

CONFORMED COPY

CREDIT NUMBER 4862-NI

Financing Agreement

(Nicaragua Social Protection Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 8, 2011

CREDIT NUMBER 4862-NI

FINANCING AGREEMENT

AGREEMENT dated March 8, 2011, entered into between REPUBLIC OF NICARAGUA (“Recipient”) and 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 this 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 twelve million eight hundred thousand Special Drawing Rights (SDR12,800,000) (variously, “Credit” and “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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is U.S. Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project, through MIFAN, and with the assistance of MINSA with respect to Part 2(b) of the Project and of MINED with respect to Part 3 of the Project, 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 Procurement Law has been amended, suspended, abrogated, repealed or waived so as to render its Article 5(e) ineffective, in the opinion of the Association, and no provision analogous to such Article 5(e) has been adopted to replace said provision; and
 - (b) any Financial Institution shall have failed to comply with any of its obligations under the pertinent MIFAN-Financial Institution Agreement.

ARTICLE V — TERMINATION

- 5.01. 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 Associations' approval of the Credit which expire on August 3, 2012.
- 5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is forty (40) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister of Finance and Public Credit (*Ministro de Hacienda y Crédito Público*).

6.02. The Recipient's Address is:

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

Facsimile: + (505) 2222-3033

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)	1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF NICARAGUA

By /s/ Francisco Campbell

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Carlos Felipe Jaramillo

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) improve the basic conditions of welfare and social well-being of extremely poor beneficiary families with children in Selected Poor Localities; (ii) strengthen the capacity of MIFAN to implement the family and community-based social welfare Model; and (iii) promote pre-school and primary school attendance through the provision of school lunches.

The Project consists of the following parts:

Part 1: Improving the Basic Conditions of Welfare and Social Well-being of Extremely Poor Families

- (a) Provision of technical assistance to MIFAN for improving the organization, structure and content of community-based workshops modules aimed at promoting human capital formation within the family, avoiding risky behaviors and improving parents' knowledge and families' use of social services;
- (b) provision of personalized support, through social workers, to Counseling Targeted Families for developing and implementing their Family Improvement Plans, including the provision of, *inter alia*, training material to social workers and educational material to Counseling Targeted Families related to such plans; and
- (c) provision of Family Grants to Community-based Targeted Families in Participating Departments, including the delivery of the Family Grants.

Part 2: Strengthening of MIFAN's Capacity

- (a) Provision of technical assistance to MIFAN for strengthening its operational capacity to implement a family and community-based social welfare Model through, *inter alia*:
 - (i) the mapping of existing social programs within Selected Poor Localities including, *inter alia*, the carrying out of assessments of such social programs and thereafter the dissemination of the results of such assessments;
 - (ii) the improvement and validation of MIFAN's family and community-based social welfare Model including, *inter alia*, the carrying out of workshops on MIFAN's Model to families and

- the design and improvement of needed educational materials for implementing the Model;
- (iii) the design and development of training modules on MIFAN's family and community-based social welfare Model, including, *inter alia*, the provision of workshops and training to staff of the Recipient on such training modules and the provision of related training materials to said staff;
 - (iv) the design of a culturally adopted family and community-based social welfare Model for indigenous and ethnic populations based on the principles set forth in the IPP;
 - (v) the development and implementation of social audits and grievance systems to strengthen the implementation of MIFAN's family and community-based social welfare Model; and
 - (vi) the carrying out of Minor Rehabilitation Works to MIFAN's offices supporting the implementation of the Project.
- (b) Provision of technical assistance to MIFAN for designing and implementing a management information system to improve the design, implementation and accountability of its family and community-based social welfare Model, including, *inter alia*: (i) the carrying out of data collection and digitalization activities of new and/or existing social assistance programs; (ii) the creation of a registry of beneficiaries of social assistance programs; and (iii) the provision of information and communication equipment to support the aforementioned activities.
- (c) Provision of technical assistance to MIFAN for strengthening Project management, coordination, supervision, monitoring and evaluation at central, regional and local levels, including, *inter alia*: (i) the design and development of Project impact evaluations; and (ii) the carrying out of fiduciary audits under the Project.

Part 3: Supporting the Integral School Feeding Program

Provision of support to the PINE Program through, *inter alia*, the purchase of inputs for school lunches to pre-school and primary school children located in Selected Poor Localities, including the distribution of such lunches and the provision of nutrition-educational materials.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through MIFAN, shall establish and thereafter maintain throughout the implementation of the Project, relevant procurement, financial and planning units and structures (as described in the Operational Manual) to ensure an effective implementation of the Project, including, *inter alia*, a Project coordinator within the Directorate with experience and qualifications satisfactory to the Association and working under terms of reference satisfactory to the Association; which shall be: (i) responsible for the overall coordination, supervision, monitoring and evaluation of the Project; and (ii) supported by staff in numbers and with experience and qualifications satisfactory to the Association and working under terms of reference satisfactory to the Association.

2. The Recipient, through MIFAN, shall establish and thereafter maintain throughout the implementation of the Project, in each Participating Department, delegations in each department taking part in the Project, which shall be: (i) supported by staff in numbers and with experience and qualifications satisfactory to the Association and working under terms of reference satisfactory to the Association; (ii) composed of relevant financial, administration and technical units; and (iii) responsible for, *inter alia*, the coordination, supervision and monitoring of their respective activities of the Project.

B. Operational Manual

1. The Recipient, through MIFAN, shall carry out the Project in accordance with the procedures, principles and practices set forth in the Operational Manual, satisfactory to the Association, which shall include, *inter alia*:
 - (a) the detailed description of the activities of the Project including their implementation, sequence, timetable, benchmark and institutional arrangements;
 - (b) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures (including pertinent standard documents and model contracts in relation thereto);
 - (c) the detailed rules and procedures for implementing MIFAN's family and community-based social welfare Model, including, *inter alia*: (i)

selection criteria of family-beneficiaries; (ii) conditions for delivering Family Grants and the events of suspension of the same; (iii) principles for selecting Financial Institutions; (iv) rules for payment mechanisms, internal control measures and follow up procedures of Family Grants payments; and (v) rules and procedures for carrying out and verifying personalized counseling;

- (d) the detailed rules and procedures for implementing Part 3 of the Project, including rules for transferring funds to MINED for financing operating costs related to school lunches and related goods;
 - (e) the IPP; and
 - (f) the Project Indicators.
2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce the Operational Manual or any provision thereof.
3. In case of any conflict between the terms and conditions of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

C. Implementation Agreements

1. For purposes of implementing Part 1(c) of the Project; the Recipient, through MIFAN, shall enter into one or more separate agreements with Financial Institutions (the MIFAN-Financial Institution Agreement(s)) as determined by the Recipient in accordance with the provisions of the Operational Manual), all on terms and conditions satisfactory to the Association, including, *inter alia*:
- (a) provisions to require the relevant Financial Institution to: (i) exercise due diligence and efficiency in the management of the Family Grants in accordance with sound administrative, financial, accounting, managerial and social standards; (ii) deliver Family Grants under the terms and conditions described in the Operational Manual; and (iii) prepare and furnish to the Recipient and the Association all such information as the Recipient and the Association shall request related to the Family Grants;
 - (b) provisions to ensure that the relevant Financial Institution is in compliance with the Anticorruption Guidelines, including, *inter alia*: the right of the Recipient, in cause of fraud or corruption (as defined in the Anticorruption Guidelines): (i) to provide for the early termination of the MIFAN-Financial Institution Agreement, or temporarily suspend its effects, or; (ii) if applicable, require the restitution of the funds

transferred to the relevant Financial Institution under the corresponding MIFAN-Financial Institution Agreement; and

- (c) provisions to ensure that, in case of any conflict between the terms and conditions of the MIFAN-Financial Institution Agreement and those of this Agreement, the terms and conditions of this Agreement shall prevail.

2. For purposes of implementing Part 2(b) of the Project, MIFAN shall enter into an arrangement with MINSA (the MIFAN-MINSA Implementation Arrangement) on terms and conditions satisfactory to the Association, including, *inter alia*:

- (a) provisions to require MIFAN to: (i) carry out all the financial management and procurement aspects of the activities described in Part 2(b) of the Project; (ii) provide MINSA with equipment to support MIFAN in the creation of a registry of beneficiaries of social assistance programs; and (iii) not transfer Project funds to MINSA;
- (b) provisions to require MINSA to: (i) support MIFAN in the carrying out of the activities described in Part of 2(b) of the Project, including, *inter alia*, sharing new and/or existing information related to social program beneficiaries in order to create a registry of beneficiaries of social assistance programs; and (ii) adequately use the equipment provided by MIFAN for the aforementioned purpose;
- (c) provisions to require MIFAN and MINSA to efficiently coordinate the carrying out of data collection and digitalization activities in order to create a registry of beneficiaries of social assistance programs; and
- (d) provisions to ensure that in case of any conflict between the terms and conditions of the MIFAN-MINSA Arrangement and those of this Agreement, the terms and conditions of this Agreement shall prevail.

3. For purposes of implementing Part 3 of the Project, MIFAN shall enter into an arrangement with MINED (the MIFAN-MINED Implementation Arrangement) on terms and conditions satisfactory to the Association, including, *inter alia*:

- (a) provisions to require MIFAN to: (i) carry out all the financial management and procurement aspects of the activities described in Part 3 of the Project; (ii) support MINED in the implementation of the activities described in Part 3 of the Project; (iii) transfer Project funds (including the Credit funds allocated to said Part of the Project) to MINED to finance MINED's operating costs for carrying out the activities described in said Part of the Project; (iv) suspend and/or cancel the transfer of Project funds (including the Credit funds allocated to said Part of the Project) to MINED in case of MINED's non-compliance of any of the

obligations stipulated in the MIFAN-MINED Implementation Arrangement; and (v) monitor the appropriate use of said Project funds (including the Credit funds allocated to said Part of the Project) transferred to MINED;

- (b) provisions to require MINED to: (i) carry out the activities described in Part of 3 of the Project with due diligence and efficiency and in conformity with appropriate administrative, social, environmental, financial and auditing practices; (ii) exclusively use Project funds (including the Credit funds allocated to said Part of the Project) for the financing of operating costs related to the carrying out of the activities described in Part 3 of the Project; and (iii) monitor and evaluate Project outcomes and results from implementing the activities described in said Part 3 of the Project, and thereafter deliver such results to MIFAN on terms and conditions acceptable to the Association;
 - (c) provisions to require MIFAN and MINED to efficiently coordinate the carrying out of the activities described in Part of 3 of the Project, including, *inter alia*, the procurement aspects and timing for procuring of the Eligible Expenditures set forth under Category (3) for implementing the activities described in such Part of the Project; and
 - (d) provisions to ensure that in case of any conflict between the terms and conditions of the MIFAN-MINED Arrangement and those of this Agreement, the terms and conditions of this Agreement shall prevail.
4. The Recipient shall exercise its rights and carry out its obligations under each MIFAN-Financial Institution 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, waive, terminate or fail to enforce any MIFAN-Financial Institution Agreement or any provision thereof.
5. In case of conflict between the terms of any MIFAN-Financial Institution Agreement and/or the MIFAN-MINED Implementation Arrangement and/or the MIFAN-MINSA Implementation Arrangement and those of this Agreement, the terms of this Agreement shall prevail.

D. Family Grants

1. The Recipient, through MIFAN, shall make the proceeds of the Family Grants available to Community-based Targeted Families in accordance with Family Grant Commitment Letters (the Family Grant Commitment Letters) to be entered into between the Recipient, through MIFAN and each Community-based Targeted Family, on terms and conditions satisfactory to the Association,

including, *inter alia*: (a) the information related to MIFAN's family and community-based social welfare Model; (b) the conditions to be met by the relevant Community-based Targeted Family in order to receive Family Grants; and (c) the events for suspension and/or termination of the right for receiving Family Grants.

2. The Recipient shall, through MIFAN:
 - (a) by no later than December 31, 2011, prepare and submit to the Association a plan, acceptable to the Association, for Family Grant payments which shall include, *inter alia*, (i) the identified Financial Institution (or Financial Institutions) delivering Family Grants; (ii) the specific area(s) covered by such Financial Institution (or Financial Institutions); and (iii) the estimated costs for delivering Family Grants; and
 - (b) by no later than April 30, 2012, establish and thereafter maintain a payment system, through a Financial Institution (or through Financial Institutions as determined by the Association), for delivering Family Grants, which shall be acceptable to the Association.

E. Anti-Corruption

1. 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 and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Project Indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall 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 MIFAN, shall prepare and furnish to the Association as part of the

Project Report, interim unaudited financial reports for the Project covering the calendar semester, in form and substance satisfactory to the Association.

3. The Recipient, through MIFAN, shall 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 calendar year of the Recipient, covering the period starting January 1 and ending December 31 of each year. 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. (a) For purposes of carrying out concurrent audits of the Family Grants, the Recipient shall, within four (4) months after the Effective Date, hire independent auditors of experience and qualifications satisfactory to the Association and under terms of reference satisfactory to the Association.

(b) The Recipient shall: (i) upon request by the Association, carry out a concurrent audit of the Family Grants; (ii) within two (2) months after the completion of such audit or otherwise agreed with the Association, prepare and furnish to the Association a report, acceptable to the Association, integrating the results of such audit, including any recommended action to address any irregularity identified by any such audit; and (iii) immediately after, implement said actions in a manner acceptable to the Association.

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 Section.
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.

B. Particular Methods of Procurement of Goods, 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:

<u>Procurement Method</u>
(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.

<u>Procurement Method</u>
(a) Selection based on Consultant's Qualifications (CQS)
(b) Quality-based Selection (QBS)
(c) Least Cost Selection (LCS)
(d) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants (IC)
(e) Single Source Selection (SSS)
(f) Service Delivery Contractors in accordance with Paragraph 3.21 of the Consultant Guidelines

3. **Definitions.** The capitalized terms used below in this Section III 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 5(e) of the Procurement Law, the Procurement Guidelines, the Consultant Guidelines, the provisions of this Schedule and the approved standard bidding documents collectively constitute the stipulated procedures for the procurement of Goods, Works, Non-consultant services and Consultants' Services financed under this Agreement.

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

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 and Non-consultant Services under either International Competitive Bidding, National Competitive Bidding or 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) in the case of Shopping, a minimum of three quotations shall be obtained as a condition to award the contract;
- (f) unless the Association may otherwise agree, for the procurement of goods, works and Non-consultant Services, the "best offer" shall be the one submitted by the bidder whose offer was determined to be the lowest evaluated bid and was found substantially responsive to the bidding

document, provided further that the bidder was determined to be qualified to perform the contract satisfactorily;

- (g) bidders and consultants shall not be allowed to review or make copies of other bidder's bids or consultants' proposals, as the case may be. Likewise, bidders' and consultants' responses to requests of clarifications made by the procuring entity during the bidding process shall not be disclosed to other bidders or consultants, as the case may be. Finally, reports including recommendations for award shall not be shared with bidders and consultants prior to their publication;
- (h) eligibility criteria referred to in Section I of the Procurement Guidelines and the Consultant Guidelines shall govern the procurement of Goods, Minor Rehabilitation Works, Non-consultant Services and Consultants Services under the Project;
- (i) automatic rejection of bids or proposals, as the case may be, due to differences between bid or proposal prices and cost estimates being higher than predetermined percentages shall not be allowed;
- (j) bidders shall have the possibility of procuring hard copies of bidding documents even when they are published at the procurement portal;
- (k) unless so indicated in the applicable Association standard bidding documents, pre-bid conferences shall not be conducted;
- (l) bid preparation period shall not be reduced as a result of re-bidding;
- (m) consultants shall not be required to submit bid and/or performance securities; and
- (n) complaints shall be handled as indicated in the appendixes to the Procurement Guidelines and the Consultant Guidelines.

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 Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Family Grants under Part 1(c) of the Project		100%
(a) Chinandega	1,100,000	
(b) León	1,100,000	
(c) Matagalpa	1,000,000	
(d) Estelí	1,000,000	
(e) Madriz	1,000,000	
(f) Jinotega	1,000,000	
(2) Goods (excluding pesticides), Minor Rehabilitation Works, Consultants’ Services, Non-consultant Services, Operating Costs, Training and Project audits under Parts 1 and 2 of the Project	3,600,000	100%
(3) Goods (including provision of school lunches), Consultants’ Services, Non-consultant Services, Operating Costs and Training under Part 3 of the Project	3,000,000	100%
TOTAL AMOUNT	12,800,000	

3. For purposes of this Section:
 - (a) “Non-consultant Services” means the expenditures incurred on account of Project implementation to cover reasonable costs of, *inter alia*, data collection services and other services which are not rendered by consultants, hiring of Financial Institution(s) handling payments of Family Grants, media campaigns, all of which are not covered in the definition of Operating Costs or Training set forth in paragraphs (b) and (c) below;
 - (b) “Operating Costs” means the reasonable expenditure (none of which would have been incurred by the Recipient absent the Project), incurred by the Recipient for the implementation, management, coordination and supervision of the Project, including travel expenses to or from the Selected Poor Localities receiving specialized counseling and training, operation and maintenance of office equipment, maintenance and repair of vehicles, rental of offices, utilities, nondurable and/or consumable office materials, excluding salaries of civil servants or permanent employees and Non-consultant Services; and
 - (c) “Training” means the reasonable expenditures (other than those for Consultants’ Services and Non-consultants’ Services) incurred by the Recipient for the carrying out of training activities under the Project, including reasonable costs of trainers’ fees, travel and *per diem* of trainers and trainees, printing and reproduction services of training material (i.e. books, manuals and/or materials), training logistics such as hotel services, catering, travel services, rental of training facilities and equipment and training materials.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section IV, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement; and
 - (b) for payments made to provide Family Grants in any given Participating Department under the relevant subcategory under Category (1), unless the Recipient has furnished to the Association, evidence acceptable to the Association, confirming that the Recipient has entered into the pertinent MIFAN-Financial Institution Agreement.
2. The Closing Date is September 30, 2015.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15:	
commencing February 15, 2021 to and including August 15, 2030	1%
commencing February 15, 2031 to and including August 15, 2050	2%

* 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

1. “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 with the modifications set forth in Section III of this Appendix.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Community-based Targeted Family” means a family located within any of the Selected Poor Localities with children less than thirteen (13) years of age as described in the Operational Manual; and “Community-based Targeted Families” means, collectively, more than one Community-based Targeted Family.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
5. “Córdobas” means the currency of the Recipient.
6. “Counseling Targeted Family” means a selected family located within any of the Selected Poor Localities with children less than thirteen (13) years of age who have one or more children not attending school and/or working as described in the Operational Manual; and “Counseling Targeted Families” means, collectively, more than one Counseling Targeted Family.
7. “Directorate” means the *Dirección General del Programa Amor*, a unit established within MIFAN by the Recipient’s MHCP through the Resolution DIGEFUP-ALTB-0366-03-10 of March 26, 2010, which is responsible for the execution, management and supervision of various MIFAN’s social programs.
8. “Family Grant” means a grant made out of the proceeds of the Credit for the provision of an equivalent in Córdobas to a USD20 monthly payment (or other amount as agreed by the Association) by MIFAN, through a Financial Institution to a Community-based Targeted Family; and “Family Grants” means, collectively, more than one Family Grant.
9. “Family Grant Commitment Letter” means any of the agreements referred to in Section D.1 of Schedule 2 to this Agreement.
10. “Family Improvement Plans” means a plan to be developed and implemented by Counseling Targeted Families and supported by MIFAN, through social workers,

which shall include, *inter alia*, activities and tasks ensuring the return of the child and/or children back to school.

11. “Financial Institution” means any financial institution established and operated pursuant to the laws of the Recipient, which has met the eligibility criteria established in the standard bidding documents for International Competing Bidding and detailed in the Operational Manual and that will be responsible for delivering Family Grants; and “Financial Institutions” means, collectively, more than one Financial Institution.
12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
13. “IPP” means the Recipient’s indigenous peoples plan dated November 14, 2010, furnished to the Association on November 30, 2010, and published on December 3, 2010, for the implementation of the Project.
14. “MHCP” means *Ministerio de Hacienda y Crédito Público*, the Recipient’s Ministry of Finance and Credit Public or any successor entity thereto satisfactory to the Association.
15. “MIFAN” means *Ministerio de la Familia, Adolescencia y Niñez*, the Recipient’s Ministry of Family, Adolescence and Childhood or any successor entity thereto satisfactory to the Association.
16. “MIFAN-Financial Institution Agreement” means any of the agreements referred to in Section I.C.1 of Schedule 2 to this Agreement; “MIFAN-Financial Institution Agreements” means, collectively, more than one MIFAN-Financial Institution Agreement.
17. “MIFAN-MINED Implementation Arrangement” means the arrangement referred to in Section I.C.3 of Schedule 2 to this Agreement dated December 15, 2010.
18. “MIFAN-MINSA Implementation Arrangement” means the arrangement referred to in Section I.C.2 of Schedule 2 to this Agreement dated December 22, 2010.
19. “MINED” means *Ministerio de Educación*, the Recipient’s Ministry of Education or any successor entity thereto satisfactory to the Association.
20. “Minor Rehabilitation Works” means rehabilitation works of existing physical structures, installation of internal divisions within such physical structures and reparations in general (excluding extensions and/or new constructions), all as previously approved by the Association.

21. “MINSA” means the *Ministerio de Salud*, the Recipient’s Ministry of Health or any successor entity hereto satisfactory to the Association.
22. “Model” means MIFAN’s integrated standard strategy focused on improving the well-being of extremely poor families, which was approved by the Minister of MIFAN through a Circular DM-MRM-269-14-12-2010 dated December 14, 2010.
23. “Operational Manual” means the Recipient’s manual dated December 20, 2010, referred to in Section I.B.1. of Schedule 2 to this Agreement and approved by the Association on December 23, 2010.
24. “Participating Department” means any of the following six (6) Departments: (i) Chinandega; (ii) Estelí; (iii) Jinotega; (iv) León; (v) Madriz; (vi) Matagalpa; and “Participating Departments” means, collectively, more than one Participating Department.
25. “PINE Program” means the Recipient’s Integral Program on School Nutrition (as established through the Cooperation Agreement executed between the Recipient and the World Food Program in 1998, and executed by MINED) whose main objectives are: (i) to increase the intake of nutritive and fortified food amongst children of pre-school and primary school age; (ii) to increase school attendance, and decrease dropouts in pre-schools and primary schools; and (iii) to strengthen community participation and the adoption of good feeding and sanitary practices in public and community pre-schools and primary schools.
26. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
27. “Procurement Law” means *Ley de Contrataciones del Estado*, the Recipient’s Law No. 737, which was enacted on November 4, 2010 and published in the Official Gazette on November 8, 2010.
28. “Procurement Plan” means the Recipient’s procurement plan for the Project dated December 3, 2010 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 such paragraphs.
29. “Project Indicators” means the indicators referred to in Section I.B.1 (f) of Schedule 2 to this Agreement.
30. “Selected Poor Locality” means any of the municipalities (listed in the Operational Manual) of the Recipient located within any of the Participating

Departments; and “Selected Poor Localities” means, collectively, more than one Selected Poor Locality.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.05 is modified to read as follows:

“Section 2.05. Eligible Expenditures

... (a) the payment is for the financing of the reasonable cost of goods, works, services or grants required for the Project, to be financed out of the proceeds of the Financing and procured, all in accordance with the provisions of the Legal Agreements;”

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has

declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”