Financing Agreement

(Property Rights Strengthening Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
CREDIT NUMBER 6198-NI

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF NICARAGUA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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) apply to and form 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 a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in the amount of fifty million Dollars ($50,000,000) (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 III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.

2.05. The Interest Charge is the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.
2.06. The Payment Dates are April 15 and October 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out: (a) Parts 1 through 4 of the Project through PGR, with the assistance of the Co-executing Agencies; and (b) Part 5 of the Project with the participation of the Coordinating Authority, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) Any Co-executing Agency shall have failed to comply with any of its obligations under the applicable Co-execution Agreement.

(b) 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) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Recipient.

(b) The event specified in paragraph (b) of Section 4.01 of this Agreement occurs.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of, namely, that the Co-execution Agreements have been duly executed by and are legally binding to the respective parties thereto.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

5.03. For purposes of Section 10.05 (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 Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister of Finance and Public Credit.

6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

Ministerio de Hacienda y Crédito Público
Avenida Bolívar frente a la Asamblea Nacional
Managua, Nicaragua; and

(b) the Recipient’s Electronic Address is:

Facsimile:
505-2222-3033

6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Association’s Electronic Address is:

Telex: Facsimile:
248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

REPUBLIC OF NICARAGUA

By

[Signature]

Authorized Representative

Name: Iván Acosta
Title: Minister of Finance
Date: April 2, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Luis Constantino
Title: Country Manager
Date: April 2, 2018
SCHEDULE 1

Project Description

The objective of the Project is to provide beneficiaries in Selected Municipalities with: (a) updated and integrated cadastral and property registry information; and (b) improved land administration services.

The Project consists of the following parts:

Part 1: Institutional and policy framework, and system integration

A. Improving land administration policies and interinstitutional collaboration through, *inter alia*:
   (i) the development and revision of land administration policies, standards, procedures and technical manuals;
   (ii) capacity building and training for the institutionalization of policies and procedures and improved understanding of the inter-relationship between the cadastre and the property registry institutions; and
   (iii) conducting relevant institutional, policy, environmental studies to help inform the Recipient’s future land policy and strategy.

B. Strengthening the integration of cadastre and property registry information through, *inter alia*:
   (i) the implementation of SIICAR and an integrated cadastre-property registry management model in Selected Property Registries;
   (ii) the migration and linking of cadastral and registry data in the Recipient’s departments of Esteli and Managua; and
   (iii) the preparation of a change management and sustainability strategy for SIICAR.

C. Modernizing the national cadastre system and related services through, *inter alia*:
   (i) implementation of a cadastre modernization strategy set out in the POM;
   (ii) the establishment of six (6) new continuously operating reference stations in accordance with prioritization and location criteria set forth in the POM;
   (iii) the establishment of cadaster offices in the Recipient’s departments of Boaco, Chontales and Rio San Juan;
   (iv) the carrying out of a spatial data infrastructure pilot including: (i) the integration of INETER’s geo-spatial databases (disaster risk management, territorial planning, geodesy, and cadastre); and (ii) the preparation of a national-level strategy for spatial data infrastructure’s interoperability with other databases of the Recipient (including databases of the Recipient’s ministries and other public entities generating and using geospatial information); and
(v) the implementation of a registry, monitoring and quality control system for private cadastral surveyors.

Part 2: Cadaster, regularization and titling services

A. Expanding cadastral coverage through, *inter alia*:
   (i) systematic and on-demand cadastral surveying including, *inter alia*, acquisition of aerial photography, and carrying out of field activities; and
   (ii) incorporating cadastral information into the Recipient’s national database.

B. Expanding land regularization, titling and registration through, *inter alia*:
   (i) systematic land regularization, titling and registration in Selected Municipalities;
   (ii) demand-based land regularization, titling and registration for Selected Beneficiaries; and
   (iii) implementation of the Project communication strategy, as set out in the POM.

C. Demarcating Protected Areas in Selected Municipalities through, *inter alia*:
   (i) the carrying out of preparatory work, data collection, consultation of beneficiaries, geo-referencing and physical demarcation of Protected Areas in Selected Municipalities, and their registration in SINIA; and
   (ii) the carrying out of communication and outreach campaigns in Protected Areas and neighboring communities.

D. Implementing mediation and conflict resolution services through, *inter alia*:
   (i) the provision of mediation services during cadastral and regularization processes; and
   (ii) the provision of conflict resolution training for mediators and staff of Co-executing Agencies.

Part 3: Municipal land administration services

A. Integrating Selected Municipalities into the national cadastral system through, *inter alia*:
   (i) the installation of SISCAT in Selected Municipalities and its integration into the national cadastral information system, and where applicable, into SIICAR;
   (ii) provision of technical assistance and training to Selected Municipalities on: the incorporation of cadastral information into SISCAT; the integration of SISCAT into the national cadastral information system; and the Selected Municipalities’ role in the maintenance of the national cadastral information system;
(iii) the preparation of procedures and guidelines on, *inter alia*, the role of the Selected Municipalities in the national cadastral information system; and
the management of the municipal cadastre; and
(iv) the preparation of a strategy for the maintenance of cadastral information in municipal cadastral databases linked to SIICAR, including roles, procedures and standard processes.

B. Strengthening the Selected Municipalities’ capacity on the use of cadastral information through, *inter alia*:
(i) the provision of technical assistance and training on, *inter alia*, the use of geospatial information for disaster risk assessments, investment planning, and territorial development; and
(ii) the carrying out of analyses of shared land (*ejidos*) and municipal lands.

**Part 4: Project management, monitoring and evaluation**

A. Supporting Project management through:
(i) the provision of training and carrying out of workshops;
(ii) the carrying out of the coordination, administrative and fiduciary aspects of the Project, including audits; and
(iii) carrying out the oversight of the Project communication strategy and gender strategy.

B. Supporting Project monitoring and evaluation through:
(i) the collection of baseline data to assess the Project’s social, environmental and economic impacts; and
(ii) the preparation of the Project’s semi-annual progress reports, midterm review and final evaluation report, including any necessary surveys and data collection.

**Part 5: Contingent emergency response**

Provision of immediate response to an Eligible Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall operate and maintain, at all times during Project implementation, the PCU, CIP and CTO with a structure, functions, responsibilities and adequate resources, all satisfactory to the Association. The Recipient shall ensure that the PCU shall include, as its core staff, a general coordinator (executive secretary) and a technical coordinator, a procurement specialist, a financial management specialist, a monitoring and evaluation specialist, a social/gender specialist, an environmental specialist and a communication specialist, all with terms of reference, qualifications and experience acceptable to the Association.

2. Without limitation to the provisions of Section 3.01(a) of this Agreement, the Recipient, through PGR, shall carry out Part 1.A and Part 2.B of the Project through IP, the Recipient's General Directorate of Property.

B. Co-execution Agreements and Participation Agreements

1. For purposes of carrying out Project activities under the administrative jurisdiction of any given Co-executing Agency, under Parts 1 through 3 of the Project, the Recipient, through PGR, shall enter into the following agreements (each a "Co-execution Agreement"), under terms and conditions satisfactory to the Association, with the respective Co-executing Agencies, all as set forth in the POM: (a) a Co-execution Agreement with INETER and CSJ for Part 1 of the Project; (b) a Co-execution Agreement with INETER, CSJ, and MARENA for Part 2 of the Project; and (c) a Co-execution Agreement with INETER and INIFOM for Part 3 of the Project.

2. Prior to the carrying out of any Project activity under Parts 2 and 3 of the Project in any given Selected Municipality, the Recipient, through PGR, shall enter into an agreement ("Participation Agreement") with each such municipality, in coordination with INIFOM, under terms and conditions satisfactory to the Association, to address the roles of the Selected Municipalities within the Recipient’s land administration system, as further described in the POM.

3. The Recipient shall exercise its rights and carry out its obligations under each Co-execution Agreement and each Participation Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the objective of the Project. Except as the Association shall otherwise agree, the
Recipient shall not assign, amend, abrogate, waive, terminate or fail to enforce any Co-execution Agreement or any Participation Agreement, or any of their respective provisions. In case of any inconsistency between any provision of the Co-execution Agreements and this Agreement, or between any provision of the Participation Agreements and this Agreement, the provisions of this Agreement shall prevail.

C. Safeguards

1. The Recipient, through the PGR, shall carry out the Project in accordance with the provisions of the EA-EMP, and the Process Framework, as applicable. The Recipient shall not assign, amend, abrogate, or waive the EA-EMP or the Process Framework or any provision thereof, without prior approval of the Association.

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

D. Project Operations Manual

1. The Recipient shall carry out the Project in accordance with a manual satisfactory to the Association ("POM"), which shall include, inter alia, the following provisions: (a) the Project financial, management, disbursement and procurement procedures; (b) the Project performance indicators and the procedures for the monitoring and evaluation of the Project; (c) the EA-EMP; (d) the Process Framework; (e) the criteria for the selection of the Selected Municipalities; (f) the criteria for the selection of the Protected Areas; and (g) the guidelines for registering and addressing Project-related inquires and complaints under the Project's grievance redress mechanism.

2. In case of any conflict between the terms of the POM and those of this Agreement, the terms of this Agreement shall prevail.

E. Implementation Arrangements for Part 5 of the Project

1. In order to ensure the proper implementation of Part 5 of the Project ("CER Part"), the Recipient shall take the following measures:

   (a) ensure that the Coordinating Authority is maintained throughout the implementation of the CER Part with staff and resources satisfactory to the Association;

   (b) ensure that the CER Part is carried out in accordance with the CERC Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the CERC Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
(c) not amend, suspend, abrogate, repeal or waive any provision of the CERC Operations Manual without prior approval by the Association.

2. No activities shall be included nor undertaken under the CER Part of the Project unless and until the following conditions (“CERC Conditions”) have been met with respect to said activities:

(a) the Recipient has determined that an Eligible Emergency has occurred, has furnished to the Association a request to include said activities in the CER Part in order to respond to said Eligible Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(b) the Coordinating Authority has adequate staff and resources satisfactory to the Association; and

(c) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CER Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated, and if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services,</td>
<td>50,000,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
2. For the purposes of this Section:

(a) “Training” means: (i) reasonable travel, room, board and per diem expenditures incurred by trainers, training facilitators, and trainees in connection with the training activities under the Project; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph; and

(b) “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office refurbishing, equipment and supplies; vehicle and special equipment operation, maintenance and insurance costs; communication costs; office administration costs; utilities; travel, per diem and supervision costs (none of which would have been incurred absent the Project); and excluding salaries of civil servants.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

(a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed $10,000,000 may be made for payments made prior to this date but on or after one year prior to the date of this Agreement, for Eligible Expenditures; or

(b) under Category (2) unless the Recipient has met the CERC Conditions, as described under Section I.E.2 of this Schedule.

2. The Closing Date is March 15, 2024.
Section IV. **Other Undertakings**

1. The Recipient, through PGR, shall: (a) have all the procurement records and documentation of the Project audited each calendar year during Project implementation, in accordance with appropriate procurement audit principles, by independent auditors acceptable to the Association; (b) furnish to the Association as soon as available, but no later than six months after the end of each calendar year, the procurement audit report of such audit by said auditors of such scope and in such detail as the Association shall reasonably request; and (c) furnish to the Association such other information concerning said procurement records and documentation and the procurement review thereof as the Association shall from time to time reasonably request.
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 April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing April 15, 2023 to and including October 15, 2042</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing April 15, 2043 to and including October 15, 2047</td>
<td>3.40%</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 3.05 (b) of the General Conditions.
APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

2. “Basis Adjustment to the Interest Charge” means the Association’s standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

3. “Basis Adjustment to the Service Charge” means the Association’s standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.


6. “CER Part” means Part 5 of the Project.

7. “CERC Conditions” means the conditions set forth in Section I.E.2. of Schedule 2 to this Agreement.

8. “CERC Operations Manual” means the Recipient’s manual for the CER Part referred to in Section I.E.1.(b) of Schedule 2 to this Agreement, adopted by the Recipient on June 26, 2014, which sets forth detailed implementation arrangements for the CER Part, including: (i) designation of terms of reference for, and resources to be allocated to, the entity to be responsible for coordinating and implementing the CER Part (“Coordinating Authority”); (ii) specific activities which may be included in the CER Part of the Project, Eligible Expenditures required therefor (“Emergency Expenditures”) and any procedures for such inclusion; (iii) financial management arrangements for the CER Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CER Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the CER Part, consistent with the Association’s policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and
implementation of the CER Part, as such manual may be amended from time to time with the prior written consent of the Association.


10. “Co-executing Agencies” means collectively CSJ, INETER, INIFOM, and MARENA.

11. “Co-execution Agreement” means any of the agreements referred to in Section I.B.1. of Schedule 2 to this Agreement.

12. “Coordinating Authority” means the entity or entities designated by the Recipient in the CERC Operations Manual and approved by the Association pursuant to Section I.E.1 of Schedule 2 to this Agreement, to be responsible for coordinating the CER Part of the Project.


14. “CSJ” means Corte Suprema de Justicia, or Supreme Court of Justice, the highest tribunal of the Recipient’s judiciary.

15. “EA-EMP” means the Recipient’s environmental assessment and related environmental management plan, satisfactory to the Association, and disclosed on the PGR’s website and on the Association’s website on January 23, 2018: (1) identifying positive and negative, direct and indirect, and cumulative social and environmental impacts associated with the Project, as well as the applicable measures to prevent, avoid, minimize, mitigate or compensate potential negative impacts; and (2) addressing the environmental, forestry, natural habitats and cultural property safeguard requirements of the Project; as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Association.

16. “Eligible Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient associated with natural or man-made crisis or disaster.


19. "INETER" means Instituto Nicaragüense de Estudios Territoriales, the Recipient’s Institute for Territorial Studies, established pursuant to the Recipient’s Executive Decree 830, published in the Recipient’s Official Gazette 224 on October 5, 1981, or any successor thereto acceptable to the Association.

20. "INIFOM" means Instituto Nicaragüense de Fomento Municipal, the Recipient’s Municipal Development Institute, established pursuant to the Recipient’s Law 347, published in the Recipient’s Official Gazette 121 on June 27, 2000, or any successor thereto acceptable to the Association.


22. "MARENA" means Ministerio del Ambiente y Recursos Naturales, the Recipient’s Ministry of the Environment and Natural Resources or any successor thereto acceptable to the Association.

23. "Participation Agreement" means any of the agreements referred to in Section I.B.2 of Schedule 2 to this Agreement.


25. "PGR" means Procuraduría General de la República, the Recipient’s Attorney General’s Office, ascribed to the Recipient’s Executive Branch.

26. "Process Framework" means the Recipient’s framework, satisfactory to the Association, and disclosed on the Association’s website and on the PGR’s website on December 27, 2012, addressing the potential restrictions to access to natural resources due to demarcation of Protected Areas within the Project, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Association.

27. "Procurement Law" means the Recipient’s Law No. 737, which was enacted on November 4, 2010 and published in the Recipient’s Official Gazette 213 on November 8, 2010.

29. "Project Operations Manual" or "POM" means the Recipient’s manual referred to in Section I.D.1. of Schedule 2 to this Agreement and acceptable to the Association, dated February 6, 2013, as amended through February 5, 2018, and as such manual may be further amended from time to time with the prior written agreement of the Association.

30. "Protected Areas" means any protected areas established within the framework of the Recipient’s Law 217 (Title II, Chapter II, Section III), Decree 9-96, and Decree 14-99.

31. "Selected Beneficiaries" means any individual person or household within the Recipient’s territory which has been selected to participate in the Project according to the criteria and mechanisms specified in the POM.

32. "Selected Municipalities" means any municipality within the Recipient’s territory which has been selected to participate in the Project according to the criteria and mechanisms specified in the POM.

33. "Selected Property Registries" means those property registries of the Recipient selected for implementation of Part I.B.(i) of the Project in accordance with criteria set forth in the POM.

34. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

35. "SIICAR" means Sistema Integrado de Información de Cadastro y Registro, the Recipient’s integrated information system operated jointly by the Recipient’s national property cadaster and operated by INETER and the CSJ.

36. "SINIA" means Sistema Nacional de Información Ambiental, the Recipient’s national environmental information system, managed by MARENA.

37. "SISCAT" means Sistema de Registro Catastral, the Recipient’s municipal cadastral system.