The World Bank  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION  

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Cable Address: INTBAFRAD  
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His Excellency  
Ivan Acosta  
Ministry of Finance and Public Credit  
Frente al Edificio de la Asamblea Nacional  
Managua,  
Nicaragua  

February 27, 2013  

Re: Multi-donor Trust Fund for the Nicaragua Public Financial Management Project  
TF No. 014059  

Excellency:  

In response to the request for financial assistance made on behalf of the Republic of Nicaragua ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (collectively the "World Bank"), acting as administrator of grant funds provided by the Multi-Donor Trust Fund ("Donors") for the Nicaragua Public Financial Management Project, proposes to extend to the Recipient a grant in an amount not to exceed one million eight hundred twenty two thousand United States Dollars (U.S.$1,822,000) ("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 abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is 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 to 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. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.  

Very truly yours,  

[Signature]
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

By C. Felipe Jaramillo
Director
Central America
Latin America and the Caribbean Region

AGREED:
REPUBLIC OF NICARAGUA
By
Authorized Representative
Name Ivan Acosta Montalvan
Title Minister
Date: 03/14/2013

Enclosures:

2. Disbursement Letter of the same date as this Agreement, 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 February 15, 2012 ("Standard Conditions") 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 terms shall have the following meanings.

(a) "MHCP" means *Ministerio de Hacienda y Credito Publico*, the Recipient’s Ministry of Finance and Public Credit.

(b) "Operational Manual" means the manual referred to in Section 2.03 (a) of this Agreement as the same may be amended from time to time with the agreement of the World Bank.

(c) "Project Performance Indicators" means the indicators set forth in the Operational Manual.

(d) "Selected Participants" means MHCP staff, to be selected in accordance with the criteria set forth in the Operational Manual, which is eligible to receive training under the Project.


Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to enhance the efficiency, performance orientation and transparency of the Recipient’s public expenditures management. The Project consists of the following parts:

Part 1. **Strengthening of institutional capacities of the Recipient;**

Provision of support to strengthen the Recipient’s institutional capacities, through the improvement of, *inter alia*, the Recipient’s: (i) budgeting subsystem; (ii) accounting subsystem; (iii) treasury subsystem; (iv) public credit subsystem; (v) public procurement subsystem; (vi) civil service subsystem; (vii) national public investments subsystem; and (viii) internal audit subsystem.
Part 2. Design, acquisition, and development of a renewed Integrated Financial Management System (SIGAF);

Provision of support for the development and implementation of a new integrated financial management system ("SIGAF") to replace SIGFA, through, *inter alia*: (i) the acquisition and installation of any necessary hardware; (ii) the acquisition and configuration of software applications to support a web-based integrated system to carry out financial management tasks; and (iii) the acquisitions of office equipment.

Part 3. Implementation of the SIGAF and of capacity building activities on Public Financial Management (PFM) in Central Government agencies;

(a) Provision of technical assistance to install and roll-out SIGAF under Part 2 of the Project; and (b) design and implement a permanent training program and a knowledge management network system for Selected Participants on the PFM system and related management topics.

Part 4. Project Management;

Provision of support to oversee and manage the implementation of the Project through the financing of Operating Costs, goods and Non-consulting services.

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 the provisions of: (a) 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 and revised in January 2011 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) For the purposes of the implementation of the Project, the Recipient shall carry out the Project, in accordance with the provisions of a manual satisfactory to the World Bank (the "Operational Manual") setting forth the guidelines and procedures for the carrying out of the Project, including *inter alia*: (i) the Project Performance Indicators; (ii) the criteria to select the Selected Participants who are eligible to receive training under Part 3 (b) of the Project and; (iii) the procedures for the monitoring and evaluation of the Project (including the administrative, financial, accounting, auditing, procurement, disbursement, social requirements);

(b) The Operational Manual may be amended by the Recipient from time to time with the prior approval of the World Bank. In the case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail;

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the Project Performance Indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar year or
at the Bank’s request, and shall be furnished to the World Bank not later than one month after the
day of the period covered by such report.

(c) The Recipient shall prepare the Completion Report in accordance with the
provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished
to the World Bank not later than three months after the Closing Date. In order to assist the
Recipient in preparing the Completion Report, the Recipient shall employ consultants in
accordance with the provisions of Section 2.06 of this Agreement.

2.05. 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 and a half after the end of
each calendar semester covering the semester, in form and substance satisfactory to the World
Bank.

(c) The Recipient shall, upon the World Bank’s request, have its Financial
Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard
Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year
of the Recipient. The audited Financial Statements for each period shall be furnished to the World
Bank not later than six months after the end of such period.

2.06. Procurement

(a) General. All goods non-consulting services and consultants’ 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 of Goods, Works and Non-
consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”
dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting
services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of
Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated
January 2011 (“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 1.18 of the Procurement Guidelines and paragraph 1.25 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 Sections II and III of the
Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case
may be.
(c) **Particular Methods of Procurement of Goods, and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services 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, works and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; and (C) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants’ Services**

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

(ii) The following methods, other than Quality- and Cost-based Selection, 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 of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the 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.** In addition and without limitation to any other provisions set forth in this Section or the Procurement Guidelines or the Consultant Guidelines, the following principles of procurement shall expressly govern all procurement of works, goods, non-consulting services or consultants’ services, as the case may be:

(i) foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding;

(ii) no bids shall be rejected, and no provisional awards shall be made at the time of bid opening;

(iii) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices;

(iv) the invitation to bid shall not publish the estimated cost of the contract;

(v) in the case of Shopping, a minimum of three quotations shall be obtained as a condition to award the contract;

(vi) unless the World Bank may otherwise agree, for the procurement of goods and non-consulting 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 acceptable to the World Bank.
Bank, provided further that the bidder was determined to be qualified to perform the contract satisfactorily;

(vii) 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;

(viii) eligibility criteria shall be the one defined in Section I of the Procurement Guidelines and Consultant Guidelines. Articles 17 and 18 of the Procurement Law shall not apply;

(ix) 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;

(x) bidders shall have the possibility of procuring hard copies of bidding documents even if they are published on the procurement portal;

(xi) unless so indicated in the applicable Bank Standard Bidding Documents, pre-bid conferences shall not be conducted;

(xii) bid preparation terms shall not be reduced as a result of re-bidding;

(xiii) consultants shall not be required to submit proposal and performance securities;

(xiv) complaints shall be handled as indicated in the appendixes to the Procurement Guidelines and Consultant Guidelines. Articles 110 to 116 of the Procurement Law shall apply in a supplementary manner;

(xv) the procurement of goods and works shall be carried out using standard bidding documents acceptable to the World Bank;

(xvi) the Recipient shall: (i) supply the SEPA with the information contained in the initial Procurement Plan within 30 days after the Project has been approved by the World Bank; and (ii) update the Procurement Plan at least every three months, or as required by the World Bank, to reflect the actual Project implementation needs and progress and shall supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter; and

(xvii) the invitations to bid, bidding documents, minutes of bid opening, requests for expressions of interest and the pertinent summary of the evaluation reports of bids and proposals of all goods, works, non-consulting and consultants services shall be published in SISCAE, and in a manner acceptable to the World Bank. The bidding period shall be counted from the date of publication of the
invitation to bid or the date of the availability of the bidding documents, whichever is later, to the date of bid opening.

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) 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Non-consulting services, consultants’ services and Training for the Project</td>
<td>1,718,569</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating Costs under Part 1, Part 2 and Part 4 of the Project</td>
<td>103,431</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,822,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

For the purposes of this Section, the terms:

(1) “Non-consulting services” means services for which the physical aspects of the activity predominate, are bid and contracted on the basis of performance and of a measurable physical output, and for which performance standards can be clearly identified and consistently applied, such as the printing of manuals and other publications.

(2) “Operating Costs” means the reasonable costs of recurrent expenditures required for the implementation of the Project such as Project administration costs, operation and maintenance of office equipment, office supplies, lodging, per diem, and transportation costs, which would not have been incurred absent the Project; and
(3) "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, equipment and training materials.

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 April 19, 2015.

3.04. **Other Undertakings.** The Recipient shall ensure that no grant proceeds shall be used to finance Eligible Expenditures under Credit No. 4807-NI granted by the International Development Association to the Recipient to finance the Public Financial Management Modernization Project pursuant to the Financing Agreement entered into by the Recipient and the International Development Association and the Recipient on December 9, 2010, as the same might be amended from time to time under the agreement of both parties.

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**Article IV**

**Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Ministry of Finance and Public Credit.

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

Ministry of Finance and Public Credit  
Frente al Edificio de la Asamblea Nacional  
Managua, Nicaragua

Facsimile:  
(505) 2222-3033

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

Facsimile: 1-202-477-6391