His Excellency  
Mr. Iván Acosta  
Minister of Finance and Public Credit  
Frente al Edificio de la Asamblea Nacional  
Managua, Nicaragua

Dear Minister:

Re: IDA Financing - IDA-5906-NI  
(Additional Financing for Second Support to the Education Sector Project)  
Additional Instructions: Disbursement Letter

I refer to the Financing Agreement ("Agreement") between the International Development Association (the "Association") and the Republic of Nicaragua (the "Recipient") for the above-referenced project, dated October 3. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of financing IDA-5906-NI ("Financing"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

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 Financing:

- Direct Payment
- Reimbursement
- Advance

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the Association.
(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in the Financing Agreement in Section IV. B. of Schedule 2.

II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1). An authorized signatory letter in the Form attached (Attachment 2) should be furnished to the Association 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
Unites States of America
Attention: J. Humberto Lopez, Country Director
Central America Country Management Unit

(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:

The World Bank/ Banco Mundial
Setor Comercial Norte,
Quadra 02, Lote A
Edificio Corporate Financial Center
7º Andar
70712-900 Brasilia, D.F.
Brazil
Attention: Loan Operations

(iii) Electronic Delivery (subsection 3.4) The Association may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Association’s Client Connection, web-based portal. The option to deliver Applications to the Association by electronic means may be effected if: (a) the Recipient 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 credentials (“SIDC”) from the Association for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the Association agrees, the Association will provide the Recipient with SIDC 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 Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.
(iv) Terms and Conditions of Use of SIDC to Process Applications. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Secure Identification Credentials”) provided in Attachment 3; and (b) 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 Reimbursement and Direct Payment is US$ 150,000.

(vi) Advances (sections 5 and 6) to MINED (same Designated Account of the original Project)

- Type of Designated Account (subsection 5.3): Pooled

- 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): Variable

III. Reporting on Use of Financing Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- For requests for Reimbursement and for reporting eligible expenditures paid from the Designated Account:
  
  - Statement of Expenditures in the form attached (Attachment 4) evidencing eligible expenditures for payments made for Goods, Non-Consulting services, Consulting Services, Training and Operating Costs;
  
  - Designated Account Bank Statement(s) and Reconciliation (Attachment 5) applicable only when reporting eligible expenditures paid from the Designated Accounts.

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

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Quarterly
IV. Other Important Information


From the Client Connection website, you will be able to prepare and deliver 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 Yolaina G. Montoya - ymontoya@worldbank.org of the World Bank Nicaragua country office.

If you have any queries in relation to the above, please contact Tatiana de Abreu, Finance Officer at tdeabreu@worldbank.org using the above reference.

Yours sincerely,

[Signature]

Luis Constantino
Country Manager-LCCNI
Attachments

2. Form for Authorized Signatures
4. Statement of Expenditures
5. Designated Account Reconciliation Statement

Cc with copies: Sra. Francys Díaz Madriz  
Vice-Ministra Administrativa Financiera  
Ministerio de Educación  
diazf@mined.gob.ni  
2253 -8490 (Ext: 170)