Financing Agreement
(Additional Financing for Land Administration Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 2, 2010
FINANCING AGREEMENT

Agreement dated March 2, 2010, entered into between REPUBLIC OF NICARAGUA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 six million three hundred thousand Special Drawing Rights (SDR 6,300,000) (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 IV 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

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 Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through PGR with the assistance of the Co-executing Agencies and the policy and technical guidance of the CIP and CTO, all 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. (a) The Additional Event of Suspension consists of the following, namely that any of the Co-executing Agencies shall have failed to comply with any of their obligations under the respective Co-executing Agency Agreement.

(b) Notwithstanding the rights contained in Section 6.02 of the General Conditions, it is understood that, if any of the events specified in paragraph (a) of this Section shall have occurred, the Association may, by notice to the Recipient, suspend in whole or in part the right of the Recipient to make withdrawals from the Financing Account for expenditures in respect of the activities benefitting the concerned co-executing Agency.

4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in 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.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Co-executing Agency Agreements have been executed on behalf of the Recipient and the Co-executing Agencies.

5.02. The Additional Legal Matter consists of the following, namely that the Co-executing Agency Agreements have been duly authorized or ratified by the Recipient and the respective Co-executing Agencies and are legally binding upon the Recipient and the Co-executing Agencies in accordance with their terms.
5.03. 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 eighteen (18) months after the Association’s approval of the Credit which expire on August 16, 2011.

5.04. 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 the 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:  
505-22224383

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
AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF NICARAGUA

By /s/ Alberto José Guevara Obregon
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Laura Frigenti
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are: (a) to develop the legal, institutional, technical and participatory framework for the administration of property rights in the Recipient’s territory; and (b) to demonstrate the feasibility of a systematic land rights regularization program.

The Project consists of Parts A and E of the Original Project and the revised Parts B, C, D and F set forth below:

Part B: Institutional Strengthening and Decentralization

1. (a) Decentralization and strengthening of the Recipient’s agencies in charge of administration of property rights, including: (i) the Property Intendancy for the provision of legal adjudication, titling and other regularization services at the central and departmental level as required for Project implementation; (ii) INETER for carrying out cadastral analysis and the issuing of documents required for regularization activities under the Project at the central and departmental level; (iii) the Registry, through: (A) the establishment of a national directorate; (B) the implementation of dissemination activities of the Registry Law; (C) the strengthening and modernization of the departmental offices of the Registry located in the departments of Estelí, Madriz, Chinandega and León as required for implementation of SIICAR and in the city of Managua; and (iv) DIRAC for implementing alternative or extra-judicial methods for resolution of disputes that emerge during the cadastral surveying process.

   (b) Strengthening the capacity for Project implementation of the Co-executing Agencies and UTOs.

2. Provision of technical assistance and equipment and software to Selected Municipalities to: (a) enable them to participate in Project activities; (b) train them in the usage of SIICAR and help them integrate the municipal cadastre systems with SIICAR; and (c) improve their capacity for cadastral and regularization activities.

3. Provision of Project management support including the support required for: (a) financial management, Project audits, and procurement; (b) overall coordination of Co-executing Agencies, including the CIP and CTO; (c) training on fiduciary operational and safeguard aspects of the Project; and (d) oversight of the monitoring and evaluation, communication and gender strategies of the Project and the application of safeguard requirements of the Project.
Part C: Titling and Regularization Services

1. Provision of technical and legal support for scaling up systematic regularization services in Selected Municipalities including photogrammetric restitution, preparation of cadastral databases, definition of urban boundaries, cadastral surveying, implementation of a social communication campaign, verification and validation of property rights, field conflict resolution, public disclosure of results (exposiciones públicas), field supervision and quality control, and titling, regularization and registration of rural and urban parcels.

2. Processing of: (a) land claims including titling of: (i) the beneficiaries of the Recipient’s agrarian land reform; (ii) ex-combatants; and (iii) marginal urban and peri-urban settlers; and (b) expropriation-based indemnification claims including the provision of technical assistance to beneficiaries and agencies of the Recipient to simplify their land-related procedures, juridical services, topographic services, and registration of parcels.

3. Carrying out of alternative conflict resolution activities through: (a) a training program in mediation, negotiation, collaboration and co-management of conflicts for community leaders and field mediators; (b) mediation of land conflicts; and (c) the carrying out of a communication campaign on alternative conflict resolution mechanisms for public officials and the beneficiary population.

Part D: Demarcation and Consolidation of Protected Areas

1. Demarcation of the Complejo Volcánico Telica-Rota and Tepesomoto Pataste Protected Areas through: (a) preparatory work obtaining preliminary information and consultative and informal meetings with beneficiaries; (b) field socio-economic and tenure data collection, and ecological assessments; (c) determination of the precise boundaries to be demarcated; and (d) physical demarcation, geo-referencing and registration in the Cadastre and Registry.

2. Carrying out of a social and environmental communication campaign in the Protected Areas listed in Part D.1 of the Project and the surrounding areas, including the dissemination of information on each Protected Area environmental laws and regulations, direct and indirect benefits of natural resources conservation activities and recommended land management practices.

Part F: Information Systems

1. (a) Implementation in the Departments of Chinandega, Estelí, Madriz and León of an integrated cadastre and registry information system (SIICAR) to: (i) modernize, secure and computerize land related records; (ii) establish at the departmental level a unified information system which will record graphic and alphanumerical data; (iii) link cadastral data with
Registry information; (iv) maintain updated Registry and cadastral field information; and (v) grant easy access to land tenure information to public and private parties.

(b) Provision of training on SIICAR to relevant staff of the Recipient’s agencies in charge of land matters, municipalities and selected private parties.

2. Development and implementation of a land titling monitoring sub-system at the Property Intendancy (SIIPRO) to help track the issuance of land titles, including, *inter alia*, the development of the relevant software and the provision of training.

3. Implementation of a system to monitor the financial and administrative management and execution of the Project (SIAFI).

4. Implementation of an operational monitoring and impact evaluation system (SMEI) including: (a) maintaining a specialized unit to ensure adequate attention to SMEI implementation; (b) carrying out of validation or consultation workshops with the Project beneficiaries; (c) conducting relevant studies as agreed in the monitoring and evaluation strategy included in the Operational Manual, such as evaluation of the efficiency of the Registry and regularization services and a study for the updating of relevant baseline information; and (d) carrying out of the final Project impact evaluation during the last year of Project implementation.

5. Carrying out of participatory evaluations of the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements. The Recipient shall maintain the UCP, UTOs, CIP and CTO with the powers and responsibilities and staffing and/or membership set forth in the Operational Manual.

B. Implementation Agreements

1. (a) The Recipient shall, through PGR, enter into agreements under terms and conditions satisfactory to the Association, with each of the Co-executing Agencies except for the Property Intendancy to set forth any modifications (including the need to abide by the terms of the Anti-Corruption Guidelines) brought about as a result of this Credit to the agreements entered into under the Original Project.

(b) Unless agreed by the Association, the Recipient shall not amend or fail to enforce any of such agreements.

C. Anti-Corruption

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

D. Implementation Arrangements

1. The Recipient shall through PGR, carry out the Project in accordance with a manual satisfactory to the Association (Operational Manual). The Operational Manual shall contain, *inter alia*:

(a) the procedures, methodology, principles, technical definitions, and implementation arrangements for: (A) Land Regularization Services (under Part C of the Project); and (B) demarcation of Protected Areas (under Part D of the Project);

(b) the EMP, the Resettlement Process Framework and the IPP; and

(c) the powers and responsibilities and staffing requirements of the UCP, CIP, CTO and UTOs.
2. In case of disagreement between the provisions of the Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

3. The Recipient shall, through PGR:

(a) prepare by not later than December 10 of each year throughout the course of Project implementation, starting on December 10, 2010, a plan satisfactory to the Association, setting forth the annual work program for the implementation of the Project during the following calendar year; and

(b) thereafter carry out said plan in accordance with its terms.

E. Safeguards

1. The Recipient, through PGR, shall carry out Parts B, C, D and F of the Project in accordance with the EMP, the Resettlement Process Framework and the IPP.

2. The Recipient shall refrain from granting or considering any claims for lands within or adjacent to Protected Areas, unless said lands have been physically demarcated in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall, through PGR, 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 set forth in the Operational Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall, through PGR, maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall, through PGR, prepare and furnish to the Association as part of the Project Report not later than forty-five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall, through PGR, have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Non-Consultant Services and Field Technical Services. All goods, non-consultant services and field technical services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Non-Consultant Services and Field Technical Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, non-consultants services and field technical services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Non-Consultant Services and Field Technical Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, non-consultant services and field technical services. The Procurement Plan shall specify the circumstances under which such methods may be used:
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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
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</thead>
<tbody>
<tr>
<td>(a) Consultants Qualifications</td>
</tr>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(c) Sole Source Selection</td>
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<tr>
<td>(d) Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review.

E. Special Provisions

In addition and without limitation to any other provisions set forth in this Section or the Procurement Guidelines, the following principles of procurement shall expressly govern all procurement of goods and non-consultant services under either International Competitive Bidding, National Competitive Bidding or Shopping:
(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) the invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid; and

(f) in the case of Shopping, a minimum of three quotations shall be obtained as a condition to award the contract.

Section IV. 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 100% (exclusive of taxes) of Eligible Expenditures, consisting of goods, Non-consultant Services, consultants services, Field Technical Services, Training and Operating Costs for Parts B, C, D and F of the Project.

2. For the purposes of this Schedule:

(a) the term “Training” means reasonable expenditures (other than those for consultants services) related to training activities, such as travel, per diem of trainees, study tours, rental of facilities and equipment, and training materials;

(b) the term “Operating Costs” means the expenditures for the reasonable incremental costs (as such reasonability shall be determined by the Association) associated with the implementation of the Project, such as: (i) operation and maintenance of vehicles, including repairs, fuel and spare parts; (ii) maintenance of computer, geodetic and office equipment; (iii) rental of office space and office supplies; (iv) phone and other communication expenses; (v) transportation, travel and per diem for
technical staff to carry out field, supervisory and monitoring activities, as such costs shall be included in the Operational Manual; and (vi) salaries of support and administrative staff of the UCP and UTOs, as previously approved by the Association;

(c) the term “Non-consultants Services” means expenditures for technical services (other than Field Technical Services) provided by firms for surveying, aerial photography, demarcation and digitalization of registries’ books, printing services, video production and communications; and

(d) the term “Field Technical Services” means expenditures for field technical support services provided by individuals for cadastral surveying, demarcation, cadastral maintenance, registry modernization, regularization and titling contracted following the requirements of the Operational Manual.

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, except that withdrawals up to an aggregate amount not to exceed $2,000,000 equivalent may be made for payments made within one year prior to this date but on or after December 16, 2009, for Eligible Expenditures; or

(b) for payments made for expenditures covered under Parts B, C, D and F of the Original Financing, unless the allocation for such expenditures under the Original Financing has been fully disbursed or committed.

2. The Closing Date is April 30, 2013.
## 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 May 15, 2020 to and including November 15, 2029</td>
<td>1%</td>
</tr>
<tr>
<td>commencing May 15, 2030 to and including November 15, 2049</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. “Cadastre” means the Recipient’s national property cadastre operated by INETER and the municipalities of the Recipient.


4. “Co-executing Agencies” means collectively INETER, INIFOM, MARENA, the Supreme Court (including the Registry and DIRAC) and the Property Intendancy.

5. “Co-executing Agency Agreement” means any of the agreements referred to in Section I.B of Schedule 2 to this Agreement.


8. “DIRAC” means the Recipient’s directorate for alternative conflict resolution established under the Supreme Court’s Law 278, dated November 26, 1997.

9. “EMP” means the environmental management plan addressing the environmental, forestry, natural habitats and cultural property safeguard requirements of the Project, approved by the Association on November 30, 2009 and set forth in the Operational Manual.

10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
11. “INETER” means the Recipient’s Nicaraguan territorial studies institute as referred to in Article 14.I. (c) of the Recipient’s Law 290 (dated June 1, 1998), and in Law 311 (dated June 1, 1998).

12. “INIFOM” means the Recipient’s Municipal Development Institute, as referred to in Decree 497, published in the Recipient Official Gazette No. 44, of March 2, 1990.

13. “IPP” means the Indigenous Peoples Plan to address the indigenous peoples safeguard requirements of the Project, approved by the Association on November 24, 2009 and set forth in the Operational Manual.

14. “Land Regularization Services” means field surveys, mapping, legal cadastre, land rights regularization, land titling and registration, conflict resolution, and other activities for land regularization to be carried out under Part C of the Project and set forth in the Operational Manual.

15. “MARENA” means the Recipient’s Ministry of the Environment and Natural Resources or any successor thereto.

16. “Operational Manual” means the manual referred to in Section I.D.1. of Schedule 2 to this Agreement and approved by the Association on December 16, 2009.

17. “Original Financing” means the credit provided under the Original Financing Agreement.

18. “Original Financing Agreement” means the development credit agreement for a Land Administration Project between the Recipient and the Association (Credit No. 3665-NI), dated June 24, 2002, as amended to the date of this Agreement.

19. “Original Project” means the Project described in the Original Financing Agreement.

20. “PGR” means Procuraduría General de la República, the Recipient’s Attorney General’s Office, ascribed to the Recipient’s executive branch.


22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 16, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
23. “Property Intendancy” means the Recipient’s general directorate of property, a deconcentrated agency within PGR, referred to in the Recipient’s Law 290 (dated June 1, 1998) as amended by the Recipient’s Decree 33 (dated May 26, 2009).

24. “Protected Area” means any of the two areas mentioned in Part D of the Project and established within the framework of Law 217 (Title II, Chapter II, Section III), Decree 9-96, Decree 14-99, and other related laws, decrees and regulations of the Recipient.

25. “Registry” means the Recipient’s Public Property Registry (Registro Público de la Propiedad) established under the Supreme Court by Chapter II, Book III, Section XXV of the Recipient’s 1904 Civil Code.


27. “Resettlement Process Framework” means the framework to address the potential restrictions to access under Part D of the Project, approved by the Association on November 28, 2009 and set forth in the Operational Manual.

28. “Selected Municipalities” means the municipalities in the departments of Madriz, Estelí, Chinandega and Leon listed in the Operational Manual, as this list may be modified by agreement between the Recipient and the Association from time to time.

29. “SIICAR” means the integrated information system to be operated jointly by the Cadastre and the Registry.

30. “Supreme Court” means the highest tribunal of the Recipient’s judiciary.


32. “UTO” means the technical operating units of either the departments of Estelí, Madriz, Chinandega or León, and “UTOs” means all four of said technical operating units.
Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Paragraph (l) of Section 6.02 is modified to read as follows:

“Section 6.02. Suspension by the Association

... (l) Ineligibility. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”