

2.2. Audits. Upon the Bank's request, the Recipient shall: (i) have the Deposit Account audited in accordance with consistently applied auditing principles acceptable to the Bank, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the date of the Bank's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the Deposit Account and its audit as the Bank shall have reasonably requested.

3. Suspension and Cancellation.

3.1. The Bank may at any time, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals from the Grant Account if any of the following events has occurred and is continuing:

(a) the Recipient has failed to comply with any of its obligations under this Letter-Agreement;

(b) the right of the Recipient, or any other entity to which the Bank has made a loan with the guarantee of the Recipient, to make withdrawals under any agreement with the International Bank for Reconstruction and Development or any agreement with the International Development Association shall have been suspended;

(c) a situation has arisen which, in the opinion of the Bank, shall make it improbable that the Program or a significant part thereof, will be carried out; or

(d) any action shall have been taken or any omission shall have been made which would have the effect of materially reversing, in the Bank's opinion, the objectives of the Program or any action taken under the Program.

(e) a situation has arisen in which any further withdrawal of any amount from the Grant Account would exceed the amount allocated to the Grant that is available from the EFA-FTI Catalytic Trust Fund.

3.2. The Bank may, by written notice to the Recipient, terminate the right of the Recipient to make further withdrawals from the Grant Account at any time after the right of the Recipient to make withdrawals from the Grant Account has been suspended pursuant to the provisions of paragraph 3.1 above.

**Attachment**

**Excluded Expenditures**

For purposes of Section 1.1 of this Letter Agreement, the proceeds of the Grant shall not be used to finance any of the following expenditures:

1. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance, or which the Bank shall have financed or agreed to finance under another agreement;
  
2. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Recipient:

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum

		group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

3. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
4. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party);
5. expenditures on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
6. expenditures under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the Grant during the procurement or execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

CdeOliveira

M:\Nicaragua\OtherGrants\NI-FTI-I.doc

August 12, 2004 10:16 AM



**Yolaina Montoya**

08/12/2004 09:36 AM

LCCNI

\*\*\* DRAFT \*\*\*

Subject: Re: Nicaragua EFA-FTI Grant Agreement: Authorization to sign on behalf of the Bank

Christina Alquinta

**Ulrich Zachau**

08/05/2004 04:17 PM

32019 LCRVP

To: Amparo Ballivian

cc: Jane Armitage, Martin Raine, Mariana M. Montiel, Mariangeles Sabella, Suhas D. Parandekar, Maria Paula Savanti, Christina Alquinta, Cleuzy V. De Oliveira, Jennifer J. Abner

Subject: Nicaragua EFA-FTI Grant Agreement: Authorization to sign on behalf of the Bank

File In IRIS Status: Submitted for processing into IRIS

Pursuant to paragraph 2 of Annex C-1 to Administrative Manual Statement No. 1.30, I hereby authorize Ms. Amparo Ballivian to sign, on behalf of the Bank, the Letter Agreement with the Nicaragua Ministry of Finance and Ministry of Education providing for a grant in the amount of US\$7,000,000 for the implementation of the Nicaragua Education For All- Fast Track Initiative.

Ulrich Zachau  
Acting Regional Vice President  
Latin America and The Caribbean Region  
The World Bank

*His paper has title of Grant - you  
can include de authorization to  
Ballivian for her to sign. Hence MS*