July 11, 2014

H. E. Iván Acosta
Minister of Finance a Public Credit
Ministry of Finance and Public Credit
Managua Nicaragua

Excellency:

Re: IDA Credit Nº 5533-NI and Grant Nº H983-0-NI
(Additional Financing Rural Roads Infrastructure Project)
Additional Instructions: Disbursement Letter

I refer to the Financing Agreement between the International Development Association (the “Association”) and Republic of Nicaragua (the “Recipient”) for the above-referenced Project, dated July 11, 2014. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of financing 5533-NI and H983-0-NI (“Financing”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Financing is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Financing:

- Reimbursement
- Advance
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the Association.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in Schedule 2, Section IV.B of the Agreement.
II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1). An authorized signatory letter in the Form attached (Attachment 2) should be furnished to the Association at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: Humberto Lopez, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents, to the address indicated below:

Banco Mundial
SCN Quadra 02, Lote A
Edificio Corporate Financial Center
7º andar
70712-900, Brasilia, D.F.
Brasil
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The Association may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Association’s Client Connection, web-based portal. The option to deliver Applications to the Association by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials (“SIDC”) from the Association for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the Association agrees, the Association will provide the Recipient with SIDC for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of SIDC to Process Applications. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Secure Identification Credentials”) provided in Attachment 3; and (b) to cause such official to abide by those terms and conditions.
(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications is for Reimbursement and Direct Payment US$250,000.

(vi) Advances (sections 5 and 6) to MTI under the Credit.

- Type of Designated Account (subsection 5.3): Segregated
- Currency of Designated Account (subsection 5.4): United States Dollars
- Financial Institution at which the Designated Account Will Be Opened (subsection 5.5): Central Bank of Nicaragua.
- Ceiling (subsection 6.1): US$1,000,000

(vii) Advances (sections 5 and 6) to MTI under the Grant.

- Type of Designated Account (subsection 5.3): Segregated
- Currency of Designated Account (subsection 5.4): United States Dollars
- Financial Institution at which the Designated Account Will Be Opened (subsection 5.5): Central Bank of Nicaragua.
- Ceiling (subsection 6.1): US$3,000,000

III. Reporting on Use of Financing Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- For requests for Reimbursement:
  - Summary Statements of Expenditures in the Form attached (Attachment 4) supported by records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made for:
    - Goods & Works valued at US$150,000, equivalent per contract or more;
    - Consulting Firm valued at US$100,000, equivalent per contract or more;
    - Individual Consulting, Non-consultant Services valued at US$40,000, equivalent or more;
    - Training valued at US$20,000 equivalent or more; and
  - Statement of Expenditure, in the form attached (Attachment 5) for all other expenditures that do not exceed thresholds established above.
For reporting eligible expenditures paid from the Designated Account:

- Summary Statements of Expenditures in the Form attached (Attachment 4) supported by records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made for:
  - Goods & Works valued at US$150,000, equivalent per contract or more;
  - Consulting Firm valued at US$100,000, equivalent per contract or more;
  - Individual Consulting, Non-consultant Services valued at US$40,000, equivalent or more; and
  - Training valued at US$20,000 equivalent or more.

- Statement of Expenditure, in the form attached (Attachment 5) for all other expenditures that do not exceed thresholds established above; and

- A Designated Account activity statement, in the form attached (Attachment 6), with a copy of the Central Bank Statement.

For requests for Direct Payment: records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Quarterly

(iii) Other Supporting Documentation Instructions: the expenditures related to annual audit (consultant services) are only eligible for financing under the original credit (IDA H5028-NI) and grant (IDA H7440-NI).

IV. Other Disbursement Instructions

Immediate Response Mechanism (IRM) Component: This component would finance eligible expenditures, including goods, both domestic and imported, required for Nicaragua’s emergency recovery. The list of eligible expenditures will be defined in an IRM specific Operational Manual that will apply to this component detailing specific financial management, procurement, safeguard procedures and any other arrangements to ensure that funds are disbursed in a rapid and efficient manner following an eligible emergency. Once the emergency is declared, this letter will be restated to reflect any changes to the disbursement arrangements.

V. Other Important Information

From the Client Connection website, you will be able to prepare and deliver Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information.

If you have not already done so, the Association recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Association by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact the World Bank Loan Department by sending a message to loa-lcr@worldbank.org and placing the project name and credit number in the subject line.

Yours sincerely,

Jumbe Lopez
Director
Central America
Latin America and the Caribbean Region

CC: Mr. Pablo Fernando Martinez Espinosa, Minister, Ministry of Transport
Lic. Uriel Lopez, Director Public Credit, Ministry of Finance and Public Credit
Mr. Juan Jose Bravo, Executive Director, World Bank
Attachments

2. Form for Authorized Signatures
4. Summary Statements of Expenditures
5. Statement of Expenditure
6. Designated Account activity statement