H.E. Alberto José Guevara Obregon  
Minister of Finance and Public Debt  
Ministerio de Haciendo y Crédito Publico  
Managua, Nicaragua

Re: Credit No. 4527 & Grant No. 4300 NICARAGUA Greater Managua  
Water Supply and Sanitation Project  
Additional Instructions: 2nd AMENDED Disbursement Letter

His Excellency:

I refer to the Financing Agreements (“Agreements”) between the International Development Association (“World Bank”), and the Republic of Nicaragua (the “Recipient”) for the above-referenced project, dated January 21, 2009. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Credit No.4527 (“Financing”) and the Grant No. 4300 (“Grant”). This letter (“Disbursement Letter”), replaces the original letter signed January 21, 2009 and amended May 10, 2011.

This letter is the second amendment to the Disbursement Letter dated May 10, 2011 for the above referenced project, restating Section II (iv) and (iiv) to raise the ceiling of the Designated Account (DA) to USD $1,700,000 for the DA of the credit and the grant. As a result, the Minimum Value of Applications (section II(iii)) has been increased to USD $500,000. In addition the address indicated in Section II (ii) has been updated to reflect the address of the World Bank’s regional center in Brasilia. All other provisions of the Disbursement Letter dated May 10, 2011 except as amended, shall remain in force and effect.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, (“Disbursement Guidelines”) 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:

- Reimbursement
- Advances
- Direct Payment
- Special Commitment
(ii) **Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date is 4 months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the World Bank.

(iii) **Disbursement Conditions (subsection 3.8).** Please refer to the Disbursement Condition(s) in Schedule 2, Section IV, B of the Financing Agreement.

II. Withdrawal of Financing 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: C. Felipe 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) **(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank 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 devices (“Tokens”) from the World Bank 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 World Bank agrees, the World Bank will provide the Recipient 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](https://clientconnection.worldbank.org)). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and
may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(vi) 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 Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices 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 under the grant and the credit is US$500,000 for Direct Payments and Reimbursements.

(vi) Advances (sections 5 and 6) to ENACAL for the Credit.

- **Type of Designated Account[s] (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):** US$1,700,000.

(vii) Advances (sections 5 and 6) to ENACAL for the Grant.

- **Type of Designated Account[s] (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):** US$1,700,000.

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:**
  - Summary Statements with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made for:
    - Goods and Works under contracts costing US$150,000 equivalent per contract or more;
Consulting and Non-Consulting Services under contracts costing US$50,000 equivalent per contract or more; and,
- Statement of Expenditure for all other categories and for payments that do not exceed the thresholds established above.

- **For reporting eligible expenditures paid from the Designated Account:**
  - Summary Statements with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made for:
    - Goods and Works under contracts costing US$150,000 equivalent per contract or more;
    - Consulting and Non-Consulting Services under contracts costing US$50,000 equivalent per contract or more;
  - Statement of Expenditure for all other categories and for payments that do not exceed the thresholds established above; and,
  - A Designated Account activity statement with a copy of the Designated Account Bank statement.

- **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 Disbursement Instructions

The project will use two separate Designated Accounts, one for the grant and one for the credit, in addition to using ENACAL GPI’s operational accounts (*Fondo Rotatorio*). Advances from the DAs to the operational accounts, held in local currency, will be made to finance expenditures due within 30 days. The operational account advance limit is set at 5 percent of the project’s annual budget.

Retroactive financing, in an amount US$500,000 is available to the project for eligible expenditures incurred on or after November 6, 2008.

### V. Other Important Information


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 and grant number in the subject line.
Yours sincerely,

/s/ Patricia Hoyes
Sr. Finance Officer
World Bank Loan Department

Cc: Cro. Ivan Acosta Montalvan, Vice-Minister, Ministry of Finance and Public Credit

    Mr. Uriel Perez, General Director Public Credit General Division, Ministry of Finance and Public Credit

    Cro. Ervin Barreda, Gerente General, ENECAL