Mr. Iván Acosta Montalván  
Minister of Finance and Public Credit  
Ministry of Finance and Public Credit  
Av. Bolivar, in Front of the National Assembly  
4 Floor, MHCP Building  
Managua, Republic of Nicaragua  

Re: Nicaragua: Advance Agreement for Preparation of Second Land Administration Project  
Preparation Advance No.Q8349)  

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 Development Association (“World Bank”) proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed three million Dollars ($3,000,000.00) (“Advance”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex to assist in financing the activities described in the Annex (“Activities”). The objective of the Activities is to facilitate the preparation of a proposed project designed to strengthen the property rights of the population in the Project Area through improved regularization, titling and registry services (“Project”), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.  

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of 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effective as of the date of countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within ninety days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: [Signature]

C/Felipe Caramillo
Director
Central America
Latin America and the Caribbean Region

AGREED:

THE REPUBLIC OF NICARAGUA

By: [Signature]

Authorized Representative

Name: Iván Acosta Montalvo
Title: Ministro de Hacienda
Date: 24 October 2012

Enclosures:


(2) Disbursement Letter for the Advance 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 Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 ("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, including the Appendix to this Agreement.

Article II
Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following:

    (a) Preparing and/or updating the manuals, baseline surveys, social, environmental, economic and financial assessments and safeguard instruments for the Project.

    (b) Carrying out consultations to ensure continuity between the Land Administration Project and the Project.

    (c) Carrying out a pilot for the provision of cadastral services in Nueva Segovia, including, *inter alia:* (i) establishing a field cadastral office; (ii) contracting aerial photography services and acquiring satellite images; (iii) carrying out land surveying training activities for field sta:4 in select municipal land registry offices and in the national cadastre office under INETER; and (iv) transferring cadastral databases to select municipalities and to the national cadastre office under INETER.

    (d) Providing technical assistance and quality control support to the pilot under Activity (c) through, *inter alia:* (i) the processing of field data; (ii) the provision of communication services; and (iii) the provision of equipment and software.

    (e) Carrying out cadastral surveying activities in Managua, Nueva Segovia and Jinotega, in preparation of titling activities under the Project.

    (f) Providing legal and technical assistance to Selected Areas of the Recipient, regularized under the Land Administration Project, in connection to titling processes under the Project, including, *inter alia,* the carrying out of workshops.

    (g) Providing technical assistance to the National Cadastre and DIRAC to support alternative conflict resolution during the cadastral process.

    (h) Consolidate and upgrade the SIICAR through, *inter alia:* (i) software development; (ii) provision of equipment; and (iii) technical assistance.
(i) Carrying out the management and administration of the Activities, including _inter alia_ the provision of office equipment.

(j) Establishing a monitoring and evaluation system for the Project.

2.02. _Execution of the Activities Generally._ The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient through PGR shall carry out the Activities in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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.

2.03. _Institutional and Other Arrangements._ For purposes of implementing the Activities, the Recipient, through PGR, shall operate and maintain a Project coordination unit ("PCU"), with functions, staffing and responsibilities satisfactory to the World Bank, including but not limited to: a national coordinator, a procurement officer, a financial officer, a monitoring and evaluation officer, a communications officer, a social specialist and an environmental specialist.

2.04. _Monitoring, Reporting and Evaluation of the Activities._ The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. _Financial Management._ (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities 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 have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such 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-consultant services and consultants’ services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section 1 of the "Guidelines: Procurement of Goods, Works and Non-Consultant 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-consultant 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 Activities 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 I, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-Consultant Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consultant 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 and non-consultant services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; (C) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank; and (D) 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 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 consultants under Service Delivery Contracts as explained on the Operational Manual; (G) Selection of Individual Consultants; and (H) 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.

Article III
Withdrawal of the Advance

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Advance 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 100% of Eligible Expenditures consisting of Goods, Non-Consultant Services, Consultant Services, Training and Workshops and Operating Costs inclusive of Taxes.

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, except that withdrawals up to an aggregate amount not to exceed $600,000.00 equivalent may be made for payments made prior to this date but on or after August 1, 2012, for Eligible Expenditures.

3.03. **Refinancing Date.** The Refinancing Date is November 30, 2013.

**Article IV**

**Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and

(ii) if the amount of the Withdrawed Advance Balance exceeds $50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the “Aggregate Balance”) shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates (“Payment Dates”) which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date (“Notice Date”) of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one
percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 363-day year of twelve 30-day months.

**Article V**

**Additional Remedies**

5.01. *Additional Events of Suspension.* The Additional Events of Suspension consist of the following: the law No. 411 published on December 24th 2001 has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PGR to perform any of its obligations under the Implementation Agreement.

5.02. *Additional Events of Acceleration.* The Additional Event of Acceleration consists of the following: namely that any event specified in Section 5.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Recipient.

**Article VI**

**Recipient’s Representative; Addresses**

6.01. *Recipient’s Representative.* The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is the Minister of Finance and Public Credit.

6.02. *Recipient’s Address.* The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Finance and Public Credit
Av. Bolivar, in Front of the National Assembly
4 Floor, MHCP Building
Managua, Republic of Nicaragua

Faximile:
+ 505-22223033

6.03. *World Bank’s Address.* The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

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

Cable: INDEVAS Telex: 248423 (MCI) or 64145 (MCI) Facsimile: 1-202-477-6391
APPENDIX

Section 1. Definitions

1. “DIRAC” means Dirección de Resolución Alterna de Conflictos, the Recipient’s Alternative Dispute Resolution Directorate.

2. “INETER” means Instituto Nicaragüense de Estudios Territoriales, the Recipient’s Nicaraguan Territorial Studies Institute.


4. “National Cadastre” means Catastro Nacional, the Recipient’s national property cadastre operated by INETER and by the municipalities of the Recipient.

5. “Non-Consultant Services” means technical services provided by firms such as aerial photography, satellite imagery, cadastral surveying, demarcation and cadastral maintenance.

6. “Operating Costs” means reasonable expenditures, which would not have been incurred absent the Project, such as expenditures for the operation and maintenance of vehicles and equipment, fuel, office supplies and incremental PCU staff salaries, utilities and travel, transportation and accommodation.

7. “Operational Manual” means the operational manual drafted for the implementation of the Recipient’s project financed with the proceeds of credit 4680-NI, pursuant to the Additional Financing Agreement dated March 2, 2010.

8. “PCU” means the Recipient’s Project Coordination Unit under the PGR.


10. “Project Area” means selected municipalities in the departments of Nueva Segovia, Jinotega, Rivas, Chinandega, Estelí, Madriz and Leon.

11. “Selected Areas” means areas within the Project Area where selected Activities will take place.

12. “SIICAR” means Sistema de Información Integrado de Catastro y Registro, the Recipient’s Integrated Cadastre-Registry Information System.

13. “Training and Workshops” means training including expenditures (other than for consultant’s services) incurred by trainers and trainees for reasonable travel, room board and per diem expenses in connection with their training and with non-consultant training facilitators and expenditures for facility and equipment rentals.