

December 20, 2000

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

Re: Credit No. 3371-NI (Agricultural Technology Project) First  
Amendment to the Credit Agreement

His Excellency:

Please refer to the Credit Agreement (Agricultural Technological Project) between the Republic of Nicaragua (the Borrower) and the International Development Association (the Association) dated July 24, 2000, (the Credit Agreement). Whenever used in this letter, the several terms defined in the Credit Agreement have the respective meanings set forth therein.

Based on discussions between staff of the Borrower's Ministry of Finance and the Association and pursuant to your letter dated December 12, 2000 the Association hereby agrees to amend the following Sections and Schedules of the Credit Agreement:

Section 4.01 (b) (ii)  
Section 6.01 (c) and (d);  
Schedule 1 Part A Paragraph 3 (b) and (c) and Paragraph 4 (a) and (b);  
Schedule 2 Part A.2;  
Schedule 3 Section I Part D.2(b), and Section II Part D.2 (a), (b), and  
(c).

Consequently, the Credit Agreement now hereby reads in its entirety as set forth in the Attachment to this letter.

Please confirm your agreement to said amendments by signing and dating this letter in the spaces provided below. This amendment letter may be executed in two counterparts, each of which shall be an original. Upon your confirmation, please return one fully executed original to us. The provisions of this amendment letter will become effective as of the date first above written upon receipt by the Association of one fully executed original of this amendment letter.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Donna Dowset -Coirolo ,Director  
Central America Country Management Unit  
Latin America and the Caribbean Regional Office

AGREED:

REPUBLIC OF NICARAGUA

By /s/ Esteban Duque Estrada  
Authorized Representative

Date: December 20, 2000

Attachment

CREDIT NUMBER 3371-NI

Development Credit Agreement

(Agricultural Technology Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 24, 2000 (as amended on December 20, 2000)

CREDIT NUMBER 3371-NI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 24, 2000 between the REPUBLIC OF NICARAGUA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), as amended on December 20, 2000

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

WHEREAS (B) the Borrower has delivered to the Association a letter, dated April 4, 2000 describing the Borrower's agricultural development program to be carried out in the period 2000 to 2016, (the Agricultural Program) of which the Project constitutes the first phase;

WHEREAS (C) the Borrower intends to obtain from the International Fund for Agricultural Development (IFAD) a loan (the IFAD Loan), in an amount equivalent to US\$14,000,000 to assist in financing Part B of the Project on the terms and conditions set forth in an agreement (the IFAD Loan Agreement) to be entered into between the Borrower and IFAD;

WHEREAS (D) the Borrower intends to obtain from the Government of the Swiss Confederation a non-reimbursable contribution (the Swiss Contribution), in an amount equivalent to US\$2,010,000 to assist in financing the first phase of the Project on

the terms and conditions set forth in an agreement to be entered into between the Borrower and Switzerland;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 as amended through December 2, 1997 (the General Conditions), with the modifications set forth below constitute an integral part of this Agreement:

(a) A new paragraph (c) is added to Section 3.04 to read as follows:

"If the Association shall at any time receive less than the full amount then due and payable to it under the Development Credit Agreement, the Association shall have the right to allocate and apply the amount so received in any manner and for such purposes under the Development Credit Agreement as the Association shall in its sole discretion determine."

(b) Paragraph (c) of Section 9.06 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."

(c) Section 11.01 is modified by replacing, in the second sentence, the word "radiogram" with the word "facsimile" and adding a new sentence at the end of the said Section to read:

"Deliveries made by facsimile transmission shall also be confirmed by mail."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Agricultural Technical Assistance Subprojects" means any of the subprojects approved by the Facility Administrator (as hereinafter defined) in accordance with the criteria and procedures for agricultural technical assistance subprojects set forth in the Operational Manual (as hereinafter defined);

(b) "DTA" means "Dirección de Tecnología Agropecuaria", the Borrower's Directorate for Agricultural Technology, within MAGFOR (as hereinafter defined);

(c) "Eligible Categories" means categories (1), (2), (3), (4), (5) and (6)

set forth in paragraph A.1 of Schedule 1 to this Agreement;

(d) "Eligible Expenditures" means the expenditures for goods and services referred to in Section 2.02 (a) of this Agreement and to be financed out of the proceeds of the Credit;

(e) "Facility Administrator" means the non-profit organization to be established pursuant to the provisions of Section 3.06 of this Agreement;

(f) "Facility Administrator Implementation Agreement" means the agreement to be entered into between the Borrower, through MAGFOR and the Facility Administrator pursuant to Section 3.01 (b) (i) of this Agreement, as the same may be amended from time to time, subject to the provisions of Section 3.01 (c) of this Agreement;

(g) "Implementation Agreements" means the Facility Administrator Implementation Agreement, the INATEC Implementation Agreement and the INTA Implementation Agreement (as hereinafter defined);

(h) "INATEC" means "Instituto Nacional Tecnológico", the Borrower's national institute of technical education and training;

(i) "INATEC Implementation Agreement" means the agreement to be entered into between the Borrower, through MAGFOR, and INATEC pursuant to Section 3.01 (b) (iii) of this Agreement, as the same may be amended from time to time, subject to the provisions of Section 3.01 (c) of this Agreement;

(j) "Indicators" means the indicators set forth in Attachment 1 of the supplemental letter from the Borrower to the Association of even date herewith;

(k) "Innovative Agricultural Research Subproject" means any of the subprojects to be approved by the Facility Administrator in accordance with the criteria and procedures for innovative agricultural research subprojects set forth in the Operational Manual (as hereinafter defined);

(l) "INTA" means "Instituto Nicaragüense de Tecnología Agropecuaria", the Borrower's National Institute of Agricultural Technology, established pursuant to Decree No. 22-93, published in the Official Gazette (as thereinafter defined) on March 26, 1993;

(m) "INTA Implementation Agreement" means the agreement to be entered into between the Borrower, through MAGFOR, and INTA pursuant to Section 3.01 (b) (ii) of this Agreement, as the same may be amended from time to time, subject to the provisions of Section 3.01 (c) of this Agreement;

(n) "La Gaceta" means the Borrower's official gazette;

(o) "MAGFOR" means Ministerio Agropecuario y Forestal, the Borrower's Ministry of Agriculture, Livestock and Forestry;

(p) "Operational Manual" means the manual referred to in Section 3.04 of this Agreement;

(q) "Participating Entity" means any entity in the public or private sector, such as universities, commodity associations, traditional campesino community organizations (Comunidades Campesinas, Comunidades Nativas, Cooperativas Agrarias de Producción, Grupos Campesinos and Sociedades Agrarias de Interés Social), irrigation user groups, cooperatives, research organizations, non-governmental organizations or agribusiness firms, which is eligible in accordance with the criteria and procedures set forth in the Operational Manual for the carrying out of an Innovative Agricultural Research Subproject and any other entity defined in the Operational Manual (as

hereinafter defined);

(r) "Producer Group" means any producer group in the agricultural sector for the benefit of which an Agricultural Extension Subproject is to be carried out, said producer group to include commodity association, traditional campesino community organizations (Comunidades Campesinas, Comunidades Nativas, Cooperativas Agrarias de Producción, Grupos Campesinos and Sociedades Agrarias de Interés Social), irrigation user groups, cooperatives, and women's organizations;

(s) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(t) "Project Preparation Facility" means the Project preparation advance granted by the Association to the Borrower pursuant to the letter of agreement signed on behalf of the Association and the Borrower on September 16, 1999;

(u) "Research Institution" means any institution or research center which carry out agricultural research activities, including regional and international universities and research organizations;

(v) "Strategic Alliances for Research Subprojects" means any of the subprojects to be approved by the Facility Administrator in accordance with the criteria and procedures for strategic alliances for research subprojects set forth in the Operational Manual;

(w) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement; and

(x) "Units" means the two units referred to in Section 3.05 of this Agreement.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to seventeen million six hundred thousand million Special Drawing Rights (SDR17,600,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be September 30, 2004 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of

one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15, commencing November 15, 2010 and ending on April 15, 2040. Each installment to and including the installment payable on May 15, 2020 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2 %) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Association shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b)

above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, and under the overall supervision and responsibility of MAGFOR shall:

- (i) carry out Parts A and E of the Project;
- (ii) cause the Facility Administrator, pursuant to the Facility Administrator Implementation Agreement, to carry out Part B of the Project;
- (iii) cause INTA, pursuant to the INTA Implementation Agreement, to carry out Part C of the Project; and
- (iv) cause INATEC, pursuant to the INATEC Implementation Agreement, to carry out Part D of the Project,

all with due diligence and efficiency and in conformity with appropriate technical, financial, administrative, agricultural and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower, through MAGFOR, shall enter into an agreement, under terms and conditions satisfactory to the Association, with:

- (i) the Facility Administrator, setting forth their respective responsibilities for the implementation of Part B of the Project;
- (ii) INTA, setting forth their respective responsibilities for the implementation of Part C of the Project; and
- (iii) INATEC, setting forth their respective responsibilities for the implementation of Part D of the Project.

(c) The Borrower shall exercise its rights and comply with its obligations under the Implementation Agreements in such manner as to protect the interests of the Borrower and the Association, and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not change, assign, amend, abrogate or waive any of the Implementation Agreements, or any provision thereof;

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services, required for the Project and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall:

- (a) maintain policies and procedures adequate to enable it to monitor and

evaluate on an ongoing basis, in accordance with the Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association on or about August 31 and February 28, each year, commencing February 28, 2001 a report of such scope or such detail as the association shall reasonably request which, inter alia, integrates the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Association by March and September each year, or such later date as the Association shall request, the reports referred to in subparagraph (b) of this Section; and

(d) thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the Association's views on the matter.

Section 3.04. Without limitation to the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower, shall carry out Parts A and E of the Project and shall cause the Facility Administrator, INTA, and INATEC to carry out Parts B, C, and D, respectively, in accordance with an operational manual satisfactory to the Association (the Operational Manual), said manual to include, inter alia:

(a) the criteria and procedures for the preparation, review, approval and implementation of financial management arrangements;

(b) detailed procurement and contracting procedures consistent with Schedule 3 to this Agreement, to be applicable to the contracts for the works, goods, and consultants' services required for the Project and to be financed out of the proceeds of the Credit;

(c) the provisions related to the institutional structure of the Units, including terms of reference, functions and responsibilities for its personnel, and the respective responsibilities and functions in the implementation of the Project;

(d) the procedures for the implementation, monitoring and evaluation of the Project;

(e) the administrative rules and procedures for planning, preparing, proposing, selecting (on a competitive basis), contracting, financing, supervising, and carrying out the Innovative Agricultural Research Subprojects, the Strategic Alliances for Research Subprojects and the Agricultural Technical Assistance Subprojects;

(f) the environmental criteria for screening and selecting the Innovative Agricultural Research Subprojects, the Strategic Alliances for Research Subprojects and the Agricultural Technical Assistance Subprojects, and mandatory safeguards and mitigation actions for any such Subprojects which could possibly have a negative environmental impact such as, in particular, use of any pesticides, increase in deforestation, pollution of groundwater, negative impacts on endangered species, increase in pesticide in food, and increase in soil erosion; and

(g) the criteria and procedures for the review and approval of withdrawal applications to the Association, in conformity with the instructions that the Association may give to the Borrower in this respect.



Section 3.05. Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) maintain and strengthen, within MAGFOR, during the execution of the Project, two units (the Units) responsible for the coordination, management and implementation of the Project:

- (i) a technical directorate under the General Directorate of MAGFOR (the DTA), responsible for the overall technical implementation of the Project and for the coordination of institutional and program capacity development; and
- (ii) an administrative unit under the General Directorate for Administration and Finance of MAGFOR, responsible for administrative matters, including financial management, procurement, legal affairs, and personnel management;

(b) cause such Units to have:

- (i) a structure and responsibilities satisfactory to the Association; and
- (ii) key staff with functions, experience, responsibilities, and qualifications at all times satisfactory to the Association, in adequate numbers, including: (A) for DTA, a full time program director, a planning officer and a specialist in project monitoring and evaluation; and (B) for the administrative unit, a full time financial administrator, an accountant and two procurement specialists;

(c) consult with the Association on any substitution of the Units' staff, prior to such substitution; and

(d) appoint and maintain during the execution of the Project a selection committee, with membership satisfactory to the Association, to select the Units' key staff, including the directors, and to appoint an independent consulting firm to annually review the Units' management and administrative capacity.

Section 3.06. The Borrower shall:

(a) establish and thereafter maintain during the execution of the Project, the Facility Administrator with participation of the public and the private sector for the execution of Part B of the Project, all with statutes and regulations acceptable to the Association; and

(b) ensure that the Facility Administrator is: (i) headed by a management council, composed of representatives of both the private and the public sector; and (ii) further staffed by key personnel, including a managing director, all with functions, responsibilities, qualifications and experience acceptable to the Association.

Section 3.07. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with

the Borrower on said plan.

Section 3.08. The Borrower shall:

(a) carry out an initial baseline survey, satisfactory to the Association, in order to provide quantitative benchmarks for assessing key impact indicators;

(b) ensure that the impact indicators referred above are acceptable to the Association; and

(c) thereafter, carry out periodic panel data surveys, satisfactory to the Association

Section 3.09. The Association and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by INATEC, INTA, MAGFOR and the Facility Administrator, in respect of their respective parts of the Project.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal

from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02 (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than six months after the Effective Date or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

## ARTICLE V

### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) the Facility Administrator, INATEC or INTA shall have failed to perform any of their obligations under their respective Implementation Agreement, that in the opinion of the Association would materially and adversely affect the achievement of the Project objectives;

(b) the Borrower or any other authority having jurisdiction shall have taken any action that may result in the dissolution or disestablishment of the Facility

Administrator, INATEC or INTA, or for the suspension of their operations;

- (c) (i) Subject to subparagraph (ii) of this paragraph: the right of the Borrower to withdraw the proceeds of the IFAD Loan or the Swiss Contribution, shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreements providing therefor;
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:
  - (A) such suspensions, cancellations or terminations are not caused by the failure of the Borrower to perform any of its obligations under such agreements; and
  - (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the events specified in paragraphs (a), (b) and (c) of Section 5.01 (subject to the provisions of paragraph (ii) of paragraph (c) of that Section), shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the INTA Implementation Agreement and the INATEC Implementation Agreement have been signed on behalf of the parties thereto;
- (b) the Operational Manual has been issued and adopted by MAGFOR, INTA, and INATEC, in accordance with the provisions of Section 3.04 of this Agreement; and
- (c) the financial management system, referred to in Section 4.01 (a) of this Agreement, shall have been established to the satisfaction of the Association.

Section 6.02. The date October 23, 2000 is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance and Public Credit of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Hacienda y Crédito Público

Frente al Edificio de la Asamblea Nacional  
Managua  
Nicaragua

Facsimile: 505/222-3033

For the Association:

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

Facsimile: 202/676-1464

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Credit

##### A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods expendi-	2,980,000	100% foreign tures; 80% local expenditures
(2) Works	970,000	80%
(3) Consultants' Services	2,830,000	100%
(4) Training	1,860,000	100%
(5) Grants	3,950,000	100%
(6) Operating Costs	3,350,000	80%
(7) Refunding of Project pursuant to Preparation Facility (b) of this	1,410,000	Amount due Section 2.02 Agreement
(8) Unallocated	250,000	
TOTAL	17,600,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "Operating Costs" means the cost of operation and maintenance of

computers, office and audiovisual equipment, office supplies, and other incremental costs related to the administration of the Project; and

(d) the term "training" means the cost of tuition fees, study tours, travel and per-diem of trainers and trainees, training materials, rental of facilities and equipment and other cost related to training to be carried out under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures under category (5) of the table in paragraph 1 of this Schedule, unless: (i) the Facility Administrator has been established in accordance with the provisions of Section 3.06 of this Agreement; (ii) the Facility Administrator Agreement referred to in Section 3.01 (b) (i) of this Agreement has been signed on behalf of the parties thereto; and (iii) the Operational Manual has been adopted by the Facility Administrator, in accordance with the provisions of Section 3.04 of this Agreement;

(b) payments made for expenditures under Category (5) of the table in paragraph 1 of this Schedule in an aggregate amount of more than SDR 395,000, unless the baseline survey referred to in Section 3.08 has been carried out;

(c) expenditures for the purchase of agricultural pesticides; and

(d) payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditures for expenditures for:

(a) goods and works under contracts costing less than \$150,000 equivalent each, other than the contracts set forth in Part D.2 (a) and (b) of Schedule 3 of this Agreement;

(b) services of consulting firms under contracts costing less than \$100,000 equivalent each;

(c) services of individual consultants under contracts costing less than \$30,000 equivalent each; and

(d) training, operating costs, and grants all under such terms and conditions as the Association shall specify by notice to the Borrower.

#### B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account, in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for

withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

#### Annex A to SCHEDULE 1

#### Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means: an amount equivalent to \$1,800,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Special Account's Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Special Account's Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed said Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit allocated to the Special Account's Eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

#### Annex B to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to



the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$4,300,000.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to increase agricultural productivity and family income of small and medium-scale farm households through the establishment of a demand-driven, national agricultural technology knowledge and innovation system.

The Project, which constitutes the first phase of the Borrower's Agricultural Program, consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### Part A: Development of Institutional Capacity

1. Strengthening the capacity of the institutions responsible for agricultural technology development, including INATEC, INTA, MAGFOR, and the Facility Administrator; and
2. Preparation of studies in areas related to agricultural and forestry technology, and the preparation of projects in land administration, agricultural, forestry and natural resource development areas acceptable to the Association.

#### Part B: Competitive Fund for Agricultural Services

Establishment and operation of a competitive agricultural technology fund to finance, on a grant basis, the carrying out of:

1. Innovative Agricultural Research Subprojects to assist Participating Entities to carry out open-subject research activities;
2. Strategic Alliances for Research Subprojects for the strengthening of the local agricultural research capabilities; and
3. Agricultural Extension Subprojects to, inter alia: (a) assist Producer Groups in adopting new crop and livestock production, post-harvest handling, and marketing technologies; (b) increase productivity, profitability, competitiveness and managerial capacity of the Producer Groups; and (c) optimize utilization of natural resources, including forestry resources and production of energy.

#### Part C: Strengthening of INTA's Operations

Improvement of INTA's organizational procedures and capabilities with respect to:

1. The carrying out of agricultural research and development activities, including testing and validation of new and improved technologies adapted to the demands, needs and capacity of small and medium farmers.
2. The carrying out of technology transfer activities, including: (i) adoption of technologies which respond to the financial and technical conditions of farmers in order to improve the production, the conservation of soils and natural resources, integrated pest management and post-harvest activities to increase productivity and nutrition levels; (ii) development of conditions to encourage the provision of privately supplied agricultural technical assistance; and (iii) introduction of new technology which will provide farmers with access to new markets, improved food

security and product quality.

3. The carrying out of seed production activities, including: (i) production of improved varieties of basic and registered seeds for agricultural production in sufficient numbers to help meet national demand; (ii) training to seed multipliers farmers in production and organization; and (iii) development of a national seed system to encourage private farmers to produce and distribute seeds.

4. (i) The provision of specialized training to extension and research staff with respect to farm systems diagnosis, agricultural production technology, supportive supervision, farm management, business administration, adult education and technology transmittal practices; (ii) provide the necessary capacity building technical assistance; and (iii) carry out a campaign for the diffusion of information supporting agricultural technology transfer.

5. The creation of a new post-harvest technology and market development unit within INTA.

6. The carrying out of planning, monitoring and evaluation activities, including, inter alia,: (i) workshops to define and ensure cost-effective coverage and methodology in agricultural extension services; (ii) development of a monitoring system; (iii) rural community consultation activities; and (iv) processing of information on farm production systems and on technology validation, adoption and impact.

#### Part D: Agricultural Technical Education and Training System

1. Development of a cost-effective, demand-driven model of technical agricultural training and education, in order to provide training to trainers in: (i) technology transfer methodology; (ii) basic agricultural skills; and (iii) client service delivery.

2. Strengthening of the institutional and technical capacity of INATEC, through: (i) the development of a demand driven model and curricula for agricultural trainers, rural youth and farmers; (ii) rehabilitating and furnishing of agricultural training centers, including the acquisition of vehicles and office equipment required therefor; and (iii) training of teachers and management staff on implementing the new curricula.

3. Strengthening the institutional capacity of the agricultural sector, through: (i) the establishment, support and operation of a continuing education center; (ii) acquisition of educational material required therefor; and (iii) design of a continuing education training program.

#### Part E: Agricultural Technology Information System

Establishment of a national agricultural technology information system within MAGFOR.

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The Project is expected to be completed by March 31, 2004.

### SCHEDULE 3

#### Procurement and Consultants' Services

#### Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, in September 1997, and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I, and Section III.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraph 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost the equivalent of \$150,000 or less, up to an aggregate amount not to exceed \$2,200,000 equivalent, and works estimated to cost the equivalent of \$150,000 or less per contract, up to an aggregate amount not to exceed \$820,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. In the procurement of goods and works in accordance with the provisions of this paragraph, the Borrower shall use or cause to be used standard bidding documents satisfactory to the Association.

2. Shopping

Goods estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than the equivalent of \$150,000 per contract, up to an aggregate amount not to exceed \$830,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

#### 4. Commercial Practices

Goods and works to be procured by Participating Entities, Producer Groups and Research Institutions, in carrying out Subprojects under Part B of the Project, may be procured in accordance with commercial practices acceptable to the Association, which shall include price comparisons from three qualified suppliers whenever possible.

##### Part D: Review by the Association of Procurement Decisions

#### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

#### 2. Prior Review

With respect to:

(a) each contract for goods or works procured pursuant to Part B.1 hereof, the first two contracts for goods and works procured pursuant to Part C.1 hereof, and the first contract for works procured pursuant to Part C.3 hereof, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply; and

(b) the first contract procured pursuant to Part C.2 hereof, the following procedures shall apply:

- (i) prior to the selection of any supplier or contractor under shopping or small works procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

#### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

### Section II. Employment of Consultants

#### Part A: General

Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of 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 (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The short list of consulting firms to be prepared pursuant to paragraph 1 above and estimated to cost less than \$100,000 equivalent may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate amount of \$ 1,000,000 equivalent, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraph 5.1 through 5.3 of the Consultant Guidelines.

2. Commercial Practices

Services to assist Participating Entities, Producer Groups and Research Institutions, in carrying out Subprojects under Part B of the Project, may be procured in accordance with commercial practices acceptable to the Association, which shall include price comparisons from three qualified consultants whenever possible.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to:

(a) each contract for the employment of consulting firms estimated to cost the equivalent of \$ 100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) each contract for the employment of individual consultants estimated to cost the equivalent of \$ 30,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) each contract for the employment of individual consultants estimated to cost the equivalent of \$ 30,000 or less; the terms of reference of the consultants shall be furnished to the Association for its prior review and approval. The contract

shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

Section III. Special Provisions

In addition and without limitation or restriction to any other provisions set forth in this Schedule or the Guidelines, the following provisions shall govern all procurement of goods referred to in Part C.1 of Section I of this Schedule:

1. Bidders shall not be required to register as a condition for bidding.
2. The submission of a single bid shall not be a sufficient reason to cancel the bidding process.
3. The content of the bids and the evaluation report thereof shall remain confidential with respect to those not involved in the evaluation process until the award of the bid is made.

