

CONFORMED COPY

CREDIT NUMBER 4392-NI

Financing Agreement

(Hurricane Felix Emergency Recovery Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 17, 2008

CREDIT NUMBER 4392-NI

FINANCING AGREEMENT

AGREEMENT dated May 17, 2008, between the REPUBLIC OF NICARAGUA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II - FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to ten million seven hundred thousand Special Drawing Rights (SDR 10,700,000) (variously, “Credit” and/or “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is USD.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall:
- (a) carry out Part 1 of the Project through SE-SINAPRED and MAGFOR, with the assistance of GRAAN, INVUR and INPESCA;
 - (b) cause GRAAN to carry out Part 2.A of the Project, with the assistance of FCR and INPESCA; and
 - (c) cause GRAAN to carry out Parts 2.B, 2.C, 2.D, 3 and 4 of the Project, with the assistance of INVUR, INPESCA, INATEC, FCR, and MINSA.

all in accordance with the provisions of Article IV of the General Conditions.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Recipient's Law No. 294 and/or Law No. 640 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived, applied or enforced in a way so as to, in the opinion of the Association, affect materially and adversely, the ability of the Recipient, GRAAN or FCR to effectively perform any of its obligations referred to under this Agreement, or set forth in the Operational Manual and the Revolving Fund Operational Manual or in the Subsidiary Agreements.
 - (b) The Recipient, GRAAN, INVUR, INPESCA, INATEC and/or FCR shall have failed to perform any of its obligations under this Agreement or under the Subsidiary Agreements to an extent that, in the opinion of the Association, would materially and adversely affect the achievement of the Project objective.
 - (c) The Recipient, or any other authority having jurisdiction shall have taken any action that may result in the dissolution or disestablishment of SE-SINAPRED or FCR, or in the suspension of its operations, without

replacing such entities with a successor thereto satisfactory to the Association.

- (d) The Procurement Law has been amended, suspended, abrogated, repealed or waived so as to render its Article 3(f) ineffective, in the opinion of the Association, and no provision analogous to such Article 3(f) has been adopted to replace said provision.

4.02. The Additional Events of Acceleration consist of the following:

- (a) The event specified in paragraph (b) or (d) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.
- (b) Any event specified in paragraphs (a) or (c) of Section 4.01 of this Agreement occurs.

ARTICLE V - EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) the GON-GRAAN Subsidiary Agreement has been executed on behalf of the Recipient and of GRAAN;
- (b) Part 1.B.(i) of the Project has been completed to the Association's satisfaction; and
- (c) the Operational Manual has been issued by the Recipient.

5.02. The Additional Legal Matter consists of the following, namely that the GON-GRAAN Subsidiary Agreement has been duly authorized or ratified by the Recipient and GRAAN and is legally binding upon the Recipient and GRAAN in accordance with its terms.

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association's approval of the Credit which expire on September 7, 2009.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister of Finance and Public Credit.

6.02. The Recipient's Address is:

Ministerio de Hacienda y Crédito Público
Avenida Bolivar, Frente a la Asamblea Nacional
Managua, Nicaragua

Facsimile: + (505) 222-3033

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at Managua, Nicaragua, as of the day and year first above written.

REPUBLIC OF NICARAGUA

By /s/ Alberto Guevarra

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Joseph Owen

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the sustainable recovery of the communities affected by Hurricane Felix in the Recipient's Autonomous Region of the Northern Atlantic (RAAN).

The Project consists of the following parts:

Part 1: Early Recovery

- A. Reimbursement and/or purchase of materials directly related to Hurricane Felix's relief and early disaster rehabilitation efforts, excluding food expenditures, but including *inter alia*: (i) gas and gasoline (land vehicles and airplanes); and (ii) construction materials for the rehabilitation of houses and buildings.
- B. (i) Provision of fiduciary and technical support to prepare SE-SINAPRED and GRAAN for Project implementation; (ii) carrying out of the social and environmental assessments required for the Project in line with applicable Association safeguards, and preparation or update of related Project management manuals such as, *inter alia*, the Environmental Management Plan; and (iii) carrying out of workshops and community consultations with regard to the Project.
- C. With the assistance of GRAAN and INVUR: (i) carrying out of civil works for the rehabilitation of housing and social infrastructure in RAAN; and (ii) preparation and dissemination of self-building process guides in local languages (*Miskitu* and *Mayangna*), including improved housing design and safe construction standards.
- D. With the assistance of GRAAN and through MAGFOR and in accordance with the eligibility criteria set forth in the Operational Manual, distribute agricultural inputs and seeds to local families to help rehabilitate family gardens and small farms.
- E. With the assistance of INPESCA and GRAAN, procurement and distribution of fishing equipment, including boat outboard motors, to eligible beneficiaries.

Part 2: Recovery of Small Scale Fisheries Sector

- A. (i) With the assistance of INPESCA, and administered by FCR, organization and establishment (including administrative costs), of a revolving fund with the objective of offering credit support to RAAN's fisheries' sector; and (ii) provision of working capital credit lines, as well as in-kind credits consisting of small and medium-size fishing boats to Eligible Credit Beneficiaries, including AMUPCAN.

- B. With the support of INPESCA and INATEC: (i) organization of workshops and provision of training and technical assistance to Eligible Credit Beneficiaries in RAAN, in connection with, *inter alia*, new technologies, fishing techniques, business administration, marketing, hurricane preparedness and response; (ii) procurement of small- and medium-sized fishing boats (including spare parts), as well as fishing equipment (including outboard motors), in accordance with sound technical and economic standards to be distributed as in-kind credits under Part 2.A of the Project; and (iii) provision of fishing equipment (including small outboard motors) and fishing supplies to Eligible Credit Beneficiaries.
- C. (i) Carrying out of civil works to rehabilitate the structures and working areas of RAAN's Lamlaya fish processing plant (including its associated shipyard and small community shop), as well as restitution of the plant's equipment; and (ii) carrying out of feasibility studies, engineering designs, market studies, and environmental and other necessary management plans for the effective rehabilitation of RAAN's Lamlaya fish processing plant.
- D. (i) Carrying out of civil works to rehabilitate selected community landing docks and small piers affected by Hurricane Felix; and (ii) preparation of any necessary engineering designs, environmental studies and technical supervision therefor.

Part 3: Reconstruction of Housing and Social Infrastructure

- A. With the assistance of INVUR and MINSA: (i) carrying out the redesign and reconstruction of approximately 500 housing units in selected communities, in accordance with sound and improved safety standards; (ii) provision of training to selected communities on construction techniques, safety measures and risk prevention; and (iii) carrying out of any necessary engineering, social and environmental studies therefor.
- B. With the assistance of INVUR and MINSA: (i) carrying out the redesign and reconstruction of selected community churches, community centers and approximately five small health clinics (including housing for medical staff); (ii) provision of training to selected communities on construction techniques, safety measures and risk prevention; and (iii) carrying out of any necessary engineering, social and environmental studies therefor.

Part 4: Institutional Strengthening for Project Management, Monitoring and Evaluation

- A. Strengthening of GRAAN's institutional capacity to manage the Project fiduciary and technical responsibilities (including procurement, disbursement, and financial management), through the provision of technical assistance, operational support (including equipment) and training.
- B. Financing of the Project's annual external audits, as well as carrying out of necessary surveys and provision of technical support to implement the Project's monitoring and evaluation system.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. **Subsidiary Agreements and Implementation Arrangements**

1. To facilitate the carrying out of Part 1 of the Project, the Recipient, through SE-SINAPRED and MAGFOR, shall enter into a subsidiary agreement with GRAAN, INVUR, INPESCA (the "Part 1 Subsidiary Agreement"), under terms and conditions acceptable to the Association, which shall include, *inter alia*, the obligation of INVUR to assist SE-SINAPRED and MAGFOR in carrying out Part 1 of the Project, in accordance with the terms of this Agreement and those of the Operational Manual, all with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, fiduciary and environmental practices, and in accordance with the provisions of Article IV of the General Conditions, including the obligations to prepare and provide to the Recipient all the necessary information to enable the Recipient to comply with its obligations under Section II A. and B. of Schedule 2 to this Agreement.
2. To facilitate the carrying out of Parts 2, 3, and 4 of the Project, the Recipient shall make part of the proceeds of the Financing available to GRAAN by means of a subsidiary agreement (the "GON-GRAAN Subsidiary Agreement"), which shall include, *inter alia*, the following:
 - (a) the Recipient's obligation to timely transfer to GRAAN the proceeds of the Financing to facilitate the carrying out of said Parts of the Project;
 - (b) the Recipient's obligation to delegate the execution of Parts 2, 3 and 4 of the Project to GRAAN and to ensure that GRAAN complies with its obligations derived from this Agreement;
 - (c) GRAAN's obligation to use the proceeds of the Financing transferred to it exclusively for the purposes of the Project;
 - (d) GRAAN's obligation to carry out Parts 2, 3 and 4 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices, including the obligations to prepare and provide to the Recipient all the necessary information to enable the Recipient to: (i) comply with its obligations under Section II A. and B. of Schedule 2 to this Agreement in relation to GRAAN's respective Parts of the Project; (ii) carry out the fiduciary obligations under said Parts of the Project for the initial eighteen (18) month period of Project implementation, or any other period which may be proposed by the Recipient, and approved by the Association; and (iii) process documentation required for disbursement of the Financing proceeds and

for procurement of goods, works and services under its respective Parts of the Project; and

- (e) GRAAN's obligation to enter into subsidiary agreements with other administrative agencies as set forth in subsection 4 below.
3. The Recipient, through SE-SINAPRED and MAGFOR, shall carry out Part 1 of the Project and exercise its rights under the GON-GRAAN Subsidiary Agreement, in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the GON-GRAAN Subsidiary Agreement or the Part 1 Subsidiary Agreement or any of their provisions.
4. To facilitate the carrying out of GRAAN's respective Parts of the Project:
- (a) The Recipient shall cause GRAAN to enter into a subsidiary agreement with:
 - (i) FCR and INPESCA (the "Revolving Fund Management Agreement"), for the carrying out of Part 2.A of the Project, under terms and conditions acceptable to the Association, which shall provide, *inter alia*, the terms and conditions for the provision of the working capital credit lines and in-kind credits referred to in Part 2.A of the Project, in accordance with the terms of this Agreement and the Revolving Fund Operational Manual, including the obligation to provide the Association with documentary evidence, satisfactory to the Association, confirming that the credit lines and the in-kind credits have been received by the Eligible Credit Beneficiaries, in accordance with the terms of the Revolving Fund Operational Manual; and
 - (ii) INPESCA and INATEC (the "Part 2 Subsidiary Agreement"), under terms and conditions acceptable to the Association, which shall include, *inter alia*, the obligation of INPESCA and INATEC to assist GRAAN in carrying out Parts 2.B, 2.C and 2.D of the Project, in accordance with the terms of this Agreement and those of the Operational Manual, all with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, fiduciary and environmental practices, and in accordance with the provisions of Article IV of the General Conditions, including the obligations to prepare and provide to the Recipient all the necessary information to enable the Recipient to comply with its obligations under Section II A. and B. of Schedule 2 to this Agreement; and

- (b) The Recipient (through MINSA) shall enter into a subsidiary agreement with INVUR and GRAAN (the “Part 3 Subsidiary Agreement”), under terms and conditions acceptable to the Association, which shall include, *inter alia*, the obligation of INVUR and the Recipient to assist GRAAN in carrying out Part 3 of the Project, in accordance with the terms of this Agreement and those of the Operational Manual, all with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, fiduciary and environmental practices, and in accordance with the provisions of Article IV of the General Conditions, including the obligations to prepare and provide all the necessary information to enable the Recipient to comply with its obligations under Section II A. and B. of Schedule 2 to this Agreement.
- 5. The Recipient shall ensure, and shall cause GRAAN to ensure, that by no later than 3 (three) months after the Effective Date, the Subsidiary Agreements (other than the GON-GRAAN Subsidiary Agreement) have been duly entered into by the respective parties thereto.
- 6. By not later than 6 (six) months after the Effective Date, the Recipient shall have finalized, or shall have caused GRAAN to finalize the Environmental Management Plan to the satisfaction of the Association. The Recipient and GRAAN thereafter shall carry out the Project, or cause it to be carried out, in accordance with the Environmental Management Plan (including, to the extent possible as stipulated by the Association, with respect to Project activities already commenced prior to said finalization).

B. Manuals

- 1. The Recipient shall carry out, and shall cause the Project to be carried out by GRAAN, in accordance with the terms of a manual satisfactory to the Association (the Operational Manual). Except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Operational Manual, or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.
- 2. The Operational Manual shall include provisions detailing procedures and guidelines for the carrying out of the Project, including, *inter alia*:
 - (a) The procedures for the preparation, review and approval of reports pursuant to the Project’s financial management arrangements.
 - (b) Procurement and contracting procedures consistent with Schedule 2 to this Agreement, to be applicable to the contracts for the works, goods and services required for the Project and to be financed out of the proceeds of the Financing.

- (c) The procedures for the monitoring and evaluation of the Project, including the provisions of Section II of Schedule 2 to this Agreement.
 - (d) The procedures for the review and approval of Financing proceeds withdrawal applications to the Association, in conformity with the instructions that the Association may give to the Recipient in this respect.
 - (e) The procedures for environmental and social screening of the carrying out of works and other activities financed under the Project and the measures to be implemented for any such activities which could possibly have negative environmental and/or social impacts.
 - (f) Guidelines for the carrying out of rehabilitation and reconstruction works under the Project and the mechanisms to address the culturally specific needs of the Recipient's indigenous peoples groups to ensure that the benefits of the Project are culturally appropriate and that there is broad community support for the Project.
 - (g) Eligibility criteria for the selection of beneficiaries under the Project (except for those under Part 2.A), including, *inter alia*: (i) income level of the beneficiaries; (ii) official assessment confirming that the house or building was damaged by Hurricane Felix and that it can be safely rehabilitated; (iii) affected structure is the only house or building of the intended beneficiary or beneficiaries; and (iv) willingness to participate in the rehabilitation process.
3. The Recipient shall cause GRAAN to carry out Part 2.A of the Project, with the assistance of FCR, in accordance with the terms of a manual satisfactory to the Association (the Revolving Fund Operational Manual). Except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Revolving Fund Operational Manual, or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Revolving Fund Operational Manual, the terms of this Agreement shall prevail.
4. The Revolving Fund Operational Manual shall include provisions detailing procedures and guidelines for the carrying out of Part 2.A of the Project including, *inter alia*:
- (a) The administrative rules and procedures for planning, preparing, proposing, contracting, financing, supervising, and carrying out the activities financed by the credit lines and in-kind credits referred to in Part 2.A of the Project, including the detailed criteria and procedures for selecting the Eligible Credit Beneficiaries.
 - (b) The procedures for the procurement of any required goods, services and training under Part 2.A of the Project and to be financed out of the proceeds of the Financing.

- (c) The procedures for environmental and social screening of the activities financed by the credit lines and in-kind credits referred to in Part 2.A of the Project and the measures to be implemented for any such activities which could possibly have negative environmental and/or social impacts.
- (d) *Inter alia*, the administrative and financial terms of the credit scheme, sustainability measures, interest rate regime and transition measures, risk management considerations, size of the credits and other specific matters relevant for the adequate functioning and sustainability of the revolving fund under Part 2.A of the Project.

C. Committees

1. The Recipient shall organize and maintain during the implementation of the Project a technical committee (the “Credit Committee”), which shall assist GRAAN by providing strategic and implementation guidance regarding the credit scheme under Part 2.A of the Project, including the evaluation and recommendation of credit applications to the Project Coordination Committee; such Credit Committee shall be composed of at least one representative of GRAAN, FCR and INPESCA, and a man and a woman representing the Eligible Credit Beneficiaries and shall operate under the terms and conditions set forth to that effect in the Revolving Fund Operational Manual.
2. The Recipient shall organize and maintain during the implementation of the Project a committee (the “Project Coordination Committee”), which shall assist with overall strategic and policy guidance for the Project, including the provision of final approval to the selection of Eligible Credit Beneficiaries under Part 2.A of the Project as well as overseeing the setting up of management for RAAN’s Lamlaya fish processing plant and ancillary facilities under Part 2.C of the Project; such Project Coordination Committee shall be composed by the Government Coordinator (*Coordinador de Gobierno*) of GRAAN, the Minister of MAGFOR, the Minister of MINSA, the Executive President of INPESCA, the Secretary of the CDC, the Director of FCR, the Executive Secretary of SE-SINAPRED and the President of INVUR (or their duly appointed delegates). The Project Coordination Committee shall operate under the terms and conditions set forth to that effect in the Operational Manual and the Revolving Fund Operational Manual.

D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Recipient, through SE-SINAPRED, shall monitor and evaluate, and cause GRAAN to monitor and evaluate, the progress of the Project and to prepare Project Reports for their respective Parts of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Indicators. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient (through SE-SINAPRED) shall maintain, and cause GRAAN to maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient (through SE-SINAPRED) shall prepare and furnish, and cause GRAAN to prepare and furnish to the Association as part of the Project Reports not later than 45 days after the end of each calendar quarter, interim un-audited financial reports for all Parts of the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient (through SE-SINAPRED) shall have, and shall cause GRAAN to have, its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient and GRAAN. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.
4. By not later than 9 (nine) months after the Effective Date, the Association shall carry out a review on the overall capacity of GRAAN to handle the fiduciary responsibilities of the Project for Project implementation. The Recipient shall review, and shall cause GRAAN to review with the Association, the conclusions and recommendations of the said Association review and shall take all measures required to ensure the efficient carrying out of fiduciary responsibilities of the Project according to the conclusions of said review.

Section III. Procurement

A. General

1. **Goods, Works and Non-Consultant Services.** All goods, works and non-consultant services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth

or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Sections.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
4. **Stipulation of Procedures under the Procurement Law.** For purposes of Article 3(f) of the Procurement Law, the Procurement Guidelines, the Consultant Guidelines, and the provisions of this Schedule collectively constitute the stipulated procedures for the procurement of goods, works, non-consultant and consultant services financed under this Agreement.

B. Particular Methods of Procurement of Goods and Works and Non-Consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(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) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

E. Special Provisions

1. In addition and without limitation to any other provisions set forth in this Section or the Procurement Guidelines, the following principles of procurement shall expressly govern all procurement of goods under either International Competitive Bidding or National Competitive Bidding:
- (a) Foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding.
 - (b) No bids shall be rejected, and no provisional awards shall be made at the time of bid opening.
 - (c) The invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices.
 - (d) The invitation to bid shall not publish the estimated cost of the contract.
 - (e) The invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid.

2. In addition and without limitation to any other provisions set forth in this Section or the Procurement Guidelines, the following principles of procurement shall expressly govern all procurement under Shopping:
 - (a) Foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding.
 - (b) No bids shall be rejected, and no provisional awards shall be made at the time of bid opening.
 - (c) The invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices.
 - (d) The invitation to bid shall not publish the estimated cost of the contract.
 - (e) The invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid.
 - (f) A minimum of three quotations shall be obtained as a condition to award the contract.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association 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 Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Financing Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed</u>
(1) Goods, works, consultants’ services, non-consultant services, Training and Operating Costs for Part 1 of the Project	3,150,000	100%

<u>Category</u>	<u>Amount of the Financing Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed</u>
(2) Goods, works, consultants' services, non-consultant services, Training and Operating Costs for the Project (except for Parts 2.A and 2.C of the Project)	3,650,000	100%
(3) Working capital under Part 2.A of the Project (Revolving fund)	450,000	100%
(4) Goods, works, consultants' services and non-consultant services for Part 2.C of the Project	300,000	100%
(5) Project Preparation Facility	3,150,000	100%
TOTAL AMOUNT	10,700,000	

3. For the purposes of this Schedule, the terms:
- (a) “non-consultant services” means the reasonable expenditures (none of which would have been incurred by the Recipient and/or GRAAN absent the Project), incurred by the Recipient and/or GRAAN to cover reasonable costs of transportation of materials and the printing of manuals and other similar materials for the Project.
 - (b) “Training” means reasonable expenditures incurred by the Recipient and/or GRAAN for the carrying out of training activities under the Project, including reasonable costs of trainers fees, travel and per diem of trainers and trainees, rental of training facilities and equipment and training materials.
 - (c) “Operating Costs” means the reasonable expenditures (none of which would have been incurred by the Recipient and/or GRAAN absent the Project), incurred by the Recipient and/or GRAAN for the implementation, management, coordination and supervision of the Project, including office rent and utilities, operation and maintenance of equipment and non-durable goods, excluding food expenditures, salaries for civil servants or permanent employees and non-consultant services.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments under Category (3) until: (a) the Association has received satisfactory evidence that the Revolving Fund Operational Manual has been finalized and endorsed by the Recipient, GRAAN and FCR, and its terms have been declared acceptable by the Association in writing; and (b) the Recipient has caused GRAAN and FCR to effectively organize and implement a functional revolving credit facility administered by FCR, in accordance with appropriate managerial and technical standards as set forth in the Revolving Fund Operational Manual, in a manner satisfactory to the Association.
2. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments under Category (4) until the Association has received satisfactory evidence that: (a) the Recipient has obtained an environmental permit issued by SERENA certifying that, *inter alia*, all the necessary environmental impact assessments have been conducted; and (b) the Environmental Management Plan has been updated to reflect appropriate environmental measures so as to safely carry out the civil works and activities set forth under Part 2.C of the Project.
3. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$6,800,000 equivalent may be made for payments made prior to this date but on or after September 5, 2007, and in no case more than 12 months before the date of signature of this Agreement, for Eligible Expenditures under any Category except Categories (3) and (4).
4. The Closing Date is May 30, 2012.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each August 15 and February 15:	
commencing August 15, 2018, to and including February 15, 2028	1.00%
commencing August 15, 2028 to and including February 15, 2048	2.00%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

- (a) “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
- (b) “AMUPCAN” means *Asociación de Mujeres Pikeras de la Costa Atlántica Nicaragüense*, the Association of Women of the Nicaraguan Atlantic Coast.
- (c) “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
- (d) “CDC” means *Consejo de Desarrollo de la Costa*, the Recipient’s Council for the Development of the Coast.
- (e) “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004, as revised in October 2006.
- (f) “Credit Committee” means the committee referred to in Section I.C.1 of Schedule 2 to this Agreement.
- (g) “Eligible Credit Beneficiaries” means an individual, or a small or medium enterprise or community association which meets the criteria set forth in the Revolving Fund Operational Manual to participate in the credit scheme and activities referred to in Part 2.A of the Project.
- (h) “Environmental Management Plan” means the plan prepared by the Borrower, acceptable to the Association, which sets forth the environmental protection measures in respect of the Project, including *inter alia*: (i) a negative list of environmentally sensitive activities ineligible for Project financing; (ii) an environmental screening checklist for Project interventions; and (iii) environmental supervision, monitoring and evaluation procedures for the Project.
- (i) “FCR” means *Fondo de Crédito Rural*, the Recipient’s Rural Credit Fund, as organized by the Recipient’s Law No. “294” of June 17, 1998, as amended by Law No. 640 of November 6, 2007, which shall operate as the entity in charge of providing services for the implementation, administration and monitoring of the credit scheme under Part 2.A of the Project.
- (j) “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, as amended through October, 2006, with the modifications set forth in Section II of the Appendix to this Agreement.

- (k) “GON-GRAAN Subsidiary Agreement” means the agreement entered into by the Recipient and GRAAN, as referred to in Section I.A.2 of Schedule 2 to this Agreement.
- (l) “GRAAN” means the Government of RAAN (as defined below).
- (m) “Hurricane Felix” means the storm so named which struck the territory of the Recipient on September 5, 2007.
- (n) “INATEC” means *Instituto Nacional Tecnológico*, the Recipient’s National Technological Institute or any successor thereto.
- (o) “Indicators” means the impact, performance and implementation indicators agreed with the Association and set forth in the Operational Manual.
- (p) “INPESCA” means *Instituto Nicaragüense de la Pesca y Acuicultura*, the Recipient’s National Fishing and Aquaculture Institute or any successor thereto.
- (q) “INVUR” means *Instituto de la Vivienda Urbana y Rural*, the Recipient’s Institute for Rural and Urban Housing, or any successor thereto.
- (r) “Law No. 294” or “*Ley de Creación del Fondo de Crédito Rural*” means the Recipient’s *Ley No. 294* of June 17, 1998, as published in the Recipient’s Official Gazette on June 30, 1998.
- (s) “Law No. 640” or “*Ley Creadora del Banco de Fomento a la Producción (Produzcamos)*” means the Recipient’s *Ley No. 640* of November 6, 2007, as published in the Recipient’s Official Gazette on November 20, 2007.
- (t) “MAGFOR” means *Ministerio Agropecuario y Forestal*, the Recipient’s Ministry of Agriculture and Forestry, or any successor thereto.
- (u) “MINSA” means *Ministerio de Salud*, the Recipient’s Ministry of Health or any successor thereto.
- (v) “Operational Manual” means the manual referred to in Section I.B.1 of Schedule 2 to this Agreement, to be finalized by the Recipient as of the Effective Date, as the same may be amended from time to time with the agreement of the Association.
- (w) “Part 1 Subsidiary Agreement” means the agreement entered into by the Recipient (through SE-SINAPRED and MAGFOR) with INVUR for the carrying out of Part 1 of the Project, as referred to in Section I.A.1 of Schedule 2 to this Agreement.
- (x) “Part 2 Subsidiary Agreement” means the agreement entered into by GRAAN, INPESCA and INATEC for the carrying out of Part 2.B, Part 2.C and Part 2.D of the Project, as referred to in Section I.A.4.(a) (ii) of Schedule 2 to this Agreement.
- (y) “Part 3 Subsidiary Agreement” means the agreement entered into by the Recipient (through MINSA) with GRAAN and INVUR for the carrying out of Part 3 of the Project, as referred to in Section I.A.4.(b) of Schedule 2 to this Agreement.

(z) “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004, as revised in October 2006.

(aa) “Procurement Law” means the Recipient’s Law No. 323, which was enacted on December 2, 1999 and published in the Recipient’s Official Gazette Nos. 1 and 2 on January 3, 2000, and January 4, 2000, respectively, as amended to the date of this Agreement.

(ab) “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 5, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

(ac) “Project Coordination Committee” means the committee referred to in Section I.C.2 of Schedule 2 to this Agreement.

(ad) “Project Preparation Facility” means the Advance for the Preparation of the Project, as documented by the Letter Agreement No. Q5960 between the Recipient and the Association, as signed by the Association on December 19, 2007.

(ae) “RAAN” means *Región Autónoma del Atlántico Norte*, the Recipient’s Autonomous Region of the Northern Atlantic.

(af) “Revolving Fund Management Agreement” means the agreement entered into by RAAN and FCR for the carrying out of Part 2.A of the Project, as referred to in Section I.A.4.(a) (i) of Schedule 2 to this Agreement.

(ag) “Revolving Fund Operational Manual” means the manual referred to in Section I.B.3 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association.

(ah) “SERENA” means *Secretaría de Recursos Naturales y del Ambiente de RAAN*, RAAN’s Secretariat of Environment and Natural Resources, or any successor thereto.

(ai) “SE-SINAPRED” means *Secretaría Ejecutiva - Sistema Nacional para la Prevención, Mitigación y Atención de Desastres*, the Recipient’s Executive Secretariat of the National System of Disaster Prevention.

(aj) “Subsidiary Agreements” means collectively the “GON-RAAN Subsidiary Agreement”, the “Part 1 Subsidiary Agreement”, the “Part 2 Subsidiary Agreement”, the “Revolving Fund Management Agreement” and the “Part 3 Subsidiary Agreement”.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows and constitute an integral part of this Agreement.

The definition of "Project Implementing Entity" in paragraph 40 of the Appendix to the General Conditions shall be amended and replaced in its entirety with the following text:

"Project Implementing Entity" means a legal entity (other than the Recipient or the Guarantor) which is responsible for implementing all or a part of the Project and which: (a) is a party to the Project Agreement; or (b) is not a party to the Project Agreement but is a party to an agreement (referred to in a Legal Agreement as a "Subsidiary Agreement") whereby such party's role in implementing the Project or any part thereof is set forth. If there is more than one such entity, "Project Implementing Entity" refers separately to each such entity. For cases where clause (b) of this definition applies: the last sentence of Section 1.01 of these General Conditions shall be disregarded; the Association's obligation in Section 6.06(b)(ii) of these General Conditions to notify the Project Implementing Entity shall be disregarded; references to the Project Implementing Entity in Articles VIII and IX of these General Conditions shall be disregarded with the exception of the reference in Section 9.03; and, in those other Sections of these General Conditions where reference is made to a Project Implementing Entity's obligations under the Project Agreement or under a Legal Agreement, such obligations shall be deemed to be those set forth in the respective "Subsidiary Agreement" referred to herein.