Special Climate Change Trust Fund
Grant Agreement
(Adaptation of Water Supplies to Climate Change Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as administrator of the Special Climate Change Trust Fund

Dated December 4, 2012
AGREEMENT dated December 4, 2012, entered into between:

REPUBLIC OF NICARAGUA ("Recipient"); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as administrator of the Special Climate Change Trust Fund ("SCCF").

The Recipient and the World Bank hereby agree as follows:

**Article I**

**Standard Conditions; Definitions**

1.01. The Standard Conditions 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 Standard Conditions or in the Appendix to this Agreement.

**Article II**

**The Project**

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient, through MARENA, shall: (a) carry out Parts 1.2 and 2.1 of the Project and the activities in Parts 3.2 and 3.3 of the Project under its legal/administrative responsibility; and (b) cause FISE to carry out Parts 1.1, 2.2 and 3.1 of the Project and the activities in Parts 3.2 and 3.3 under its legal/administrative responsibility, all in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III**

**The Grant**

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to six million United States Dollars ($6,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donor to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

**Article IV**

**Additional Remedies**

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

   (a) That FISE shall have failed to comply with any of its obligations under the Subsidiary Agreement.

   (b) That any Selected Municipality shall have failed to comply with any of its obligations under a Municipality Subproject Agreement to which it is a party.

   (c) The FISE Legislation has been amended, suspended, abrogated, repealed, waived or not enforced so as to affect materially and adversely, in the opinion of the World Bank, the ability of the FISE to perform any of its obligations under the Subsidiary Agreement.

   (d) 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 World Bank, and no provision analogous to such Article 5(e) has been adopted to replace such provision.
(e) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by FISE of its obligations under the Subsidiary Agreement.

(f) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

**Article V**

**Effectiveness; Termination**

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action; and

(b) The Subsidiary Agreement has been duly authorized or ratified by the Recipient, through MARENA, and FISE and is legally binding upon the Recipient and FISE in accordance with its terms.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a) of this Agreement, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank, of counsel acceptable to the World Bank, showing the following matters: (a) that, on behalf of the Recipient, this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and (b) that the Subsidiary Agreement has been duly executed and delivered by its parties and is legally binding upon them in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Sections 5.01 and 5.02 of this Agreement ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
5.04. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**

**Recipient's Representative; Addresses**

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

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

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

Facsimile: +(505) 2222-3033

6.03. 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: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391

Washington, D.C.
AGREED at Managua, Republic of Nicaragua, as of the day and year first above written.

REPUBLIC OF NICARAGUA

By

[Signature]

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as administrator of SCCF

By

[Signature]

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to enhance climate resilience of investments made in the Recipient’s rural water supply sector in order to cope with: (i) increasing climate variability; and (ii) expected adverse impacts of climate change in selected areas.

The Project consists of the following three parts:

Part 1: Pilot Adaptation Initiatives to Enhance Climate Resilience in the Selected Municipalities.

1. Supporting the following activities to reduce climate vulnerability of drinking water supplies in areas (within the Selected Municipalities) to be selected in accordance with the criteria set forth in the Operational Manual: (i) the construction and rehabilitation of water-related infrastructure, including, inter alia, wells, tanks, spring catchments, small reservoirs (excluding any dams) and aqueducts (including the relating household connections), and the development of alternative water sources such as surface and ground water basins; (ii) the installation of metering systems and the provision of training to promote rational water-usage; and (iii) the construction of improved latrines based on the criteria set forth in the Operational Manual.

2. Developing, carrying out and monitoring, in areas (within the Selected Municipalities) to be selected in accordance with the criteria set forth in the Operational Manual, initiatives to implement institutional and economic incentives aimed at promoting the adoption of agroforestry and silvopastoral practices, all for purposes of achieving an improved protection of water resources.

Part 2: Coastal Wetland Protection and Reduction of Vulnerability to the Sea Level Rise in the Municipality of Corn Island.

1. Supporting the following activities in areas (within the Municipality of Corn Island) to be selected in accordance with the criteria set forth in the Operational Manual: (i) the implementation of a wetland protection and mangrove restoration program to reduce vulnerability to sea level rise, which program shall include, inter alia, the carrying out of: (a) assessments of ecosystem response to climate variability; and (b) small coastal protection works to protect wetlands and other coastal areas from storms and saline intrusion in wetlands, based on the criteria set forth in the Operational Manual; (ii) the establishment of an environmental and climate change monitoring program to keep track of parameters such as precipitation levels and temperatures; and (iii) the development of education programs for local communities on climate change adaptation measures.
2. Supporting the following activities in areas (within the Municipality of Corn Island) to be selected in accordance with the criteria set forth in the Operational Manual: (i) the construction and upgrading of wells; (ii) the rehabilitation of water supply infrastructure; and (iii) the provision of trainings and technical assistance to the municipality’s personnel to address climate risks.


1. Supporting: (i) the implementation, at the national level, of an information system to monitor data relating to: (a) climate change, including, *inter alia*, historical weather data, seasonal forecasts, and downscaled climate projections; and (b) water resources, including, *inter alia*, surface and ground water levels and runoff in selected pilot sites; (ii) the carrying out of hydrogeological studies to analyze, *inter alia*, the aquifer recharge, the water transmission and discharge processes and the water usage in the Recipient’s territory; and (iii) the provision of technical assistance to ANA in relation with climate change adaptation issues.

2. Supporting: (i) the creation of PMACCs in the Participating Area; (ii) the implementation and provision of training programs on climate change adaptation to the members of the CAPS and other community-based associations, based on the criteria set forth in the Operational Manual; (iii) the carrying out of baseline and impact evaluation studies in the Participating Area in order to assess the Project’s results; and (iv) the design of inter-institutional collaboration mechanisms in the rural water supply sector.

3. Supporting MARENA and FISE to implement, manage, monitor and evaluate the pertinent parts of the Project through, *inter alia*, the carrying out of training, the provision of technical assistance, the acquisition of goods (including office equipment) and the provision of other incremental Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall, not later than 90 days from the Effective Date, create and thereafter operate and maintain until completion of the Project, the Project Implementing Unit (the PIU) within MARENA in charge of the daily implementation, monitoring and evaluation of the Project activities under MARENA’s responsibility, with competent staff in adequate numbers, and under terms of reference and with qualifications and experience satisfactory to the World Bank.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project activities referred to in Section 2.01(b) of this Agreement, the Recipient shall make a portion of the proceeds of the Grant available to FISE under a subsidiary agreement (Subsidiary Agreement) to be entered into between the Recipient and FISE, under terms and conditions acceptable to the World Bank, which shall include:

   (a) the obligation of the Recipient to provide to FISE a portion of the proceeds of the Grant, facilities, services and other resources required to enable FISE to carry out Parts 1.1, 2.2 and 3.1 of the Project and the activities in Parts 3.2 and 3.3 of the Project under its legal/administrative responsibility;

   (b) the obligation of FISE to: (i) carry out the Project activities mentioned in (a) above with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices (including the principles established in the MEPAS) satisfactory to the World Bank, and in accordance with the Operational Manual and the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient; (ii) provide, promptly as needed, funds, facilities, services and any additional resources within its control required for the purpose; (iii) procure or cause to be procured the goods, works and consultants’ services to be financed out of the Grant in accordance with the provisions of this Agreement; (iv) upon approval of any given Municipality Subproject, and prior to the carrying out of any said Municipality Subproject, enter into the pertinent Municipality Subproject Agreement with the respective Selected Municipality; (v) maintain, throughout
Project implementation, professional staff required for Project implementation as provided in Section I.B.3 of Schedule 2 to this Agreement; (vi) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the World Bank and set forth in the Operational Manual, the progress of the Project activities mentioned in (a) herein; (vii) take all the necessary actions to enable the Recipient to comply with its obligations as applicable to the participation of FISE in the carrying out of the Project activities mentioned in (a) herein; (viii) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect its operations and financial condition, including operations, resources and expenditures related to said Project activities; (B) have such financial statements audited by independent auditors acceptable to the World Bank in accordance with consistently applied auditing standards acceptable to the World Bank (each audit covering one fiscal year of FISE), and promptly furnish the statements as so audited to the Recipient and the World Bank; and (C) make such financial statements publicly available in a timely fashion and in a manner acceptable to the World Bank; (ix) enable the Recipient and the World Bank to inspect the Project, its operation and relevant records and documents; and (x) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and

(c) the right of the Recipient to suspend or terminate the right of FISE to use the proceeds of the Grant, including the right to obtain a refund from FISE of all or any part of the amount of the Grant then withdrawn by FISE, upon FISE's failure to perform any of its obligations under the Subsidiary Agreement.

2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

3. The Recipient shall, and shall cause FISE to maintain, throughout Project implementation, professional staff required for Project implementation as set forth in the Operational Manual, all with qualifications and experience satisfactory to the World Bank.

4. The Recipient shall, and shall cause FISE to carry out, the Project activities under their responsibilities in accordance with the provisions of the Operational
Manual, including the provisions of the Environmental and Social Management Framework, the Indigenous Peoples Planning Framework and the Resettlement Action Plan, and except as the World Bank shall otherwise agree, the Recipient shall not amend or waive any provision of these documents without the World Bank’s prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.

5. The Recipient shall maintain and operate, throughout Project implementation, a committee (the Steering Committee), with composition, functions and operating rules satisfactory to the World Bank and set forth in the Operational Manual, to ensure adequate inter-institutional collaboration and responsible for the general coordination of the Project’s activities.

C. Subprojects

1. For purposes of carrying out Part 1.1 of the Project, the Recipient shall cause FISE to:

(a) prior to carrying out each Subproject, enter into an agreement with the respective Selected Municipality (a Municipality Subproject Agreement), under terms and conditions satisfactory to the World Bank, which shall include, inter alia:

(i) the provision to the Selected Municipality of services and other resources required to enable said Selected Municipality to participate in the respective Subproject, including the funds necessary to contract the works under the respective Subproject and the provision of the technical assistance under the respective Subproject;

(ii) the obligation of the Selected Municipality to: (A) cooperate in the carrying out of the respective Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the Operational Manual and the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose, including without limitation the counterpart contribution in cash or in kind required for each type of investment under a Subproject in the percentages set forth in the Operational Manual; (C) cooperate with the Recipient and FISE to ensure that all goods, works and services to be financed out of the Grant are procured in
accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Subproject and the achievement of its objectives; (E) enable the Recipient, FISE and the World Bank to inspect the Subproject, its operation and any relevant records and documents; (F) prepare and furnish to the Recipient, FISE and the World Bank all such information as the Recipient, FISE or the World Bank shall reasonably request relating to the foregoing; and (G) in the event that community participation is envisaged in the implementation of the respective Subproject, ensure that the criteria and procedures set forth in the Operational Manual for community participation in the implementation of Subprojects are complied; and

(iii) the right of the Recipient and FISE, respectively, to suspend or terminate the right of the Selected Municipality to participate in the Subproject and/or to benefit from the proceeds of the Grant, upon the Selected Municipality’s failure to perform any of its obligations under the respective Subproject Agreement; and

(b) exercise its rights under each Subproject Agreement in such manner as to protect the interests of the Recipient, FISE, and the World Bank and to accomplish the purposes of the Grant, and, except as the World Bank shall otherwise agree, not to assign, amend, terminate, abrogate, waive or fail to enforce any Subproject Agreement or any provision thereof.

D. Operational Manual

1. The Recipient shall, and shall cause FISE to, implement the Project in accordance with a manual (the Operational Manual) satisfactory to the World Bank, which shall include, inter alia:

(i) the composition, functions, responsibilities and operating rules of the Steering Committee;

(ii) the procedures for procurement of works, goods and consultants’ services for the Project, as well as for financial management and audits of the Project;

(iii) the indicators to be used in the monitoring and evaluation of the Project;

(iv) the flow and disbursement arrangements of Project funds;

(v) the functions and responsibilities of the PIU;
(vi) the criteria for the eligibility, approval, implementation, monitoring and evaluation of Subprojects;

(vii) the model form of the Municipality Subproject Agreement;

(viii) the criteria relating to the construction of improved latrines under Part 1.1(iii) of the Project;

(ix) the criteria to implement institutional and economic incentives to promote the adoption of agroforestry and silvopastoral practices under Part 1.2 of the Project;

(x) the criteria to carry out the coastal protection works under Part 2.1(i)(b) of the Project;

(xi) the criteria to carry out the training programs under Part 3.2 (ii) of the Project;

(xii) the Environmental and Social Management Framework, the Indigenous Peoples’ Planning Framework, and the Resettlement Action Plan; and

(xiii) measures to ensure that: (a) indigenous peoples affected by Part 2 of the Project receive culturally appropriate social and economic benefits; and (b) adequate grievance procedures are established.

E. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. **Safeguards**

1. The Recipient shall, and shall cause FISE to carry out the Project in accordance with the provisions of the Environmental and Social Management Framework and the Indigenous Peoples’ Planning Framework.

2. Without limitation to the provisions of Section F.1 of this Schedule, upon the selection of any given Subproject and prior to the carrying out of the pertinent works under said Subproject, the Recipient shall cause FISE to: (a) carry out and/or cause to be carried out an environmental/social assessment of the pertinent works, and based on the results of said assessment as determined by the World Bank, approve and/or cause to be approved an environmental/social management plan, acceptable to the World Bank, for each said works (which plan shall be based on the results of the environmental/social assessment mentioned herein, and the World Bank’s comments on the results of said assessment, if any), all in accordance with the provisions of the Environmental and Social Management
Framework and/or the Indigenous Peoples’ Planning Framework; and (b) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental/social management plan and/or the indigenous peoples’ development plan in accordance with their terms, and in a manner acceptable to the World Bank.

3. Without limitation to the provisions of Section F.1 of this Schedule, upon the selection of any given wetland and/or coastal area under Part 2.1 of the Project and the definition of the works to be carried out within said wetlands and/or areas, the Recipient, through MARENA, shall: (a) carry out and/or cause to be carried out an environmental/social assessment of the pertinent works, and based on the results of said assessment as determined by the World Bank, approve and/or cause to be approved an environmental/social management plan, acceptable to the World Bank, for each said works (which plan shall be based on the results of the environmental/social assessment mentioned herein, and the World Bank’s comments on the results of said assessment, if any), all in accordance with the provisions of the Environmental and Social Management Framework; and (b) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental/social management plan in accordance with its terms, and in a manner acceptable to the World Bank.

4. Without limitation to the provisions of Section F.3 of this Schedule, upon the definition of the works in the wetland area “Swamp Coe” under Parts 2.1 and 2.2 of the Project and prior to the carrying out of any works in said area, the Recipient, through MARENA, shall (in respect of the works in said wetland area under Part 2.1 of the Project), and shall cause FISE to (in respect of the works in said wetland area under Part 2.2 of the Project), carry out the RAP in accordance with its terms, and in a manner acceptable to the World Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. 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 indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than 45 days after the end of the period covered by such report.

2. 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 six months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the
Recipient shall employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank.

B. **Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. 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. Each 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.

Section III. **Procurement**

A. **General**

1. **Procurement and Consultant Guidelines.** All goods, works 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:

   (a) Section I of the Procurement Guidelines in the case of goods and works, and Sections I and IV of the Consultant Guidelines in the case of consultants’ services; and

   (b) the provisions of this Section III, 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”).

2. **Definitions.** The capitalized terms used below in 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.
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 methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; (c) Direct Contracting; (d) Community Participation procedures which have been found acceptable to the World Bank.

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 methods, other than Quality- and Cost-based Selection, may be used for 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.

D. 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.

E. Procurement Special Provisions

In addition and without limitation to any other provisions set forth in this Section, the Procurement Guidelines or the Consultant Guidelines, the following principles of procurement shall expressly govern all procurement of works, goods or consultants' services, as the case may be:

(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 World Bank may otherwise agree, for the procurement of goods, 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, 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 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;

(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 if they are published on the procurement portal;

(k) unless so indicated in the applicable World Bank standard bidding documents, pre-bid conferences shall not be conducted;

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

(m) consultants shall not be required to submit proposal and/or performance securities;
(n) 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;

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

(p) the Recipient shall, and shall cause FISE to: (i) supply 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 SEPA with the information contained in the updated Procurement Plan immediately thereafter; and

(q) 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 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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. 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 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 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, works, Training, consultants' services and Operating Costs under Part 1 of the Project as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) FISE (Part 1.1)</td>
<td>1,600,000</td>
<td></td>
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<tr>
<td>(b) MARENA (Part 1.2)</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td>(2) Goods, works, Training, consultants' services and Operating Costs under Part 2 of the Project as follows:</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>(a) FISE (Part 2.2)</td>
<td>450,000</td>
<td></td>
</tr>
<tr>
<td>(b) MARENA (Part 2.1)</td>
<td>450,000</td>
<td></td>
</tr>
<tr>
<td>(3) Goods, Training, consultants' services and Operating Costs under Parts 3.1 and 3.2 of the Project as follows:</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>(a) FISE (Parts 3.1 and 3.2)</td>
<td>600,000</td>
<td></td>
</tr>
<tr>
<td>(b) MARENA (Part 3.2)</td>
<td>500,000</td>
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</tr>
<tr>
<td>(4) Goods, Training, consultants' services and Operating Costs under Part 3.3 of the Project as follows:</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>(a) FISE</td>
<td>185,000</td>
<td></td>
</tr>
<tr>
<td>(b) MARENA</td>
<td>215,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>6,000,000</td>
<td></td>
</tr>
</tbody>
</table>
3. For the purposes of this schedule, the term “Training” means reasonable expenditures, as approved by the World Bank, incurred for the carrying out of training activities under the Project, including, *inter alia*, reasonable costs of travel and *per diem* of trainers and trainees, rental of training facilities and equipment and training materials.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2018.
APPENDIX

Definitions

1. "ANA" means *Autoridad Nacional de Agua*, the Recipient’s National Water Authority.


3. "CAPS" means *Comité de Agua Potable y Saneamiento*, a water supply and sanitation committee established in a Participating Area.

4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. “Environmental and Social Management Framework” means the Recipient’s framework dated September 20, 2012, as published in InfoShop on September 27, 2012, satisfactory to the World Bank, which contains, *inter alia*, the environmental protection measures in respect of the Project, including measures for chance finding of cultural property, pest management, protection of natural habitats, forests, identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project (including Subprojects), recommendation of mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.

7. “FISE” means *Fondo de Inversión Social de Emergencia*, the Recipient’s Emergency Social Investment Fund, a public, autonomous and decentralized entity of the Recipient established and operating pursuant to the FISE Legislation.

8. “FISE Legislation” means the Recipient’s Decree No. 59-90, dated November 21, 1990 and published in the Recipient’s Official Gazette No. 240 of December 13, 1990, as amended by the following decrees of the Recipient:

(b) Decree No. 3-97, dated January 27, 1997 and published in the Recipient’s Official Gazette No. 25 of February 5, 1997;

(c) Decree No. 57-98, dated August 28, 1998 and published in the Recipient’s Official Gazette No. 167 of September 4, 1998;

(d) Decree No. 109-2004, dated September 28, 2004 and published in the Recipient’s Official Gazette No. 191 of October 1, 2004; and


9. “Indigenous Peoples’ Planning Framework or IPPF” means the Recipient’s framework dated September 19, 2012, as published in InfoShop on September 27, 2012, satisfactory to the World Bank, detailing, inter alia, measures to mitigate any adverse impact on indigenous peoples as a result of any activity carried out under the Project (including Subprojects) and to ensure that they benefit from the Project, including procedures for the preparation and implementation of the pertinent indigenous peoples development plans.

10. “MARENA” means Ministerio del Ambiente y de los Recursos Naturales, the Recipient’s Ministry of Environment and Natural Resources.

11. “MEPAS” means Manual de Ejecución de Proyectos de Agua y Saneamiento, the Manual of Execution of Water and Sanitation Projects, dated August 2011 and adopted by FISE through resolution 1047/11 of August 2, 2011, as said manual may be amended from time to time with the prior no objection by the World Bank.

12. “Municipality Subproject Agreement” means any of the agreements referred to in Section I.C.1(a) of Schedule 2 to this Agreement.

13. “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication costs, office administration costs, printing costs, utilities, travel and per diem for technical staff carrying out supervisory activities, and excluding salaries of locally contracted employees (none of which costs would have been incurred absent the Project).
14. "Operational Manual" means the Recipient’s manual, dated October 3, 2012 referred to in Section I.D.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the World Bank.

15. "PMACC" means Plan Municipal de Adaptación a Cambio Climático, a municipal-level climate change adaptation plan aimed at: (i) identifying the impact of climate change on water resources; and (ii) defining appropriate water supply and sanitation investments to tackle said impact.

16. “Participating Area” means the area under the territorial jurisdiction of the Selected Municipalities and the Municipality of Corn Island.


18. “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.

19. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 28, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

20. “Project Implementing Unit or PIU” means unit referred to in Section I.A.1 of Schedule 2 to this Agreement.

21. Resettlement Action Plan or RAP” means the Recipient’s plan dated May 22, 2012, as published in InfoShop on June 15, 2012, satisfactory to the World Bank, and outlining general implementation procedures, mitigation measures and monitoring procedures (including, inter alia, a census survey of displaced persons and valuation of assets; a description of compensation and other resettlement assistance measures to be provided; consultation methodologies with displaced people about acceptable alternatives; a timetable and budget) for any involuntary resettlement in “Swamp Coe”, as said plan may be amended from time to time with the World Bank’s prior approval.

22. “Selected Municipalities” means the following Recipient’s municipalities: Juigalpa, Murra, San Ramón, and San Juan de Limay.


26. “Steering Committee” means the committee chaired by MARENA and referred to in Section I.B.5 of Schedule 2 to this Agreement.

27. “Subproject” means any group of activities under Part 1.1 of the Project with respect to a Selected Municipality, as set forth in the respective Municipality Subproject Agreement.

28. “Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement.