

October 3, 2001

His Excellency  
Dr. Francisco Oviedo Brítez  
Minister of Finance  
Ministry of Finance  
Asunción, Paraguay

Re: Japanese Grant for the preparation of the Secondary Education  
Project Grant No. TF026846

Excellency:

I am writing on behalf of the International Bank for Reconstruction and Development (the Bank) to indicate the Bank's agreement, as administrator of grant funds provided by Japan, to make a grant in an amount not exceeding five hundred forty thousand U.S. Dollars (US\$540,000) (the Grant) to the Republic of Paraguay (the Recipient).

The Grant is made in response to the Recipient's request for financial assistance and for the purposes and on the terms and conditions set forth in the Annex to this Letter Agreement. The Recipient hereby confirms its request that the Bank carry out the activities described in paragraph 1 of the Annex to this Letter Agreement, and represents that it is authorized to contract the Grant for the said purposes and on the said terms and conditions.

Please confirm your agreement with 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 the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

By /s/ Myrna L. Alexander  
Director  
Country Management Unit  
Argentina, Chile, Paraguay and Uruguay  
Latin America and the Caribbean Region

AGREED:

REPUBLIC OF PARAGUAY

By /s/ Francisco Oviedo Britez

Date: October 19, 2001

ANNEX

Purposes, Terms and Conditions of the Grant

1. The purpose of the Grant is to assist the Recipient in the preparation of the Secondary Education Reform Project, which has as its main objective to support a comprehensive secondary education reform program (the Project). The activities (the Activities) for which the Grant is given are as follows:

- (a) Comparative Analysis of Secondary Education Alternatives:
  - (i) Carrying out of an assessment of options for the Recipient's secondary education reform, including: (A) presentation of diverse options being used successfully in similar countries; (B) coordination of the debate of said options; and (C) support to the

Recipient's Ministry of Education (MOE) in making key decisions regarding the secondary education reform strategy; and

- (ii) provision of technical assistance to MOE's Planning and Statistics Department to introduce new statistical models to gauge the cost effectiveness and efficiency of options for the education system (these activities are estimated to cost US\$82,840 equivalent).

(b) Curriculum Development:

- (i) Design and preparation of an enhanced educational curriculum for the Recipient; and
- (ii) design and preparation of a more validated program for professional studies in line with the Recipient's General Education Law, through: (A) the provision of international consultants; (B) the analysis of similar programs being used in other countries; and (C) the selection of areas in which said program will be implemented (these activities are estimated to cost US\$166,900 equivalent).

(c) Institutional Reorganization:

- (i) Carrying out of an assessment of MOE's current organizational structures and hiring practices; and
- (ii) design and preparation of an institutional plan for MOE, in line with the Recipient's education reform program (these activities are estimated to cost US\$147,600 equivalent).

(d) Training Programs for Human Resources:

Design of an enhanced training program to fulfill the Project's objectives based on:

- (i) An assessment of current and future training needs, including the procurement of logistics to carry out nationwide workshops to gather consensus; and
- (ii) the assessment of programs offered by the Recipient's Institute for Superior Education (ISE) (these activities are estimated to cost US\$76,840 equivalent).

(e) Social Communication Plan:

Design and preparation of a national communication campaign to disseminate information regarding the secondary education reform program (these activities are estimated to cost US\$44,220 equivalent).

(f) Technical Coordination of Information:

Provision of technical assistance to:

- (i) Organize an appropriate database to store statistical data and reports;
- (ii) elaborate plans and norms to share information and documentation;
- (iii) establish security measures to prevent loss of data; and
- (iv) design appropriate format for Project related documents (these activities are estimated to cost US\$21,600 equivalent).

2. The Grant shall be used to finance consultants' services (US\$521,600 equivalent) and workshops (US\$18,400 equivalent) required for the Activities.

3. The Bank shall carry out the Activities on behalf of the Recipient. The Recipient shall cooperate with the Bank to the extent necessary to permit the Bank to carry out the Activities promptly and effectively, and to evaluate the results of the Activities. The Recipient shall indemnify the Bank against any costs or liabilities incurred by the Bank as a result of claims against the Bank in connection with the Activities, except those resulting from the gross negligence or willful misconduct of

its staff or external consultants.

4. The Activities shall be completed by not later than September 10, 2002, or such later date as the Bank may establish by notice to the Recipient (the Closing Date). Except in special circumstances, no proceeds of the Grant shall be used to fund Activities after Bank approval of financing for the Project, and the Closing Date shall not be extended beyond the expected date of such approval. After the Closing Date, the Bank may at any time cancel the remaining balance of the Grant.

5. The engagement and supervision of the consultants (the Consultants) required to assist in the carrying out of the Activities shall be the responsibility solely of the Bank and shall be governed, except as otherwise decided by the Bank by the provisions of the Attachment to this Annex.

6. The Recipient shall be responsible for the payment of any taxes levied by, or in the territory of, the Recipient on the Consultants or any of the Consultants' personnel (other than nationals or permanent residents thereof) in connection with the Activities.

7. The Recipient may at any time request the Bank in writing to terminate the Activities. Whether or not the Recipient has made such a request, the Bank may at any time suspend or, after consultation with the Recipient, terminate the right of the Recipient to receive Grant funds for the Activities if any of the following events has occurred and is continuing: (a) the Recipient has failed to perform any of its obligations under this Letter Agreement; or (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 loan agreement with the Bank or any development credit agreement with the International Development Association shall have been suspended. The Bank may also terminate the right of the Recipient to receive Grant funds if: (a) the Bank has decided, at any time after consultation with the Recipient, to withdraw its support to the Project; or (b) the Recipient has withdrawn its request for the Bank's assistance in the financing of the Project.

8. The Bank is not an agent of, or trustee for, the Recipient and shall not have any fiduciary relationship with the Recipient. The Recipient shall have no right to any portion of the Grant that is not expended by the Bank pursuant to this Letter Agreement.

#### Attachment

##### Consultants' Services

1. Consultants' services shall be procured in accordance with the relevant provisions of Statement 15.00 of the Bank's Administrative Manual, dated November 2000 (the Administrative Manual), the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of this Attachment.

2. Services rendered by consulting firms for the Activities under paragraph 1 of the Annex to this Letter Agreement may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines (Selection Based on Consultants' Qualifications).

3. Services rendered by consulting firms for the Activities described under paragraph 1 of the Annex to this Letter Agreement may be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines applicable to Quality- and Cost-based Selection of Consultants.

4. Services rendered by consulting firms for the Activities described under paragraph 1 of the Annex to this Letter Agreement may be procured under contracts awarded in accordance with the provisions of paragraph 3.6 of the Consultant Guidelines (Least-Cost Selection).

5. Services rendered by individual consultants for the Activities under paragraph 1 of the Annex to this Letter Agreement shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.



