

CONFORMED COPY

CREDIT NUMBER 4127-NI

Financing Agreement

(Second Agricultural Technology Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 24, 2006

FINANCING AGREEMENT

AGREEMENT, dated February 24, 2006, between the REPUBLIC OF NICARAGUA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II - FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to eight million three hundred thousand Special Drawing Rights (SDR 8,300,000) (“Credit”) to assist in the financing of the Project (with the exception of Part I.G of the Project) described in Schedule 1 to this Agreement.
- 2.02. The Recipient has entered into a loan agreement with IFAD (the Co-financing Agreement) to finance the activities under Part I.G of the Project.
- 2.03. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.04. 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.
- 2.05. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is USD.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through MAG-FOR, shall carry out Part 2.A of the Project pursuant to the provisions of the Subsidiary Agreement, and shall cause: (a) INTA to carry out Parts 1.A through 1.E and 2.B of the Project, pursuant to the provisions of the INTA Implementation Agreement; (b) INAFOR to carry out Part 1.F and 2.C of the Project pursuant to the provisions of the INAFOR Implementation Agreement; and (c) FUNICA to carry out Part 1.G of the Project pursuant to the provisions of the FUNICA Agreement, 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, through MAG-FOR, 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) Law No. 462 and Law No. 290 or any provision thereof shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of MAG-FOR, INTA, INAFOR or FUNICA to perform any of their obligations under this Agreement or under their respective Implementation Agreements (in the case of INTA and INAFOR) or the FUNICA Agreement (in the case of FUNICA).
 - (b) MAG-FOR, INTA or INAFOR shall have failed to perform any of their obligations under the Subsidiary Agreement or the respective Implementation Agreements to an extent that, in the opinion of the Association, would materially and adversely affect the achievement of the Project objectives.

- (c) The Recipient, or any other authority having jurisdiction shall have taken any action that may result in the dissolution or disestablishment of FUNICA, INTA or INAFOR in the suspension of their operations.
- (d) (i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the IFAD Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Co-financing Agreement providing therefor.

(ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that:
 - (a) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under the Co-financing Agreement; and
 - (b) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.
- (e) FUNICA shall have failed to perform any of its obligations under the FUNICA Agreement to an extent that, in the opinion of the Association, would materially and adversely affect the achievement of the Project objectives.

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

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

ARTICLE V - EFFECTIVENESS; TERMINATION

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

- (a) The Implementation Agreements have been executed on behalf of the Recipient and the Implementing Agencies;

- (b) The Subsidiary Agreement has been executed on behalf of the Recipient and MAG-FOR; and
 - (c) The revision and updating of the Operational Manual in a form and substance satisfactory to the Association.
- 5.02. The Additional Legal Matters consist of the following: (a) the Recipient (in its legal opinion) indicates that the Subsidiary Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Recipient and MAGFOR, and is legally binding upon the Recipient and MAG-FOR in accordance with the terms of said Subsidiary Agreement; and (b) the Recipient (in its legal opinion) and each of the Implementing Agencies (in a separate legal opinion satisfactory to the Association, issued by an Implementing Agency counsel acceptable to the Association), indicate that the relevant Implementation Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and the Implementing Agency, and is legally binding upon the Implementing Agency, in accordance with the terms of said Implementation Agreement.
- 5.03. The Effectiveness Deadline is the date ninety days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister of Finance and Public Credit.
- 6.02. The Recipient's Address is:
- Ministerio de Hacienda y Crédito Público
Frente al Edificio de la Asamblea Nacional
Managua
Nicaragua
- Facsimile: 505/222-3033
- 6.03. The Association's Address is:
- International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

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

REPUBLIC OF NICARAGUA

By /s/ Mario Arana Sevilla

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to provide the Recipient with a second phase of support to increase agricultural productivity by providing rural households and communities with broader access to sustainable agricultural, forestry and natural resource management services, technology and innovations, in line with the Recipient's PRORURAL program.

The Project consists of the following parts:

Part 1: Enhancing Agricultural and Forestry Technology Innovation and Adoption

- A. Carrying out of agricultural research and development of new technologies, including, *inter alia*: (a) conducting agricultural research to develop and validate new agricultural technologies; and (b) increasing collaborative research with international centers and networks, universities and private sector actors through partnerships.
- B. Developing a system for a public and private provision of technical assistance and extension through, *inter alia*: (a) the provision of public technical assistance to the poorest group of farmers, including Indigenous Peoples, and in particular indigenous female producers; and (b) the provision of grants to Eligible Farmers (INTA Cost-Sharing Transfers) to co-finance the provision of technical assistance services by private extension agents.
- C. Strengthening of the technical and operational capabilities of INTA's Seed Unit for the production of foundation and registered seeds.
- D. Strengthening of the technical and institutional capabilities of INTA's Post Harvest and Market Development Unit for, *inter alia*, the training of farmers (in particular women) in agro-processing and small enterprise management.
- E. Strengthening of the technical and institutional capabilities of INTA's Training and Dissemination Unit to, *inter alia*: (a) carry out training and knowledge sharing programs for INTA's technical staff and the staff of other service providers; and (b) carry out capacity building programs to strengthen the institutional capacity of indigenous organizations, particularly for the development of indigenous technologies and forest seed collection in accordance with the provisions of the IPDP.
- F. Strengthening of INAFOR's institutional and technical capabilities to improve the development, conservation and preservation of forest resources by supporting, *inter alia*: (a) its training of farmers (particularly female and indigenous farmers) in forest and

agro-forestry management techniques; (b) its development of a strategy for forest genetic improvement; and (c) its carrying out of a national forest assessment.

G. Implementation of the second phase of a program (FAT) aimed at providing, through FUNICA, grants to Beneficiaries for the financing of technical assistance and extension Subprojects in the selected municipalities set forth in the FUNICA Operational Manual.

Part 2: Institutional Modernization and Strengthening

A. Strengthening of MAG-FOR's institutional capacity, through the provision of technical assistance and operational support for, *inter alia*: (a) the development of forest and agricultural policies and strategies; (b) the establishment and implementation of monitoring, evaluation and information systems; (c) the provision of training for technical staff; (d) the development of operational manuals, financial management reports; (e) the preparation of audit reports; (f) the development of a communication strategy; and (g) the maintenance of a system of agricultural statistics.

B. Strengthening of INTA's institutional capacity, through the provision of technical assistance and operational support for, *inter alia*: (a) conducting procurement, financial management, accounting, planning, monitoring and evaluation activities, including the provision of training for finance and procurement staff; and (b) the preparation of Project reports.

C. Strengthening of INAFOR's institutional capacity through, *inter alia*: (a) the provision of support to its training efforts to improve public management capability of district and municipalities staff; (b) the provision of technical assistance to improve the administrative and financial management of external funds, including the carrying out of external audits; and (c) the carrying out of a series of activities related to the conservation and preservation of forest resources.

SCHEDULE 2

Project Execution

Section I. Institutional Arrangements

A. Implementation Agreements

1. To facilitate the carrying out of INTA's respective Parts 1.A, 1.B., 1.C., 1.D, 1.E and B.2.of the Project, the Recipient, through budgetary allocations, shall make part of the proceeds of the Financing available to INTA under the particular terms and conditions of an agreement (INTA Implementation Agreement), to be entered into between the Recipient and INTA, under terms and conditions approved by the Association, which shall include, *inter alia*, INTA's obligation to:
 - (a) use the Credit funds transferred to it exclusively for the purposes of Project;
 - (b) carry out its respective Parts of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices; and
 - (c) comply with detailed monitoring, evaluation and reporting requirements, as set forth in the Operational Manual.
2. To facilitate the carrying out of INAFOR's respective Parts 1.F and 2.C of the Project, the Recipient, through budgetary allocations, shall make part of the proceeds of the Financing available to INAFOR under the particular terms and conditions of an agreement (INAFOR Implementation Agreement), to be entered between the Recipient and INAFOR, under terms and conditions approved by the Association, which shall include, *inter alia*, INAFOR's obligation to:
 - (a) use the Credit funds transferred to it exclusively for the purposes of Project;
 - (b) carry out its respective Parts of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices; and
 - (c) comply with detailed monitoring, evaluation and reporting requirement, as set forth in the Operational Manual.
3. The Recipient shall exercise its rights and comply with its obligations under the Implementation Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.

Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive or fail to enforce the Implementation Agreements or any of their provisions.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient, through MHCP, shall enter into an agreement with MAG-FOR (the Subsidiary Agreement), under terms and conditions approved by the Association, including those set forth in the Operational Manual and including, *inter alia*, the following provisions:

(a) MHCP's obligation to transfer to MAG-FOR, through budgetary allocations, the proceeds of the Credit in an amount sufficient to carry out Part 2. A of the Project;

(b) MHCP's obligation to delegate the execution of the Project to MAG-FOR, and to create all the necessary conditions for MAG-FOR to comply with its obligations under this Agreement, including the general monitoring and coordination of Project implementation, as set forth in Part D.1 and 2 of this Section;

(c) MAG-FOR's obligation to use the Credit funds transferred to it exclusively for the purposes of the Project;

(d) MAF-FOR's obligation to carry out its respective Part of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices; and

(e) MAG-FOR's obligation to comply with detailed monitoring, evaluation and reporting requirements as set forth in the Operational Manual.

2. The Recipient shall exercise its rights and comply with its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive or fail to enforce the Subsidiary Agreement or any of their provisions.

C. Funding Arrangements

1. The Recipient, through MHCP, shall include in each annual budget proposed to its legislature the following minimum amounts as the Recipient's contribution for payment of Incremental Salaries and Operational Costs under the Project:

(a) \$81,000 for its FY 2006 budget;

- (b) \$916,000 for its FY 2007 budget;
 - (c) \$1,504,000 for its FY 2008 budget;
 - (d) \$2,063,000 for its FY 2009 budget; and
 - (e) \$ 2,671,000 for its FY 2010 budget.
2. The Recipient shall make available to MAG-FOR, INTA and INAFOR for payment of the respective Incremental Salaries and Operational Costs in each year of Project implementation, promptly as needed, to the amounts referred to in paragraph C.1 above.

D. Institutional Arrangements

At all times during the execution of the Project, the Recipient, through MAG-FOR, shall:

1. maintain an organization structure responsible for Project implementation within its Policy Directorate with staffing, functions and responsibilities satisfactory to the Association, including the following responsibilities:
 - (a) overall planning, coordination and monitoring of Project activities (including the direct implementation of Part 2.A of the Project);
 - (b) the updating of the Procurement Plan, the preparation of consolidated financial reports and the contracting of external audits;
 - (c) provision of policy guidance to the Implementing Agencies and FUNICA throughout Project implementation; and
 - (d) enforce, through its Environmental Management Unit (*Unidad de Gestión Ambiental*), INTA and INAFOR's compliance with the environmental and social recommendations and procedures defined in the EA, the IPDP and the IPMP, pursuant to the provisions of the respective Implementation Agreement.
2. maintain a Coordination Committee, presided by MAG-FOR, with the overall responsibility for coordinating the implementation of the Project among the Implementing Agencies and FUNICA. The Coordination Committee shall be responsible, *inter alia*, for:
 - (a) ensuring consistency among Project activities, objectives and overall policy and strategy with PRORURAL;

(b) reviewing Project operational plans and monitoring and evaluation reports; and

(c) ensuring the correct use of Credit funds by the Implementing Agencies pursuant to the provisions of the respective Implementation Agreement.

E. Manuals

1. The Recipient, through MAG-FOR, shall carry out the Project, and shall cause INTA and INAFOR to carry out their respective activities under the Project, in accordance with the terms of a manual satisfactory to the Association (the Operational Manual). Except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Operational Manual, or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

2. The Operational Manual shall include provisions detailing procedures and guidelines for the carrying out of the Project, including, *inter alia*:

(a) the procedures for the preparation, review and approval of reports pursuant to the Project's financial management arrangements;

(b) procurement and contracting procedures consistent with Schedule 2 to this Agreement, to be applicable to the contracts for the works, goods, consultants' services, services (other than consultants' services) and INTA Cost-Sharing Transfers required for the Project and to be financed out of the proceeds of the Financing;

(c) the respective responsibilities and functions of the Implementing Agencies in the implementation of the Project;

(d) the procedures for the monitoring and evaluation of the Project, including the provisions of Section II of Schedule 2 to this Agreement;

(e) the administrative rules and procedures for planning, preparing, proposing, selecting (on a competitive basis), contracting, financing, supervising, and carrying out the INTA Cost-Sharing Transfers;

(f) the procedures for environmental and social screening of the activities financed by INTA Cost-Sharing Transfers and the measures to

implement mandatory safeguards and mitigation actions as prescribed in the EA, IPDP and IPMP for any such activities which could possibly have a negative environmental and social impact including, *inter alia*, impacts caused by the use of any pesticides, increased deforestation, pollution of groundwater, negative impacts on endangered species and increase in soil erosion; and

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

3. The Recipient, through MAG-FOR, shall cause FUNICA to carry out its respective activities under the Project in accordance with the terms of a manual satisfactory to the Association (the FUNICA Operational Manual). Except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the FUNICA Operational Manual, or any provision thereof. In case of any conflict between the terms of this Agreement and those of the FUNICA Operational Manual, the terms of this Agreement shall prevail.

4. The FUNICA Operational Manual shall include provisions detailing procedures and guidelines for the carrying out of Part 1.G of the Project including, *inter alia*:

(a) the administrative rules and procedures for planning, preparing, proposing, selecting (on a competitive basis), contracting, financing, supervising, and carrying out the Subprojects approved by FUNICA and referred in Part 1.G of the Project;

(b) the procedures for environmental and social screening of the Subprojects referred in Part 1.G of the Project and the measures to implement mandatory safeguards and mitigation actions as prescribed in the EA, IPDP and IPMP for any such Subprojects which could possibly have a negative environmental and social impact including, *inter alia*, impacts caused by the use of any pesticides, increased deforestation, pollution of groundwater, negative impacts on endangered species and increase in soil erosion; and

(c) the requirement to hire of an environmental specialist by February 15, 2006 to monitor the implementation of the environmental aspects of the Subprojects approved by FUNICA.

F. Environmental and Social Provisions

Without limitation to the provisions of Section 4.01 (b) of the General Conditions, the Recipient, through MAG-FOR, shall:

1. carry out or cause the Implementing Agencies and FUNICA to carry out the Project in accordance with the provisions of the EA;
2. carry out or cause the Implementing Agencies and FUNICA to carry out the Project in accordance with the provisions of the IPDP; and
3. carry out or cause the Implementing Agencies and FUNICA to carry out the Project in accordance with the provisions of the IPMP.

G. Annual Implementation Plan

For the purposes of carrying out of the Project, the Recipient shall, through MAG-FOR:

1. prepare by no later than July 31, in each year of Project implementation, starting on July 31, 2006, and submit to the Association a consolidated annual implementation plan (AIP) satisfactory to the Association, including a description of activities proposed for the upcoming year, including all the activities required to meet the environmental and social standards and practices detailed in Part F of this Section, a budget, a financial plan including the detailed amount of the Recipient's contribution to be provided in such year for payment of Incremental Salaries and Operational Costs, and an updated Procurement Plan for the procurement of works, goods, consultants' services and services (other than consultant's services) and INTA Cost-Sharing Transfers required to carry out such activities;
2. review with the Association said AIP, within two weeks following the submission of said plan; and
3. thereafter, take all measures required to ensure the efficient completion and achievement of said AIP, based on the views of the Recipient and the Association on said plan.

Section II. Project Monitoring, Reporting, 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 performance indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than sixty days after the end of the period covered by such report.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than September 30, 2010.

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 shall prepare and furnish to the Association not later than forty-five days (45) after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient 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 FY of the Recipient, commencing with the FY in which the first withdrawal under the Project Preparation Advance was made. 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.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 Schedule.
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 Schedule.
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 and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works:** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. 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) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on Consultant's Qualifications
(e) Single Source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the selection of Individual Consultants

D. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a)

all contracts for goods and works provided on the basis of International Competitive Bidding; (b) the first two contracts for works procured on the basis of National Competitive Bidding; (c) the first two contracts for works procured on the basis of Shopping; (d) the first two contracts for goods procured on the basis of National Competitive Bidding; (e) the first two contracts for goods procured on the basis of Shopping; (f) each contract for consultants' services provided by a firm estimated to cost the equivalent of US\$100,000 or more; (g) all contracts for individual consultants of US\$50,000 or more; and (h) all terms of reference for consultants for contracts of US\$30,000 or more. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General.

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association shall specify by notice to the Recipient.
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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Works	138,000	100%
(2) Consultants' services	1,035,000	100%
(3) Services (Other than Consultants' services)	276,000	100%
(4) Training	414,000	100%
(5) Goods and Equipment	1,035,000	100%
(6) Agricultural Inputs	552,000	100%

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(7) Incremental Salaries	3,105,000	100% until December 31, 2006, 75% until December 31, 2007, 50% until December 31, 2008, 25% until December 31, 2009 and 0% thereafter
(8) INTA Cost-Sharing Transfers	759,000	100% of disbursed amount
(9) Operational Costs	759,000	100% until December 31, 2006, 75% until December 31, 2007, 50% until December 31, 2008, 25% until December 31, 2009, and 0% thereafter
(10) Unallocated	<u>227,000</u>	100%
TOTAL AMOUNT	<u>8,300,000</u>	

3. For the purposes of this Schedule, the terms:

(a) “Services (Other than Consultant’s services)” means the reasonable expenditures incurred by the Recipient in the production of publication and communication materials and surveys;

(b) “Training” means reasonable expenditures incurred by the Recipient for the carrying out of training activities under the Project, including reasonable costs of travel and per diem of trainers and trainees, rental of training facilities and equipment and training materials;

(c) “Equipment” means the reasonable expenditures incurred by the Recipient for computers, agricultural machinery, audio-visual equipment, laboratory equipment and agricultural tools; and

(d) "Agricultural inputs" means the reasonable expenses incurred by the Recipient for agricultural products including seeds, fertilizers and chemical products for research and extension.

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate not to exceed US\$2,000,000 equivalent may be made for payments made within twelve months prior to this date but on no case before July 1, 2005, for Eligible Expenditures; or
 - (b) under Category (8) for an Eligible Farmer, unless the Association has been furnished with documentary evidence, satisfactory to the Association, confirming that the respective agreements have been executed between the Eligible Farmer and the providers of the extension services.
2. The Closing Date is March 31, 2010.

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, 2016 to and including August 15, 2025	1%
commencing February 15, 2026 to and including August 15, 2045	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. “AIP” means an annual implementation plan referred to in Section 1.G of Schedule 2 to this Agreement;
2. “ATP I” means the first Agricultural Technology Project financed by IDA funds as set forth in the Credit Agreement No. 3371-NI (as hereinafter defined);
3. “Beneficiaries” means, collectively, the producer groups (*Usuarios*) which have met the eligibility criteria set forth in the FUNICA Operational Manual for the receipt of FUNICA Grants (as hereinafter defined) under Part I.G of the Project;
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement;
5. “Co-financier” means the IFAD (as hereinafter defined);
6. “Co-financing” means the funds provided by the Co-financier to assist in the financing on Part 1.G of the Project;
7. “Co-financing Agreement” means the financing agreement No. 529-NI (*Convenio de Financiamiento*) dated May 29, 2000 entered into between the Recipient and the Co-financier providing for the Co-financing, as amended to the date of this Agreement;
8. “Coordination Committee” means the committee referred to in Section I.D.2 of Schedule 2 to this Agreement;
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the Bank in May 2004;
10. “Credit Agreement No. 3371-NI” means the Development Credit Agreement entered into between the Recipient and Association on July 24, 2002 as amended to the date of this Agreement;
11. “EA” means the Recipient’s Environmental Assessment dated August 2005, describing, *inter alia*, the environmental mitigation measures to be applied during Project implementation;

12. “Eligible Farmers” means small and medium farmers who have met the eligibility criteria set forth in the Operational Manual for the purposes of Part 1.B of the Project;
13. “FAT” means *Fondo de Asistencia Tecnica*, the Support Facility for Technical Assistance, established and operating pursuant to the FUNICA Operational Manual;
14. “FAT Operating Regulations” means *Reglamento Operativo del FAT*, the operational, procurement, disbursement and financial regulations applicable to the FAT, approved by IFAD and as amended for the purposes of the Project;
15. “FUNICA” means the *Fundación para el Desarrollo Tecnológico y Forestal de Nicaragua*, established and operating pursuant to Decree No. 4611, published in the Recipient’s Official Gazette (as hereinafter defined) on August 23, 2001, as amended to the date of this Agreement;
16. “FUNICA Agreement” means the agreement entered into between FUNICA and the Recipient on May 4, 2001 which provides the terms and conditions for the administration of IFAD funds by FUNICA;
17. “FUNICA Grants” means any of the grants made or proposed to be made to the Beneficiaries for technical assistance and extension Subprojects, out of the IFAD proceeds under the Co-financing Agreement;
18. “FUNICA Operational Manual” means the manual dated March 2005 referred to in Section I. E. 3 of Schedule 2 to this Agreement, including the FAT Operating Regulations, as revised and amended by the Recipient for the purposes of implementing Part 1.G of the Project;
19. “FY” means the Recipient’s fiscal year commencing on January 1 and ending on December 31;
20. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005;
21. “IFAD” means the International Fund for Agricultural Development;
22. “IFAD Loan” means the Loan Agreement (No. 529-NI) entered into between the Recipient and the Co-financier as part of the Co-financing Agreement (as hereinafter defined);

23. “Implementing Agencies” means INTA and INAFOR (as hereinafter defined);
24. “Implementation Agreements” means the INTA Implementation Agreement and the INAFOR Implementation Agreement (as hereinafter defined);
25. “INAFOR” means *Instituto Nacional Forestal*, the Recipient's National Forestry Institute, established pursuant to Law no. 290, published in the Recipient's Official Gazette (as hereinafter defined) on June 3, 1998, as amended to the date of this Agreement;
26. “INAFOR Implementation Agreement” means the agreement to be entered into between the Recipient, through MAG-FOR, and INAFOR pursuant to Section I A.2 of Schedule 2 to this Agreement, as the same may be amended from time to time, subject to the provisions of Section I.A.2 of Schedule 2 of this Agreement;
27. “Incremental Salaries” means the reasonable expenses (none of which would have been incurred absent the Project) incurred by the Recipient for the salaries of technical staff of MAG-FOR, INTA and INAFOR, including *inter alia*, researchers, providers of extension services and policy and management staff;
28. “Indigenous Peoples” means social groups with a social and cultural identity distinct from the dominant society that makes them vulnerable to being disadvantaged in the development process, including those recognized as such by the Recipient's Law No. 445 for the Communal Property of Indigenous and Ethnic Communities of the Atlantic Coast, Bocay, Coco and Indio Maiz Rivers, promulgated on December 19, 2002;
29. “INTA” means *Instituto Nicaragüense de Tecnología Agropecuaria*, the Recipient's National Institute of Agricultural Technology, established pursuant to Decree No. 22-93, published in the Recipient's Official Gazette (as thereinafter defined) on March 26, 1993, as amended to the date of this Agreement;
30. “INTA Cost-Sharing Transfers” means the grants made to Eligible Farmers to finance 60% of the cost of the technical assistance services provided by private extension agents as set forth in Part 1.B of the Project;
31. “INTA Implementation Agreement” means the agreement to be entered into between the Recipient, through MAGFOR, and INTA pursuant to Section I A.1 of Schedule 2 to this Agreement, as the same may be amended from time to time, subject to the provisions of Section I.A.1 of Schedule 2 of this Agreement;

32. “IPDP” means the Indigenous Peoples Development Plan dated August, 2005 the Recipient’s action plan to enhance the participation of Indigenous Peoples under Part 1.E of the Project, published in MAG-FOR and INTA’s websites on September 23, 2005;
33. “IPMP” means the Integrated Pest Management Plan dated September 19, 2005 and published in MAG-FOR and INTA ’s websites on September 23, 2005, a plan originally prepared and adopted under the ATP 1 for the purposes of addressing the techniques applicable to reduce the use of toxic pesticides in agricultural production wherever pest management issues may be harmful to human health and the environment,
34. “Law No. 290” means the Recipient’s *Ley de Organización, Competencia y Procedimientos del Poder Ejecutivo*, dated March 27, 1998 and published on the Recipient’s Official Gazette N° 102 on *June 3, 1998*, as amended to the date of this Agreement;
35. “Law No. 462” means the Recipient’s *Ley de Conservación, Fomento y Desarrollo Sostenible del Sector Forestal*, dated June 26, 2003 and published in the Recipient’s Official Gazette N° 168 (as hereinafter defined) on September 4, 2003, as amended to the date of this Agreement;
36. “MAG-FOR” means *Ministerio Agropecuario y Forestal*, the Recipient’s Ministry of Agriculture, Livestock and Forestry and its successor or successors thereto;
37. “MHCP” means *Ministerio de Hacienda y Crédito Público*, the Recipient’s Minister for Finance and Public Credit, and any of his successor or successors thereto;
38. “Official Gazette” means the Recipient’s publication *La Gaceta*;
39. “Operational Costs” means the reasonable expenses (none of which would have been incurred absent the Project) incurred by the Recipient for the implementation, management, coordination and supervision of Project activities, including insurance, vehicle and equipment operation, communication expenses, commercial bank fees related to the disbursement of Credit proceeds, transport, travel, per diem, and supervision costs and local non-consultant contractual staff salaries but excluding salaries of officials of the Recipient’s civil service at the national and at the local levels;

40. “Operational Manual” means the Operational Manual approved by the Bank for ATP I, as revised and amended by the Recipient for the purposes of implementing the Project;
41. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004;
42. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 18, 2005 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs;
43. “PRORURAL” means *Programa de Desarrollo Productivo Rural*, the Recipient’s sector wide productive rural development program, launched on September 22, 2005 and aimed at promoting a coordinated approach towards national and international efforts to achieve rural development in line with the Recipient’s national development plan for 2005-2009;
44. “Subprojects” means the development activities carried out pursuant to proposals submitted by applicants under competitive procedures in connection with Part 1.G of the Project, including the provision of technical assistance for the carrying out of, *inter alia*, the following activities: rehabilitation of watersheds, production and commercialization of aromatic and medicinal herbs, development of livestock farms and processing and commercialization of organic coffee; and
45. “Subsidiary Agreement” means *Convenio Subsidiario*, the agreement between MHCP and MAG-FOR referred to in Section I.B of Schedule 2 to this Agreement, as the same may be amended from time to time with the approval of the Association.