

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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July 21, 2010

**CONFORMED COPY FOR PUBLIC DISCLOSURE**

Mr. Freddy Cárdenas  
*Presidente*  
*Federación Red NicaSalud*  
Km 4 ½ Carretera a Masaya,  
de La cocina de Doña Haydee 1/2 c. abajo  
Casa No.29  
Managua, Nicaragua

**Re: NICARAGUA: JSDF Grant for the Food Emergency Support Program for  
School Children Project  
Grant No. TF097212**

Dear Sir:

In response to the request for financial assistance made on behalf of *Federación Red NicaSalud* (the "Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), as administrator of grant funds provided by Japan under the Japan Social Development Fund, proposes to extend to the Recipient, for the benefit of the Republic of Nicaragua ("Member Country"), a grant in an amount not to exceed two million nine hundred seventy thousand three hundred eighty seven United States Dollars (US \$2,970,387) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This Grant is funded out of the Japan Social Development Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement with the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank, provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 (ninety) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

This Agreement shall become effective upon receipt by the World Bank of: (i) this countersigned copy; (ii) a copy of the Cooperation Agreement referred to in Section 2.03 (a) of

the Annex to this Agreement duly signed by the parties thereto; and (iii) a copy of the IPP referred to in Section 2.03 (a) (C) of the Annex to this Agreement.

Very truly yours,  
INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Laura Frigenti  
Director  
Central America Country Management Unit  
Latin America and the Caribbean Region

AGREED:  
*Federación Red NicaSalud*

By /s/ Johanna Rivas  
Authorized Representative

Date: July 21, 2010

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008
- (2) Disbursement Letter dated July 21, 2010 together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

## **Article I**

### **Standard Conditions; Definitions**

1.01. *Standard Conditions.* The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 1, 2008 (“Standard Conditions”), with the modifications set forth in Section I of Appendix 1 to this Agreement, constitute an integral part of this Agreement.

1.02. *Definitions.* Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

- (a) “Cooperation Agreement” means *Acuerdo de Cooperación* between MINED (as hereinafter defined) on behalf of the Member Country and the Recipient referred to in Section 2.03(a) of the Agreement.
- (b) “Distribution Points” means *Puntos de Entrega*, the locations for the delivery of inputs for school lunches within the Member Country’s territory determined by MINED, through PINE, for the purposes of the Project and to be used by the Recipient.
- (c) “Eligible Schools” means any of the Member Country’s pre-school or primary school which meets the criteria set forth in the Operational Manual to benefit under the Project.
- (d) “Indigenous Peoples” means the social group of people as defined in paragraph 3 of the IPP (as hereinafter defined).
- (e) “Indigenous Peoples Plan” or “IPP” means *Plan Para Pueblos Indigenas*, the Recipient’s plan dated September 2009 acceptable to the World Bank developed by the Member Country for the purposes of the Original Project, including an amendment to said IPP to be adopted by MINED, in close cooperation with the Recipient, in a manner satisfactory to the World Bank.
- (f) “Operational Manual” means the Recipient’s manual, to be developed by the Recipient referred to in Section 2.03(c) of this Agreement, which manual shall include, *inter alia*: standard documentation; procurement procedures; reporting requirements; financial management procedures including audit procedures; and social procedures and standards as outlined in the IPP; the procedures for the carrying out, monitoring and evaluation of the Project (including the procurement, financial, social and environmental requirements thereof); as such manual may be amended from time to time with agreement of the World Bank.

- (g) “MINED” means *Ministerio de Educación*, the Member Country’s Ministry of Education, or its successor or successor thereto.
- (h) “Municipality” means *Municipio*, a political subdivision of the Member Country.
- (i) “NicaSalud” means *Federación Red NicaSalud*, a legal entity established and operating as a non-profit organization comprising a number of several NGOs, pursuant to the provisions of its by-laws (*Reglamento Interno*) and the provisions of the Member Country’s Decree A.N. No. 3148, dated November 15, 2001 and published in the Member Country’s Official Gazette (*La Gaceta*) on November 22, 2001.
- (j) “NicaSalud Framework” means the administrative, technical and legal regulatory framework pertaining to the operation of NicaSalud.
- (k) “Original Project” means the Emergency Food Price Response Project (FPCR TG Grant Number TF093698), dated February 17, 2009, as amended to the date of this Agreement.
- (l) “PINE” means *Programa Integral de Nutricion Escolar*, the Member Country’s Integral Program on School Nutrition, under the purview of MINED, as defined in the Original Project.
- (m) “PINE Guidelines” means the procedures to be followed by PINE regarding the quality and quantity of input for school lunches to be purchased.
- (n) “RAAS” means *Región Autónoma del Atlántico Sur*, the Autonomous Region of the Southern Atlantic of the Member Country.
- (o) “Selected Municipalities” means the Member Country’s most vulnerable municipalities which have been impacted by diminishing resources for school feedings due to the combined effects of the economic and food crisis and which are listed in Appendix 2 to this Agreement, as said list may be amended from time to time in agreement with the World Bank.
- (p) “World Bank Safeguard Policies” means the World Bank’s safeguards operational policies and procedures set forth in the World Bank’s Operational Manual, as said manual is published under [www.WorldBank.org/opmanual](http://www.WorldBank.org/opmanual).

## **Article II**

### **Project Execution**

2.01. ***Project Objectives and Description.*** The objective of the Project is to support the Member Country’s Original Project capacity to maintain and expand nourishment intake of pre-primary and primary school children (as provided in the Original Project) in the Member Country’s Selected Municipalities. The Project consists of the following parts:

Part I. Provision of School Lunches in Selected Municipalities

- (a) The carrying out of school feeding activities, including, *inter alia*, the delivery of school lunches at Distribution Points for pre-primary and primary school children enrolled in public schools in the Selected Municipalities.

Part II. Management, Administration and Monitoring and Evaluation

- (a) The provision of support to the Recipient in the management, administration, monitoring and evaluation of the Project, including, *inter alia*, the carrying out of in-situ inspections of Distribution Points and Eligible Schools in the Selected Municipalities.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in Section II of Appendix 1 to this Agreement; (c) this Article II; and (d) the Cooperation Agreement.

2.03. **Institutional Arrangement and Safeguards.** (a) For purposes of carrying out the Project, the Recipient shall enter into an agreement (“Cooperation Agreement”) with the Member Country, through MINED, under terms and conditions satisfactory to the World Bank, which shall include *inter alia*:

- (i) the obligation of the Recipient to:
  - (A) use the Grant funds in accordance with the terms and conditions of this Agreement, and in conformity with administrative, technical, financial, procurement, auditing, environmental, social, participatory and legal standards and practices;
  - (B) furnish all information covering the implementation of Project activities and the use of the proceeds of the Grant, as the World Bank shall reasonably request;
  - (C) carry out the IPP in accordance with its terms and in a manner acceptable to the World Bank;
  - (D) carry out procurement and contractual aspects required for the implementation of the Project activities and the maintenance of all relevant procurement documentation, all in accordance with the provisions of Section 2.05 of this Agreement;
  - (E) ensure compliance with financial management procedures detailed in Section 2.04 of this Agreement;

(F) ensure compliance with the Anti-Corruption Guidelines in the implementation of the Project (by, for example, allowing the World Bank inspection and audit rights under paragraph 9 (d) of the Anti-Corruption Guidelines); and

(ii) the obligation of the MINED, through PINE, to take all actions necessary to enable the Recipient to comply with its obligations under this Agreement, including its cooperation to carry the *in-situ* inspections under Part II (a) of the Project.

(b) The Member Country, through MINED, shall exercise its rights and carry out its obligations under the Cooperation Agreement in such manner as to protect the interests of the Member Country, through MINED, and the World Bank and to accomplish the purposes of the Grant, and except as the World Bank shall otherwise agree, the Member Country, through MINED, shall not change, assign, amend, abrogate, waive or fail to enforce the Cooperation Agreement or any provision thereof. In the event of any inconsistency between the provisions of the Cooperation Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

(c) The Recipient shall carry out the Project in accordance with the provisions of a Manual (the Operational Manual) which shall include, *inter alia*, the IPP.

(d) In the event of any inconsistency between the provisions of the Operational Manual, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The Recipient shall ensure that the audited Financial Statements for such period shall be: (i) furnished to the World Bank not later than six months after the end of such period; and (ii) made publicly available in a timely fashion and in a manner acceptable to the World Bank.

#### 2.05. **Procurement**

(a) General. All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”), in the case of consultants’ services; and

(iii) the provisions of this Section , as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan which the World Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (A) National Competitive Bidding; and (B) Shopping.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; and (F) Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

(f) Special Provisions

(i) 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) The invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid; and

(F) In the case of Shopping, a minimum of three quotations shall be obtained as a condition to award the contract.

**Article III**  
**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in U.S. \$)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, Consultants’ Services, Training and Operating Costs under the Project	\$2,970,387	100%
<b>TOTAL AMOUNT</b>	\$2,970,387	

For the purposes of this Section the terms:

(a) “Operating Costs” means incremental operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of



bank accounts required for the Project, and travel, lodging and *per diem*, but excluding salaries of officials of the Member Country's civil service.

(b) "Training" means training conducted in the territory of the Member Country, including: (i) travel, room and *per diem* expenditures incurred by trainers and trainees in connection with their training; (ii) training facility rental; (iii) course fees; and (iv) training material preparation, acquisition, reproduction and distribution expenses.

3.02. ***Withdrawal Conditions.*** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is two years after the date of countersignature of this Agreement by the Recipient.

## **Article IV**

### **Additional Remedies**

4.01. ***Additional Events of Suspensions.*** The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

- (a) The Member Country, through MINED, or the Recipient have failed to perform any of their respective obligations under the Cooperation Agreement.
- (b) The Cooperation Agreement, or any provision thereof, shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the World Bank, the ability of the Recipient to carry out the Project.
- (c) The NicaSalud Framework, or any provision thereof, shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the World Bank, the ability of the Recipient to carry out the Project.

## **Article V**

### **Recipient's Representative; Addresses**

5.01. ***Recipient's Representative.*** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its *Presidente*.

5.02. ***Recipient's Address.*** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

*Federación Red NicaSalud*  
Km 4 ½ Carretera a Masaya,  
de La cocina de Doña Haydee 1/2 c. abajo  
Casa No.29  
Managua

Republic of Nicaragua

5.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

1-202-477-6391

**APPENDIX 1**  
**Modifications to the Standard Conditions and the Anti-Corruption Guidelines**

**Section I.** The Standard Conditions are modified as follows:

1. The provisions of Section 4.02 (j) of the Standard Conditions are modified to read as follows:

... (j) *Ineligibility.* IBRD or IDA has declared the Recipient (other than the Member Country) ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA, as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient is 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 Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

**Section II.** 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.”

**APPENDIX 2**  
**List of Selected Municipalities**

Department	Municipality
Chontales	Acoyapa
Chontales	Comalapa
Chontales	El Ayote
Chontales	Juigalpa
Chontales	La Libertad
Chontales	San Francisco de Cuapa
Chontales	San Pedro de Lóvago
Chontales	Santo Domingo
Chontales	Santo Tomás
Chontales	Villa Sandino
León	Achuapa
León	El Jicaral
León	El Sauce
León	Larreynaga
León	Quezalguaque
León	Santa Rosa del Peñón
León	Telica
Boaco	Boaco
Boaco	Camoapa
Boaco	San José de los Remates
Boaco	San Lorenzo
Boaco	Santa Lucía
Boaco	Teustepe
Chinandega	Chichigalpa
Chinandega	Cinco Pinos
Chinandega	Corinto
Chinandega	El Realejo
Chinandega	El Viejo
Chinandega	Posoltega
Chinandega	Puerto Morazán
Chinandega	San Francisco del Norte
Chinandega	San Pedro del Norte
Chinandega	Santo Tomás del Norte
Chinandega	Somotillo
Chinandega	Villanueva

<b>Department</b>	<b>Municipality</b>
Estelí	Condega
Estelí	Estelí
Estelí	La Trinidad
Estelí	Pueblo Nuevo
Estelí	San Juan de Limay
Estelí	San Nicolás
Matagalpa	Ciudad Darío
Matagalpa	Esquipulas
Matagalpa	Mulukukú
Matagalpa	Muy Muy
Matagalpa	Paiwas
Matagalpa	Rancho Grande
Matagalpa	Río Blanco
Matagalpa	San Isidro
Matagalpa	Sébaco
RAAS	Bluefields
RAAS	Corn Island
RAAS	Desembocadura de Río Grande
RAAS	El Tortuguero
RAAS	Kukra - Hill
RAAS	La Cruz de Río Grande
RAAS	Laguna de Perlas
Río San Juan	El Almendro
Río San Juan	El Castillo
Río San Juan	Morrito
Río San Juan	San Carlos
Río San Juan	San Juan de Nicaragua
Río San Juan	San Miguelito
Zelaya	El Coral
Zelaya	El Rama
Zelaya	Muelle de los Bueyes
Zelaya	Nueva Guinea