H.E. Ivan Acosta
Minister of Finance and Public Credit
Ministry of Finance and Public Credit
Frente al Edificio de la Asamblea Nacional
Managua, Nicaragua

Re: REPUBLIC OF NICARAGUA: RSR Grant for the Expansion of the Family and Community Based Social Welfare with Cash Transfers Project (Grant No. TF010216)
First Amendment to the Grant Agreement

Excellency,

We refer to the Grant Agreement for the above-captioned Project between the Republic of Nicaragua (the Recipient) and the International Development Association (the Association), dated November 22, 2011 (the Grant Agreement). Please note that capitalized terms used in this letter (the Amendment Letter) and not defined herein have the meaning ascribed to them in the Grant Agreement.

We also refer to your letter dated August 31, 2012 to the Association, wherein a request is made to: (a) drop part of the PDO namely “improving conditions of extremely poor beneficiary families with children in the selected poor municipalities”; (b) modify the Project description; (c) undertake the corresponding reallocation of Grant proceeds and modify the results indicators; and (d) extend the closing date of the Grant from September 30, 2012 to December 31, 2012. We are pleased to inform you that the Association hereby agrees to amend the Grant Agreement as set forth below in this Amendment Letter. The specific changes made to the Grant Agreement are reflected for your convenience in Attachment A to this letter.

1. Section 2.01 of Article II of the Annex to the Grant Agreement is hereby amended to read in its entirety as follows:

   “2.01. Project Objectives and Description. The objective of the Project is to strengthen the capacity of MIFAN to expand and implement the family and community-based social welfare Model.”

2. Part 1 (a) of Article II of the Annex to the Grant Agreement is hereby amended to include subsections to read in its entirety as follows:

   “(a) Strengthening of MIFAN’s technical and operational capacity to expand and implement the family and community-based social welfare Model, through: (i) the improvement of the methodology and design of community based workshops; (ii) the validation of participant’s educational materials; (iii) the printing and reproduction of educational materials; (iv) the provision of equipment and development of teaching materials; (v) the carrying out of capacity building activities for technical social workers and social promoters responsible for carrying out the community based workshops; (vi) the design of a methodology for family counseling; (vii) the provision of training to the staff of MIFAN and other agencies within the Selected Poor Localities; and (viii) the development of information systems to support administration and management of the Model.”
3. Part 1 (c) of Article II of the Annex to the Grant Agreement is hereby deleted.

4. Part 2 of Article II of the Annex to the Grant Agreement is hereby deleted.

Section 2.03 (d) (i) (A) is hereby amended in its entirety to read as follows:

“(A) support the implementation of all the activities to be carried out under Part 1 (b) of the Project by providing INIDE with all the required goods, consultant services and Non-consulting Services to carry out said Part 1 (b) of the Project; and”

6. Section 2.03 (e), 2.03 (f), 2.03 (g) and 2.03 (h) are hereby deleted.

7. Section 2.07 (a), 2.07 (b) and 2.07 (c) are hereby amended to read in their entirety as follows:

“2.07. Procurement

(a) General. All goods and Non-consulting Services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and Non-consulting Services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and Non-consulting Services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and Non-consulting Services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding (B) Shopping; and (C) Direct Contracting.”
8. Section 2.08 of Article II of the Annex to the Grant Agreement is hereby amended to read in its entirety as follows:

"2.08 Other Undertakings

Operational Audit. Pursuant to terms of reference previously agreed with the World Bank, including, inter alia, the scope of the audits to be conducted and furnished to the World Bank, and as further specified in the Operational Manual, the Recipient, through MIFAN, shall carry out operational audits, acceptable to the World Bank, covering the entire period during which withdrawals from which Grant account were made. Said operational audit shall be furnished to the World Bank not later than two (2) months after the end of the period covered by such audit."

9. The table of Section 3.01 (a) of Article III of the Annex to the Grant Agreement is hereby amended to read in its entirety as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Goods, Non-consulting Services, consultants' services, Operating Costs and Training under Part 1 (a) of the Project.</td>
<td>1,079,436</td>
<td>100 %</td>
</tr>
<tr>
<td>(b) Goods, Non-consulting Services, consultants' services, Operating Costs and Training under Part 1 (b) of the Project.</td>
<td>1,670,564</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,750,000.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

10. Section 3.01 (b) is hereby amended in its entirety to read as follows:

"(b) For the purposes of this Section the term: (i) "Operating Costs" means the reasonable expenditure (none of which would have been incurred by the Recipient absent the Project, other than those for consultants' services and Non-consulting Services), incurred by the Recipient for Project administration costs including travel expenses, operation and maintenance of office equipment, maintenance and repair of vehicles, rental of offices, utilities, nondurable and/or consumable office materials, excluding salaries of civil servants or permanent employees; (ii) "Training " means the reasonable expenditures (other than those for consultants’ services and Non-consulting Services) incurred by the Recipient for the carrying out of training activities and workshops under the Project, including, inter alia, trainers fees, travel and per diem of trainers and trainees, printing and reproduction services of training and workshop material (i.e. books, manuals and/or materials), training and workshop logistics such as hotel services, catering, travel services, rental of facilities and equipment; and (iii) “Non-consulting Services” means the expenditures for which the physical aspects of the activity predominate, incurred on account of Project implementation to cover reasonable costs of, inter alia, printing and reproduction of materials, rental of computers and offices, which are not rendered by
consultants, all of which are not covered in the definition of Operating Costs or Training set forth in (i) and (ii) above."

11. Section 3.02 is hereby amended in its entirety to read as follows:

"3.02. Withdrawing Conditions: Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments: (a) made prior to the date of countersignature of this Agreement by the Recipient; (b) under Category 1(b) until the MIFAN-INIDE Agreement has been duly executed, in a manner acceptable to the World Bank."

12. Article IV of the Annex to the Grant Agreement is hereby deleted.

13. The following definitions in Section 1.02 of Article I of the Annex to the Grant Agreement are hereby deleted (and the existing definitions are consequently renumbered):

"Community-based Targeted Family" means a family located within any of the Selected Poor Municipalities with children less than thirteen (13) years of age, selected through a public and transparent mechanism, according to the selection criteria and mechanisms set forth in the Operational Manual, to benefit from a Family Grant.

"Family Grant" means a grant made out of the proceeds of the Grant for the provision of an equivalent in Córdobas to a USD 20 monthly payment (or other amount as agreed by the World Bank) by MIFAN, through a Financial Institution to a Community-based Targeted Family.

"Family Grant Commitment Letter" means any of the agreements referred to in Section 2.03 (f) of this Agreement.

"Financial Institution" means any financial institution established and operating pursuant to the laws of the Recipient, which has met the eligibility criteria detailed in the Operational Manual and that will be responsible for delivering the Family Grants.

"MIFAN-Financial Institution Agreement" means the agreement, acceptable to the World Bank, between the MIFAN and the respective Financial Institution, referred to in Section 2.03 (e) of this Agreement.

"Participating Department" means any of the following six (6) Departments of the Recipient: (i) Chinandega; (ii) Estelí; (iii) Jinotega; (iv) León; (v) Madriz; and (vi) Matagalpa.

"Selected Poor Municipality" means any of the municipalities (listed in the Operational Manual) of the Recipient located within any of the Participating Departments.

14. Please be advised that the Association has established December 31, 2012 as the later date for purposes of Section 3.03 of Article III of the Annex to the Grant Agreement.
Please confirm your agreement with the foregoing amendment by signing and dating this Amendment Letter in the spaces provided below. Thenceforward, all the provisions of the Grant Agreement except as amended through this Amendment Letter shall remain in full force and effect. This Amendment Letter shall be executed in two counterparts each of which shall be an original.

Please also note that the approved restructuring paper, dated September 27, 2012, will be disclosed on the Association’s external website.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

C. Felipe Jaramillo
Director
Central America
Latin America and the Caribbean Region

AGREED:

REPÚBLICA DE NICARAGUA

By: __________________________

Authorized Representative

Name: Iván Acosta Montalva

Title: Ministro de Hacienda y Crédito Público

Date: 28 de septiembre de 2012