Financing Agreement

(Additional Financing for Hurricane Felix Emergency Recovery Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 4, 2012
FINANCING AGREEMENT

Agreement dated December 4, 2012, 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 grant in an amount equivalent to three million three hundred thousand Special Drawing Rights (SDR 3,300,000) ("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.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall:

(a) carry out Part I of the Project through SE-SINAPRED and MAGFOR, with the assistance of GRAAN, INVUR and INFESCA;
(b) cause GRAAN to carry out Part 2.A of the Project, with the assistance of Banco Produzcamos and INPESCA; and

(c) cause GRAAN to carry out Parts 2.B, 2.C, 2.D, 3 and 4 of the Project, with the assistance of INVUR, INPESCA, INATEC and MINSA,

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. The Additional Events of Suspension consist of the following:

(a) The Recipient’s Law No. 640 and/or Law No. 684 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived, applied or enforced in a way so as to, in the opinion of the Association, affect materially and adversely, the ability of the Recipient, GRAAN or Banco Produzcamos to effectively perform any of its obligations referred to under this Agreement, or set forth in the Operational Manual and the Revolving Fund Operational Manual or in the Subsidiary Agreements.

(b) The Recipient, GRAAN, INVUR, INPESCA, INATEC and/or Banco Produzcamos shall have failed to perform any of its obligations under this Agreement or under the Subsidiary Agreements to an extent that, in the opinion of the Association, would materially and adversely affect the achievement of the Project objective.

(c) The Procurement Law has been amended, suspended, abrogated, repealed or waived so as to render its Article 5 (e) ineffective, in the opinion of the Association, and no provision analogous to such Article 5 (e) has been adopted to replace said provision.

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

(a) Any event specified in paragraph (b) or (c) 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 (a) or (c) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the amendment to the GON-GRAAN Subsidiary Agreement has been executed on behalf of the Recipient and of GRAAN; and

(b) the amendment to the Parts 2, 3 and 4 Subsidiary Agreement has been executed on behalf of the Recipient, GRAAN, INPESCA, INATEC and INVUR.

5.02. The Additional Legal Matter consists of the following:

(a) the amendment to the GON-GRAAN Subsidiary Agreement has been duly authorized or ratified by the Recipient and GRAAN and is legally binding upon the Recipient and GRAAN in accordance with its terms; and

(b) the amendment to the Parts 2, 3 and 4 Subsidiary Agreement has been duly authorized or ratified by, respectively, the Recipient GRAAN, INPESCA, INATEC and INVUR and legally binding upon the them in accordance with its 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 the eighteen (18) months after the Association’s approval of the Financing which expire on May 13, 2014.

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) 2222-3033
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 Managua, Republic of Nicaragua, as of the day and year first above written.

REPUBLIC OF NICARAGUA

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to support the sustainable recovery of the communities affected by Hurricane Felix in the Recipient’s Autonomous Region of the Northern Atlantic (RAAN).

The Project consists of the following parts included in the Original Project:

Part 1: Early Recovery

A. Reimbursement and/or purchase of materials directly related to Hurricane Felix’s relief and early disaster rehabilitation efforts, excluding food expenditures, but including inter alia: (i) gas and gasoline (land vehicles and airplanes); and (ii) construction materials for the rehabilitation of houses and buildings.

B. (i) Provision of fiduciary and technical support to prepare SE-SINAPRED and GRAAN for Project implementation; (ii) carrying out of the social and environmental assessments required for the Project in line with applicable Association safeguards, and preparation or update of related Project management manuals such as, inter alia, the Environmental Management Plan; and (iii) carrying out of workshops and community consultations with regard to the Project.

C. With the assistance of GRAAN and INVUR: (i) carrying out of civil works for the rehabilitation of housing and social infrastructure in RAAN; and (ii) preparation and dissemination of self-building process guides in local languages (Miskitu and Mayangna), including improved housing design and safe construction standards.

D. With the assistance of GRAAN and through MAGFOR and in accordance with the eligibility criteria set forth in the Operational Manual, distribute agricultural inputs and seeds to local families to help rehabilitate family gardens and small farms.

E. With the assistance of INPESCA and GRAAN, procurement and distribution of fishing equipment, including boat outboard motors, to eligible beneficiaries.

Part 2: Recovery of Small Scale Fisheries Sector

A. (i) With the assistance of INPESCA, and administered by Banco Produzcamos, organization and establishment (including administrative
costs), of a revolving fund with the objective of offering credit support to RAAN’s fisheries’ sector; and (ii) provision of working capital credit lines, as well as in-kind credits consisting of small and medium-size fishing boats to Eligible Credit Beneficiaries, including AMUPCAN.

B. With the support of INPESCA and INATEC: (i) organization of workshops and provision of training and technical assistance to Eligible Credit Beneficiaries in RAAN, in connection with, inter alia, new technologies, fishing techniques, business administration, marketing, hurricane preparedness and response; (ii) procurement of small-and medium-sized fishing boats (including spare parts), as well as fishing equipment (including outboard motors), in accordance with sound technical and economic standards, to be distributed as in-kind credits under Part 2.A of the Project; and (iii) provision of fishing equipment (including small outboard motors) and fishing supplies to Eligible Credit Beneficiaries.

C. (i) Carrying out of civil works to rehabilitate the structures and working areas of RAAN’s Lamlaya fish processing plant (including its associated shipyard and small community shop), as well as restitution of the plant’s equipment; and (ii) carrying out of feasibility studies, engineering designs, market studies, and environmental and other necessary management plans for the effective rehabilitation of RAAN’s Lamlaya fish processing plant.

D. (i) Carrying out of civil works to rehabilitate selected community landing docks and small piers affected by Hurricane Felix; and (ii) preparation of any necessary engineering designs, environmental studies and technical supervision therefor.

Part 3: Reconstruction of Housing and Social Infrastructure

A. With the assistance of INVUR and MINSA: (i) carrying out the redesign and reconstruction of approximately 360 housing units in selected communities, in accordance with sound and improved safety standards; (ii) provision of training to selected communities on construction techniques, safety measures and risk prevention; and (iii) carrying out of any necessary engineering, social and environmental studies therefor.

B. With the assistance of INVUR and MINSA: (i) carrying out the redesign and reconstruction of selected community churches, community centers and approximately four small health clinics (including housing for medical staff); (ii) provision of training to selected communities on construction techniques, safety measures and risk prevention; and (iii)
carrying out of any necessary engineering, social and environmental studies therefor.

Part 4: Institutional Strengthening for Project Management, Monitoring and Evaluation

A. Strengthening of GRAAN’s institutional capacity to manage the Project fiduciary and technical responsibilities (including procurement, disbursement, and financial management), through the provision of technical assistance, operational support (including equipment) and training.

B. Financing of the Project’s annual external audits, as well as carrying out of necessary surveys and provision of technical support to implement the Project’s monitoring and evaluation system and the Project’s communication strategy.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Subsidiary Agreements and Implementation Arrangements

1. To facilitate the carrying out of Part 1 of the Project, the Recipient, through SE-SINAPRED and MAGFOR, shall comply with the provisions of Part 1 Subsidiary Agreement, under terms and conditions acceptable to the Association, which agreement shall include, *inter alia*, the obligation of INVUR to assist SE-SINAPRED and MAGFOR in carrying out Part 1 of the Project, in accordance with the terms of this Agreement and those of the Operational Manual, all with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, fiduciary and environmental practices, and in accordance with the provisions of Article IV of the General Conditions, including the obligations to prepare and provide to the Recipient all the necessary information to enable the Recipient to comply with its obligations under Section II of this Schedule.

2. To facilitate the carrying out of Parts 2, 3, and 4 of the Project, the Recipient shall make part of the proceeds of the Financing available to GRAAN by means of an amendment to the GON-GRAAN Subsidiary Agreement, which shall include, *inter alia*, the following:

   (a) the Recipient’s obligation to timely transfer to GRAAN the proceeds of the Financing to facilitate the carrying out of said Parts of the Project;

   (b) the Recipient’s obligation to delegate the execution of Parts 2, 3 and 4 of the Project to GRAAN and to ensure that GRAAN complies with its obligations derived from this Agreement;

   (c) GRAAN’s obligation to use the proceeds of the Financing transferred to it exclusively for the purposes of the Project;

   (d) GRAAN’s obligation to carry out Parts 1, 2 and 3 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices, including the obligations to prepare and provide to the Recipient all the necessary information to enable the Recipient to: (i) comply with its obligations under Section II of this Schedule in relation to GRAAN’s respective Parts of the Project; (ii) carry out the fiduciary obligations under said Parts of the Project; and (iii) process documentation required for disbursement of the Financing
proceeds and for procurement of goods, works and services under its respective Parts of the Project; and

(e) GRAAN’s obligation to enter into subsidiary agreements with other administrative agencies as set forth in subsection 4 below.

3. The Recipient, through SE-SINAPRED and MAGFOR, shall exercise its rights and carry out its obligations under the GON-GRAAN Subsidiary Agreement and the Part 1 Subsidiary 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 or waive the GON-GRAAN Subsidiary Agreement or the Part 1 Subsidiary Agreement or any of their provisions.

4. To facilitate the carrying out of GRAAN’s respective Parts of the Project:

(a) The Recipient shall cause GRAAN to comply with the provisions of:

(i) the Revolving Fund Management Agreement, for the carrying out of Part 2.A of the Project, which agreement shall provide, inter alia, the terms and conditions for the provision of the working capital credit lines and in-kind credits referred to in Part 2.A of the Project, in accordance with the terms of this Agreement and the Revolving Fund Operational Manual, including the obligation to provide the Association with documentary evidence, satisfactory to the Association, confirming that the credit lines and the in-kind credits have been received by the Eligible Credit Beneficiaries, in accordance with the terms of the Revolving Fund Operational Manual; and

(ii) the Part 2.A Subsidiary Agreement, under terms and conditions acceptable to the Association, which shall include, inter alia, the obligation of INPESCA and Banco ‘Produzcamos to assist GRAAN in carrying out of Part 2.A of the Project, in accordance with the terms of this Agreement and those of the Operational Manual, all with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, fiduciary and environmental practices, and in accordance with the provisions of Article IV of the General Conditions, including the obligations to prepare and provide to the Recipient all the necessary information to enable the Recipient to comply with its obligations under Section II of this Schedule.

(b) The Recipient (through MINSA) shall amend the Part 2, 3, and 4 Subsidiary Agreement, under terms and conditions acceptable to the
Association, which shall include, inter alia, the obligation of INVUR, INPESCA, INATEC and the Recipient (through MINSA) to assist GRAAN in carrying out Parts 2.B, 2.C, 2.D, 3 and 4 of the Project, in accordance with the terms of this Agreement and those of the Operational Manual, all with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, fiduciary and environmental practices, and in accordance with the provisions of Article IV of the General Conditions, including the obligations to prepare and provide all the necessary information to enable the Recipient to comply with its obligations under Section II of this Schedule.

B. Manuals

1. The Recipient shall carry out, and shall cause the Project to be carried out by GRAAN, in accordance with the terms of a manual satisfactory to the Association (the Operational Manual). Except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Operational Manual, or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

2. The Operational Manual shall include provisions detailing procedures and guidelines for the carrying out of the Project, including, inter alia:

   (a) The procedures for the preparation, review and approval of reports pursuant to the Project’s financial management arrangements.

   (b) Procurement and contracting procedures consistent with Schedule 2 to this Agreement, to be applicable to the contracts for the works, goods, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Financing.

   (c) The procedures for the monitoring and evaluation of the Project, including the provisions of Section II of Schedule 2 to this Agreement.

   (d) The procedures for the review and approval of Financing proceeds withdrawal applications to the Association, in conformity with the instructions that the Association may give to the Recipient in this respect.

   (e) The procedures for environmental and social screening of the carrying out of works and other activities financed under the Project and the measures to be implemented for any such activities which could possibly have negative environmental and/or social impacts.
(f) Guidelines for the carrying out of rehabilitation and reconstruction works under the Project and the mechanisms to address the culturally specific needs of the Recipient’s indigenous peoples groups to ensure that the benefits of the Project are culturally appropriate and that there is broad community support for the Project.

(g) Eligibility criteria for the selection of beneficiaries under the Project (except for those under Part 2.A), including, inter alia: (i) the income level of the beneficiaries; (ii) the official assessment confirming that the house or building was damaged by Hurricane Felix and that it can be safely rehabilitated; (iii) the affected structure is the only house or building of the intended beneficiary or beneficiaries; and (iv) the willingness to participate in the rehabilitation process.

3. The Recipient shall cause GRAAN to carry out Part 2.A of the Project, with the assistance of Banco Produzcanos, in accordance with the terms of a manual satisfactory to the Association (the Revolving Fund Operational Manual). Except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Revolving Fund Operational Manual, or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Revolving Fund Operational Manual, the terms of this Agreement shall prevail.

4. The Revolving Fund Operational Manual shall include provisions detailing procedures and guidelines for the carrying out of Part 2.A of the Project including, inter alia:

(a) The administrative rules and procedures for planning, preparing, proposing, contracting, financing, supervising, and carrying out the activities financed by the credit lines and in-kind credits referred to in Part 2.A of the Project, including the detailed criteria and procedures for selecting the Eligible Credit Beneficiaries.

(b) The procedures for the procurement of any required goods, services and training under Part 2.A of the Project and to be financed out of the proceeds of the Financing.

(c) The procedures for environmental and social screening of the activities financed by the credit lines and in-kind credits referred to in Part 2.A of the Project and the measures to be implemented for any such activities which could possibly have negative environmental and/or social impacts.

(d) The administrative and financial terms of the credit scheme, sustainability measures, interest rate regime and transition measures, risk management considerations, size of the credits and other specific matters
relevant for the adequate functioning and sustainability of the Revolving Fund under Part 2.A of the Project.

C. Committees

1. The Recipient shall organize and maintain during the implementation of the Project a technical committee (the “Credit Committee”), which shall: (a) assist GRAAN by providing strategic and implementation guidance regarding the credit scheme under Part 2.A of the Project, including the evaluation and recommendation of credit applications to the Project Coordination Committee; such Credit Committee shall be composed of at least one representative of GRAAN, Banco Produzcamos and INPESCA, and two representatives (one male and one female) representing the Eligible Credit Beneficiaries; and (b) operate under the terms and conditions set forth to that effect in the Revolving Fund Operational Manual.

2. The Recipient shall organize and maintain during the implementation of the Project a committee (the “Project Coordination Committee”), which shall assist with overall strategic and policy guidance for the Project, including the provision of final approval to the selection of Eligible Credit Beneficiaries under Part 2.A of the Project as well as overseeing the setting up of management for RAAN’s Lamlaya fish processing plant and ancillary facilities under Part 2.C of the Project; such Project Coordination Committee shall be composed by the Government Coordinator (Coordinador de Gobierno) of GRAAN, the Minister of MAGFOR, the Minister of MINSA, the Executive President of INPESCA, the Secretary of the CDC, the Director of Banco Produzcamos, the Executive Secretary of SE-SINAPRED and the President of INVUR (or their duly appointed delegates). The Project Coordination Committee shall operate under the terms and conditions set forth to that effect in the Operational Manual and the Revolving Fund Operational Manual.

D. Anti-Corruption

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

E. Safeguards

The Recipient shall and shall cause GRAAN to carry out the Project in accordance with the Environmental Management Plan.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall cause GRAAN to: (a) monitor and evaluate, the progress of Parts 2, 3 and 4 of the Project; and (b) prepare Project Reports for said Parts of the Project, all in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Indicators. Each Project Report shall cover the period of one calendar quarter, and shall be furnished by the Recipient to the Association not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause GRAAN to maintain, with respect to Parts 2, 3 and 4 of the Project, a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of GRAAN, including the operations, resources and expenditures related to said Parts of the Project.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause GRAAN to prepare and furnish to the Association, as part of the Project Reports, not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for Parts 2, 3 and 4 of the Project covering the calendar quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause GRAAN to have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of GRAAN. The Recipient shall ensure that said audited financial statements for each period shall be: (a) furnished to the Association not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

4. As part of the audits required in paragraph 3 above, the Recipient shall cause GRAAN to ensure that the auditors review all operations executed under Parts 2, 3 and 4 of the Project, based on an expanded scope for reviewing the "cuentas escriturales" and operational bank accounts, and that such auditors provide an opinion on those accounts and the accuracy of credit reports submitted by Banco Produzcamos.
Section III. **Procurement**

A. **General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting 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 Sections.

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.

4. **Stipulation of Procedures under the Procurement Law.** For purposes of Article 5 (e) of the Procurement Law, the Procurement Guidelines, the Consultant Guidelines, and the provisions of this Schedule collectively constitute the stipulated procedures for the procurement of goods, works, non-consulting services and consultants’ services financed under this Agreement.

B. **Particular Methods of Procurement of Goods and Works and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
</tbody>
</table>
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>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least-Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Single-source procedures for the Selection of 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. All other contracts shall be subject to Post Review by the Association.

E. **Special Provisions**

1. In addition and without limitation to any other provisions set forth in this Section, the Procurement Guidelines, or the Consultant Guidelines, the following principles of procurement shall expressly govern all procurement of goods, works, non-consulting services and consultants’ services financed out of the proceeds of the Financing:
(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) In the case of Shopping, a minimum of three quotations shall be obtained as a condition to award the contract.

(f) Unless the Association may otherwise agree, for the procurement of goods, works and non-consulting services, the "best offer" shall be the one submitted by the bidder whose offer was determined to be the lowest evaluated bid and was found substantially responsive to the bidding document acceptable to the Association, provided further that the bidder was determined to be qualified to perform the contract satisfactorily.

(g) Bidders and consultants shall not be allowed to review or make copies of other bidder's bids or consultants' proposals, as the case may be. Likewise, bidders' and consultants' responses to requests of clarifications made by the procuring entity during the bidding process shall not be disclosed to other bidders or consultants, as the case may be. Finally, reports including recommendations for award shall not be shared with bidders and consultants prior to their publication.

(h) Eligibility criteria referred to in Section I of the Procurement Guidelines and Consultant Guidelines. Article 17 and 18 of the Procurement Law shall not apply.

(i) Automatic rejection of bids or proposals, as the case may be, due to differences between bid or proposal prices and cost estimates being higher than predetermined percentages shall not be allowed.

(j) Bidders shall have the possibility of procuring hard copies of bidding documents even if they are published on the procurement portal.

(k) Unless so indicated in the applicable Association standard bidding documents, pre-bid conferences shall not be conducted.

(l) Bid preparation terms shall not be reduced as a result of re-bidding.
(m) Consultants shall not be required to submit proposal and/or performance securities.

(n) Complaints shall be handled as indicated in the appendixes to the Procurement Guidelines and Consultant Guidelines. Articles 110 to 116 of the Procurement Law shall apply in a supplementary manner.

(o) The procurement of goods and works shall be carried out using standard bidding documents acceptable to the Association.

(p) the Recipient shall, and shall cause GRAAN to: (i) supply SEPA with the information contained in the initial Procurement Plan within 30 days after the Project has been approved by the Association; and (ii) update the Procurement Plan at least every three months, or as required by the Association, to reflect the actual Project implementation needs and progress and shall supply SEPA with the information contained in the updated Procurement Plan immediately thereafter; and

(q) the invitations to bid, bidding documents, minutes of bid opening, requests for expressions of interest and the pertinent summary of the evaluation reports of bids and proposals of all goods, works and consultants’ services shall be published in SISCAE, and in a manner acceptable to the Association. The bidding period shall be counted from the date of publication of the invitation to bid or the date of the availability of the bidding documents, whichever is later, to the date of bid opening.

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 this Section and such additional instructions as the Association 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 Bank 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services, Training and Operating Costs under Parts 3 and 4 of the Project</td>
<td>3,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,300,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For the purposes of this Schedule, the terms:

(a) “Non-consulting Services” means the reasonable expenditures (none of which would have been incurred by the Recipient and/or GRAAN absent the Project), incurred by the Recipient and/or GRAAN to cover reasonable costs of: (i) transportation of materials; (ii) the design and printing of manuals and other similar materials for the Project; (iii) services associated with the processing of timber; and (iv) services associated with the Project’s communication strategy, such as radio and television spots.

(b) “Training” means reasonable expenditures (other than those for consultants’ services) incurred by the Recipient and/or GRAAN for the carrying out of training activities under the Project, travel and per diem of trainers and trainees (if applicable), rental of training facilities and equipment and training materials.

(c) “Operating Costs” means the reasonable expenditures (none of which would have been incurred by the Recipient and/or GRAAN absent the Project), incurred by the Recipient and/or GRAAN for the implementation, management, coordination and supervision of the Project, including office rent and utilities, operation and maintenance of equipment and non-durable goods, excluding food expenditures, salaries for civil servants or permanent employees.
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2014.
APPENDIX

Section I. Definitions


2. "AMUPCAN" means Asociación de Mujeres Pikineras de la Costa Atlántica Nicaragüense, the Association of Women of the Nicaraguan Atlantic Coast.

3. "Banco Produzcamos" means the Recipient’s Banco de Fomento a la Producción, established pursuant to the Recipient’s Law 640 as amended by Law 684.

4. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

5. "CDC" means Consejo de Desarrollo de la Costa, the Recipient’s Council for the Development of the Coast.


7. "Credit Committee" means the committee referred to in Section I.C.1 of Schedule 2 to this Agreement.

8. "Eligible Credit Beneficiaries" means an individual, or a small or medium enterprise or community association which meets the criteria set forth in the Revolving Fund Operational Manual to participate in the credit scheme and activities referred to in Part 2.A of the Project.

9. "Environmental Management Plan" means the Recipient’s plan dated January 21, 2011, as published in InfoShop on January 21, 2011, acceptable to the Association, which sets forth the environmental protection measures in respect of the Project, including inter alia: (i) a negative list of environmentally sensitive activities ineligible for Project financing; (ii) an environmental screening checklist for Project interventions; (iii) environmental supervision, monitoring and evaluation procedures for the Project; and (iv) measures for chance finding of cultural property.

11. "GON-GRAAN Subsidiary Agreement" means the agreement entered into by the Recipient and GRAAN on September 12, 2008 and amended on August 11, 2011, acceptable to the Association, as referred to in Section I.A.2 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association.

12. "GRAAN" means the Government of RAAN (as defined below).

13. "Hurricane Felix" means the storm so named which struck the territory of the Recipient on September 5, 2007.

14. "INATEC" means Instituto Nacional Tecnológico, the Recipient’s National Technological Institute or any successor thereto.


16. "INPESCA" means Instituto Nicaragüense de la Pesca y Acuacultura, the Recipient’s National Fishing and Aquaculture Institute or any successor thereto.

17. "INVUR" means Instituto de la Vivienda Urbana y Rural, the Recipient’s Institute for Rural and Urban Housing, or any successor thereto.


20. "MAGFOR" means Ministerio Agropecuario y Forestal, the Recipient’s Ministry of Agriculture and Forestry, or any successor thereto.

21. "MINSA" means Ministerio de Salud, the Recipient’s Ministry of Health or any successor thereto.

22. "Operational Manual" means the Recipient’s manual dated October 15, 2008 and updated on October 10, 2012, acceptable to the Association, referred to in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association.
23. "Original Project" means the project described in Schedule 1 to the Financing Agreement entered into between the Recipient and the Association, dated May 17, 2008 (Credit No 4392-NI), as subsequently amended on August 10, 2009; June 9, 2011 and January 20, 2012, respectively.

24. "Part 1 Subsidiary Agreement" means the agreement entered into by the Recipient (through SE-SINAPRED and MAGFOR) and INVUR on September 18, 2008, acceptable to the Association, for the carrying out of Part 1 of the Project, as referred to in Section I.A.1 of Schedule 2 to this Agreement.

25. "Part 2.A Subsidiary Agreement" means the agreement entered into by GRAAN, INPESCA and Banco Produzcamos on August 15, 2011, acceptable to the Association, for the carrying out of Part 2.A of the Project, as referred to in Section I.A.4.(a) (ii) of Schedule 2 to this Agreement.

26. "Parts 2, 3 and 4 Subsidiary Agreement" means the agreement entered into by the Recipient (through MINSA) and GRAAN, INPESCA, INATEC and INVUR on August 15, 2008, acceptable to the Association, for the carrying out of Parts 2.B, 2.C, 2.D, 3 and 4 of the Project, as referred to in Section I.A.4.(b) of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association.


28. "Procurement Law" means Ley de Contrataciones del Estado, the Recipient's Law No. 737, which was enacted on November 4, 2010 and published in the Recipient's Official Gazette on November 8, 2010.

29. "Procurement Plan" means the Recipient's procurement plan for the Project, dated October 10, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

30. "Project Coordination Committee" means the committee referred to in Section I.C.2 of Schedule 2 to this Agreement.

31. "RAAN" means Región Autónoma del Atlántico Norte, the Recipient's Autonomous Region of the Northern Atlantic.

32. "Revolving Fund" means the fund created pursuant to the Revolving Fund Management Agreement under Part 2.A of the Project and operating in accordance with the Revolving Fund Operational Manual.
33. “Revolving Fund Management Agreement” means the agreement entered into by RAAN and Banco Produzcamos, acceptable to the Association, for the carrying out of Part 2.A of the Project, as referred to in Section I.A.4.(a) (i) of Schedule 2 to this Agreement.

34. “Revolving Fund Operational Manual” means the manual referred to in Section I.B.3 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association.

35. “SERENA” means Secretaría de Recursos Naturales y del Ambiente de RAAN, RAAN’s Secretariat of Environment and Natural Resources, or any successor thereto.

36. “SE-SINAPRED” means Secretaría Ejecutiva - Sistema Nacional para la Prevención, Mitigación y Atención de Desastres, the Recipient’s Executive Secretariat of the National System of Disaster Prevention.

37. “Subsidiary Agreements” means collectively the “GON-RAAN Subsidiary Agreement”, the “Part 1 Subsidiary Agreement”, the “Part 2 Subsidiary Agreement”, the “Revolving Fund Management Agreement” and the “Parts 2, 3 and 4 Subsidiary Agreement”.

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