His Excellency
Ivan Acosta Montalvan
Minister of Finance and Public Debt
Ministry of Finance and Public Debt
Managua, Nicaragua

Re: IDA Credit No.5036- NI 2nd Education Quality Enhancement Project (PASEN 2)
Additional Instructions: REVISED Disbursement Letter

I refer to the Financing Agreement ("Agreement") between the International Development Association (the "Bank") and Republic of Nicaragua (the "Recipient"), dated January 20, 2012. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Credit No.5036- NI. This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

This letter is the First Restatement of the Disbursement Letter dated January 20, 2012, for the above referenced project, restating Section II (vi) to modify DA ceiling from fixed to variable. These restatements are consistent with the Recipients' request dated February 28, 2013. All others provisions and attachments of the Disbursement Letter dated January 20, 2012, except as amended, shall remain in force and effect.

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 Funding:

- Reimbursement
- Advance
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.6). The Disbursement Deadline Date is four (4) months after the Closing Date specified in the Agreement. Any changes to this date will be notified by the Bank.
(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 Loan Proceeds

(i) Authorized Signatures (subsection 3.1).
A letter should be furnished to the World Bank 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: Carlos F. Jaramillo, 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
Sector Comercial Norte
Quadra 02, Lote A
Edificio Corporate Finance Center
7º andar
70712-900 Brasilia, D.F.
Brazil
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4). The Bank may permit the Borrower to electronically deliver to the Bank Applications (with supporting documents) through the Bank’s Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Borrower 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 devices (“Tokens”) from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Borrower with Tokens 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 Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Device in connection with Use
of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens"); and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for Direct Payment and Reimbursement is US$150,000.

(vi) Advances (sections 5 and 6) for MINED-DGAF.

- 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): Forecast for the next quarter

III. Reporting on Use of Loan Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each Application for Withdrawal (including confirmations of use of loan proceeds) as set out below:

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

- For requests for Reimbursement:
  - Summary Statements of Expenditures 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 contracts valued at US$100,000 equivalent per contract or more;
    - Individual Consulting, Non-consultant Services contracts valued at US$40,000 equivalent or more;
    - Training valued at US$20,000 equivalent or more; and,
  - Statement of Expenditure for all other expenditures that do not exceed the thresholds established above.

- For reporting eligible expenditures paid from the Designated Account:
  - Summary Statements of Expenditures 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 contracts valued at US$100,000 equivalent per contract or more;
- Individual Consulting and Non-consultant Services contracts valued at US$40,000 equivalent or more;
- Training valued at US$20,000 equivalent or more;
  - Statement of Expenditure for all other expenditures that do not exceed the thresholds established above; and,
  - A Designated Account activity statement, in the form attached (Attachment 6), with a copy of the Central Bank Statement.

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

IV. Other Disbursement Instructions

Disbursements under Category 2 – For this Part B. 1 (i) and (ii), equivalent to Component 2.1 of the project, MINED will finance the payments to teacher trainees during their practicum and their salaries once they graduate (approximately US$7.95 million over the life of the Project), in addition to the salaries of training instructors. MINED will transfer resources to the Escuelas Normales based on the number of multi-grade school teacher trainees. The first transfer for resources is expected in December 2012. Each Escuela Normal will have six months (ie. June 2013) to document the use of funds transferred and will need to document at least 80% of the funds transferred before receiving subsequent transfers. The final documentation of 100% of funds transferred will need be received by MINED one month after the school-year end in November (ie. December 2013). In the case that full documentation is not received, the Escuela Normal will need to refund the undocumented funds back to the Project’s Designated Account.

Project funds will be centrally executed by MINED, except for the transfer to Escuelas Normales for the training of the two cohorts of multi-grade teachers under the sub-component 2.1. The Escuelas Normales will be responsible to carry out their expenditures based on a list of eligible expenditures agreed with MINED and listed in the OM and in accordance with World Bank guidelines for procurement and financial management and disbursements. Funds transferred to the Escuelas Normales will be audited as part of the Project’s annual external audit. The funds transferred to the Escuelas Normales should be spent on civil works (minor repairs), goods, consulting services, non-consulting services and operating costs. The adequacy of FM arrangements would be continuously monitored during Project supervision, and adjustments made when necessary.

V. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the World Bank’s public website at

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (http://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the World Bank Nicaragua country office.

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,

[Signature]

Patricia Hoyes
Senior Finance Officer
World Bank Loan Department
Attachments (same attachments included in original DL dated January 20, 2012)

Cc: Lic. Miriam Raudez  
Minister of Education  
Ministry of Education

Lic. Francis Diaz  
Director of Finance and Administration  
Ministry of Education

Lic. Uriel Perez  
Director General de Credito Publico  
Ministry of Finance and Public Credit