CREDIT NUMBER 5531-NI

Financing Agreement

(Honduras and Nicaragua Catastrophe Risk Insurance Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 11, 2014
AGREEMENT dated July 11, 2014, entered into between REPUBLIC OF NICARAGUA ("Recipient") and 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 this 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 seven million eight hundred thousand Special Drawing Rights (SDR 7,800,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.

2.03. 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.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Finance 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 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) The Participation Agreement is amended, suspended, abrogated, repealed or waived so as to materially and adversely affect, in the opinion of the Association, the ability of the Recipient to benefit fully from the operation of the CCRIF.

(b) The Insurance Agreement is amended, suspended, abrogated, repealed or waived so as to materially and adversely affect, in the opinion of the Association, the ability of the Recipient to benefit fully from the operation of the CCRIF.

(c) The legal instruments establishing, and/or the regulatory license issued to the CCRIF have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect, in the opinion of the Association, the ability of the Recipient to benefit fully from the operation of the CCRIF.

(d) The CCRIF corporate structure, and/or operational policies have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect, in the opinion of the Association, the ability of the Recipient to benefit fully from the operation of the CCRIF.

(e) The financial condition of, and/or management of, and/or membership
in the CCRIF has become of a nature such as to materially and adversely affect, in the opinion of the Association, the ability of the Recipient to benefit fully from the operation of the CCRIF.

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

(a) Any event specified in paragraphs (a) and (b) 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 (c) through (e) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of, namely, that the Participation Agreement has been executed by the Recipient and CCRIF.

5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the date eighteen (18) months after the Association’s approval of the Financing, which expires on December 18, 2015.

5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister of Finance and Public Credit.

6.02. The Recipient’s Address is:

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

Facsimile: (505) 22-22-3033
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 248423 (MCI) 1-202-477-6391
Washington, D.C.

AGREED at San Francisco Libre, Nicaragua as of the day and year first above written.

REPUBLIC OF NICARAGUA

By

Authorized Representative

Name: Ivan Acosta
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Sri Mulyani Indrawati
Title: Managing Director and Chief Operating Officer
SCHEDULE 1

Project Description

The objective of the Project is to enable the access of the Recipient to efficient sovereign risk insurance associated with tropical cyclones, earthquakes, and/or excess rainfall.

The Project consists of the following parts:

Part 1. Payment of the Entrance Fee to the CCRIF for the Recipient

Provision of financing for the payment of the Recipient’s entrance fee to participate in the CCRIF.

Part 2. Payment of Annual Insurance Premium to the CCRIF for the Recipient

Provision of financing for the payment of the Recipient’s annual catastrophe risk insurance premiums for the first four years of the Recipient’s participation in the CCRIF.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall appoint and thereafter maintain throughout Project implementation, a Project implementation team (the “Project Implementation Team”) within the Ministry of Finance and Public Credit, with adequate resources, and qualified staff, all acceptable to the Association, responsible for operations and monitoring of the Project.

2. Payment of the CCRIF Entrance Fee and of Annual Premiums. The Recipient shall instruct the Association (by furnishing to the Association in a timely manner, applications for withdrawal from the Recipient’s Financing Account) to make direct payments, on behalf of the Recipient, to the CCRIF for amounts due as set forth in the table in Section III.A.2 of this Schedule. The Recipient shall furnish the applications for withdrawal in adequate time for the Association to make the payments to the CCRIF by their scheduled due dates.

B. Participation Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the CCRIF for the purposes set forth in Part 1 of Schedule 1 to this Agreement, pursuant to a participation agreement executed by the Recipient and the CCRIF, under the terms and conditions satisfactory to the Association ("Participation Agreement").

2. The Recipient shall exercise its rights and carry out its obligations under the Participation 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, terminate, or waive the Participation Agreement or any of its provisions.

C. Insurance Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the CCRIF for the purposes set forth in Part 2 of Schedule 1 to this Agreement, pursuant to an insurance agreement executed by the Recipient and the CCRIF, under the terms and conditions satisfactory to the Association ("Insurance Agreement").

2. The Recipient shall exercise its rights and carry out its obligations under the
Insurance 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, terminate, or waive the Insurance Agreement or any of its provisions.

D. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 the indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

Section III. 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 Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 Financing (“Category”), the allocations of the amounts of the Financing 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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Recipient’s entrance fee to participate in CCRIF, under Part 1 of the Project</td>
<td>1,950,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Recipient’s annual insurance premiums for participation in CCRIF, under Part 2 of the Project</td>
<td>5,850,000</td>
<td>100% for years 1 and 2 of the CCRIF insurance premiums as per the terms of the Insurance Agreement. 50% for years 3 and 4 of the CCRIF insurance premiums as per the terms of the Insurance Agreement.</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>7,800,000</td>
<td></td>
</tr>
</tbody>
</table>

**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; or
   
   (b) under Category (2), until the Recipient has entered into the Insurance Agreement with CCRIF, in a manner satisfactory to the Association.

2. The Closing Date is June 30, 2019.
### SCHEDULE 3

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing November 15, 2024 to and including May 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing November 15, 2034 to and including May 15, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

* 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


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

3. “CCRIF” means the Caribbean Catastrophe Risk Insurance Facility, an insurance facility established as a limited liability company under the laws of the Cayman Islands for the purpose of providing catastrophe risk insurance to governments in the Caribbean region.

4. “Insurance Agreement” means the agreement referred to in Section I.C.1 of Schedule 2 to this Agreement.

5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.


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

8. “Project Implementation Team” means the team referred to in Section I.A.1 of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

1. Paragraph (a) of Section 2.05 is modified to read as follows:
   “Section 2.05. Eligible Expenditures

   ... (a) the payment is for the financing of the reasonable cost of the Recipient’s entrance fee and annual catastrophe risk insurance premiums under the Project, to be financed out of the proceeds of the Financing, all in accordance with the provisions of the Legal Agreements;”