His Excellency
Iván Acosta Montalván
Minister of Finance and Public Credit
Ministry of Finance and Public Credit
Avenida Bolívar, Frente a la Asamblea Nacional-4to piso
Managua, Nicaragua

Re: Credit No. 5377-NI and Grant No. H912-NI
Nicaragua: Sustainable Rural Water Supply and Sanitation Sector Project
Additional Instructions: Disbursement Letter

Excellency,

I refer to the Financing Agreement ("Agreement") between the International Development Association ("World Bank"), and the Republic of Nicaragua (the "Recipient") for the above-referenced Project, dated April 3, 2014. The Agreements provide that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Credit No. 5377-NI and Grant No. H912-NI ("Financing"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The 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:

- Reimbursement
- Advances
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in each 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 Agreements.
II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1). A letter should be furnished to the World Bank, in the form attached (Attachment 2), 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: Carlos F. 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  
Setor Comercial Norte  
Quadra 02, Lote A  
Edificio Corporate Finance Center  
7º andar  
70712-900 Brasilia, D.F.  
Brazil  
Attention: Loan Department

(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 is US$ 100,000 for Direct Payment and Reimbursement.

(vi) **Advances (sections 5 and 6) to Fondo de Inversión Social de Emergencia (Emergency Social Investment Fund - FISE) for IDA Credit No.5377-NI.**

- **Type of Designated Account (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$ 500,000.

(vii) **Advances (sections 5 and 6) to Fondo de Inversión Social de Emergencia (Emergency Social Investment Fund - FISE) for IDA Grant H912-NI.**

- **Type of Designated Account (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$ 500,000.

### 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:**
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made for:
- Goods and Works under contracts costing US$250,000 equivalent per contract or more;
- Consulting and Non-Consulting Services under contracts costing US$150,000 equivalent per contract or more;
  - Custom Statement of Expenditure, in the form attached (Attachment 4), for payments under Category 2 – subprojects;
  - Statement of Expenditure, in the form attached (Attachment 5), for all other categories, including Operating Costs and Training, and for payments that do not exceed the thresholds established above; and
  - List of payments, in the form attached (Attachment 6), against contracts that are subject to the World Bank’s prior review.

• **For reporting eligible expenditures paid from the Designated Account:**
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made for:
    - Goods and Works under contracts costing US$250,000 equivalent per contract or more;
    - Consulting and Non-Consulting Services under contracts costing US$150,000 equivalent per contract or more;
  - Custom Statement of Expenditure, in the form attached (Attachment 4), for payments under Category 2 – subprojects;
  - Statement of Expenditure, in the form attached (Attachment 5), for all other categories, including Operating Costs and Training, and for payments that do not exceed the thresholds established above; and
  - List of payments, in the form attached (Attachment 6), against contracts that are subject to the World Bank’s prior review; and,
  - A Designated Account activity statement, in the form attached (Attachment 7), 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.

**V. Other Important Information**


If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website ([http://clientconnection.worldbank.org](http://clientconnection.worldbank.org)). From this website you will be able to download 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 the World Bank Nicaragua country office.

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, grant number and credit number in the subject line.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

1. (same as attached to original DL dated June 25, 2008)
2. Form for Authorized Signatures
4. Custom Statement of Expenditure for Category 2
5. Sample Statement of Expenditures
6. List of Contracts Subject to Prior Review
7. Sample Designated Account Statement

Cc: Jose Adrian Chavaria Montenegro
   Vice Minister
   Ministry of Finance and Public Credit
   Fax. (505) 222 4383
   email: josemontenegro@mhcp.gob.ni

   Julio Cesar Cuadra
   Executive Director
   Emergency Social Investment Fund (FISE)
   Fax: (505) 2277-3340
   email: jcuadra@fise.gob.ni