Financing Agreement

(Fourth Roads Rehabilitation and Maintenance Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 22, 2006
FINANCING AGREEMENT

AGREEMENT dated June 22, 2006, 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty-one million one hundred thousand Special Drawing Rights (SDR 41,100,000) (the “Credit”) to assist in financing the project described in Schedule 1 to this Agreement (the “Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

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

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are March 1 and September 1 in each year.

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

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out: (a) Parts A, B and D of the Project through MTI; and (b) shall carry out Part C of the Project either: (i) through MTI; or (ii) with the approval of the Association, by causing the FOMAV to carry out Part C in its entirety or in conjunction with MTI, in the case of both clauses (a) and (b), in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

(a) The FOMAV Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the FOMAV to perform any of its obligations under the Subsidiary Agreement.

(b) The Procurement Law has been amended, suspended, abrogated, repealed or waived so as to render its Article 3(f) ineffective, in the opinion of the Association, and no provision analogous to such Article 3(f) has been adopted to replace said provision.

(c) If once it has been approved by the National Assembly, the Proposed Amendment is subsequently amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the amount of the fines imposed on vehicle operators for the overloading of vehicles traveling through or within the Recipient’s territory such that the Association no longer believes such fines to be adequate given the objectives of the Project and Recipient’s road transport sector.

4.02. The Additional Event of Acceleration consists of the following:
Any event specified in paragraphs (a), (b) and (c) of Section 4.01 of this Agreement occurs.

**ARTICLE V – EFFECTIVENESS; TERMINATION**

5.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association’s approval of the Credit which expires on December 10, 2007.

**ARTICLE VI – REPRESENTATIVE; ADDRESSES**

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

6.02. The Recipient’s Address is:

Ministerio de Hacienda y Crédito Público
Frente al Edificio de la Asamblea Nacional
Managua
Nicaragua

Facsimile:

011- 505-222-3033

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF NICARAGUA

By /s/ Santiago Alvira  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jane Armitage  
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are: (a) to improve the Recipient’s transport infrastructure along selected main road corridors; (b) to improve access to productive zones and to rural communities; and (c) to ensure the sustainability of the road improvements carried out under the Project.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part A: Road Rehabilitation and Improvement

Rehabilitation and improvement of the Diriamba – Casares road and the La Virgen – San Juan del Sur road.

Part B: Rural Transport Improvement

Restoration to gravel or adoquine standards of approximately 320 kilometers of secondary and tertiary rural roads.

Part C: Routine and Periodic Maintenance

Routine and periodic maintenance of approximately 2480 kilometers of trunk, secondary and/or tertiary roads.

Part D: Studies, Technical Assistance and Training

Provision of consultants’ services, equipment and training, as needed for:

1. Monitoring the performance of the components of the Project, the management and supervision of civil work contracts, the design and implementation of training programs, technical audits, surveys on traffic origin and destination, transport sector reviews, the strengthening of MTI’s capacity for technical, social and environmental analysis, holding of workshops on road network decentralization, designing and implementing reforms to the vehicle overloading regulations, strengthening the capacity of the FOMAV for road maintenance management, and the preparation of the implementation completion report of the Project.

2. Design and supervision of the overall road maintenance program by contractors, including, inter alia:
(a) the training for: (i) the staff of MTI and the FOMAV; and (ii) the Microenterprises, required thereto; and

(b) the operation of the FOMAV, including the design of promotional activities.

3. The improvement of the planning and programming capacity of MTI, including the integration of environmental and social practices in the planning cycle.

4. The preparation of feasibility studies and detailed engineering for the road rehabilitation, improvement and maintenance works to be carried out under the Project and supervision thereof.
SCHEDULE 2

Project Execution

Section I. Subsidiary Agreement; Institutional and Other Arrangements

A. Subsidiary Agreement.

1. To facilitate the carrying out of Part C of the Project, the Recipient shall: (a) transfer, or cause the transfer of, the FOMAV Funds to the FOMAV on or before the 20th day of each month; and (b) enter into an agreement with the FOMAV, under terms and conditions approved by the Association, that provides, *inter alia*, for: (i) the implementation by the FOMAV of all or certain portions of Part C of the Project; and (ii) a part of the proceeds of the Financing to be made available by the Recipient to the FOMAV for the implementation of the applicable portions of Part C of the Project (the “Subsidiary Agreement”).

2. The Association may request that the Recipient furnish a legal opinion satisfactory to the Association of counsel acceptable to the Association, showing that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the FOMAV and is legally binding upon the Recipient and the FOMAV in accordance with its terms.

3. The Recipient shall exercise its rights under the Subsidiary Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Institutional and Other Arrangements.

1. The Recipient shall: (a) open and thereafter maintain, until completion of the Project, a *Cuenta Escritural* in the name of the Project with the Central Bank in Nicaraguan Córdobas under terms and conditions satisfactory to the Association, for purposes of managing the counterpart funds referred to in clause (b) of this paragraph 1 (the “Counterpart Funds Account”); and (b) by no later than February 1, May 1, August 1 and November 1 of each year, deposit in the Counterpart Funds Account the counterpart funds required for the implementation of the Project in the following three months.

2. The Recipient shall: (a) maintain a project coordination unit within MTI with powers and responsibilities acceptable to the Association, including, *inter alia*: (i) the overall planning, coordination and monitoring of Project activities; and (ii) the updating of the Procurement Plan, the preparation of consolidated financial reports and the contracting of external audits; and (b) staff such project
coordination unit with personnel in numbers and with qualifications acceptable to the Association.

3. The Recipient shall carry out the Project in accordance with the terms of the Operational Manual. Except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Operational Manual, or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

4. The Recipient shall take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations set forth in the Project Reports and the Association’s views on the matters in the Project Reports.

5. The Recipient shall ensure that the routine road maintenance under Part C of the Project is carried out by Microenterprises and Community Organizations in accordance with procedures satisfactory to the Association.

6. The Recipient shall, until completion of the Project:

(a) allocate in and make available from its annual budget, and/or make available from the FOMAV, the funds required, in amounts satisfactory to the Association, for the maintenance of its road network;

(b) furnish each of the FOMAV’s annual work plans to the Association, each of which shall be in form and substance satisfactory to the Association and in conformity with the relevant provisions of the Operational Manual; and

(c) continue to staff the FOMAV with personnel in numbers and with qualifications acceptable to the Association.

7. Except as otherwise agreed by the Association, the Recipient shall:

(a) include in its annual budget proposals submitted to the National Assembly, the following minimum amounts to finance its program of road maintenance implemented by contractors, including Microenterprises and Community Organizations:

(i) $3,000,000 equivalent in Fiscal Year 2006;

(ii) $4,800,000 equivalent in Fiscal Year 2007;

(iii) $7,500,000 equivalent in Fiscal Year 2008; and
(iv) $10,800,000 equivalent in Fiscal Year 2009; and

(b) ensure that the following minimum kilometers of roads are annually maintained through such program of road maintenance:

(i) by no later than December 31, 2006, 2082 kilometers;
(ii) by no later than December 31, 2007, 2142 kilometers;
(iii) by no later than December 31, 2008, 2250 kilometers; and
(iv) by no later than December 31, 2009, 2480 kilometers.

8. The Recipient shall require that all contractors carrying out works under the Project comply with environmental specifications acceptable to the Association (the “Environmental Specifications”), that include, \textit{inter alia}: (i) the requirements set forth in the applicable environmental and natural resource legislation and regulations of the Recipient; (ii) explicit prohibitions and environmental behavior guidelines for work crews; (iii) procedures for proper selection and management of quarries, borrow pits, gravel extraction along rivers, and other sources of construction material, and procedures for selection of camp sites, management of camp wastes, and guidelines for camp dismantling and abandonment; (iv) procedures for proper disposal of excavated earth and spoil material to avoid contaminating streams or causing other unnecessary damage; and (v) procedures for proper disposal of waste from construction machinery and equipment.

9. The Recipient shall, through MTI: (i) ensure that all bidding documents and contracts under the Project incorporate the Environmental Specifications; and (ii) monitor compliance with the Environmental Specifications by contractors.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports.

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Indicators. Each Project Report shall cover the progress of the Project during the applicable calendar semester and shall be furnished to the Association not later than 45 days after the end of the period covered by such Project Report. The Recipient shall review the most recent Project Report with the Association on August 15 and February 15 of each year, or on such later dates as the Association may request.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Closing Date.

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for the Project covering the semester covered by the Project Report, in form and substance satisfactory to the Association.

3. The Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Association not later than four months after the end of such period.

Section III. Procurement

A. General.

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, the provisions of this Schedule (including, inter alia, Annex A to this Schedule), and the Approved SBDs.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

4. Stipulation of Procedures under the Procurement Law. For purposes of Article 3(f) of the Procurement Law, the Procurement Guidelines, the Consultant Guidelines, and the provisions of this Schedule and the Approved SBDs collectively constitute the stipulated procedures for the procurement of goods and services financed under this Agreement.
B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, all goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional provisions set forth in Annex A to this Schedule 2.</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting with Microenterprises and Community Organizations, as further specified in the Operational Manual.</td>
</tr>
</tbody>
</table>

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(c) Single Source Selection</td>
</tr>
<tr>
<td>(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of</td>
</tr>
</tbody>
</table>
D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

### Section IV. **Withdrawal of the Proceeds of the Financing**

#### A. General.

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section and such additional instructions as the Association may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (each, a “Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part A of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Diriamba – Casares road section</td>
<td>3,540,000</td>
<td>85%</td>
</tr>
<tr>
<td>(ii) La Virgen – San Juan del Sur road section</td>
<td>2,350,000</td>
<td>85%</td>
</tr>
<tr>
<td>(b) under Part B of the Project</td>
<td>24,350,000</td>
<td>85%</td>
</tr>
<tr>
<td>(c) for periodic maintenance under Part C of the Project</td>
<td>1,670,000</td>
<td>85%</td>
</tr>
<tr>
<td>(d) for routine maintenance by Microenterprises and</td>
<td>2,510,000</td>
<td>80%</td>
</tr>
</tbody>
</table>
### Community Organizations under Part C of the Project

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) Goods</td>
<td></td>
<td>210,000</td>
<td>100% of foreign expenditures and 85% of local expenditures</td>
</tr>
<tr>
<td>(3) Consultant’s services</td>
<td></td>
<td>4,790,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) for MTI’s and FOMAV’s staff</td>
<td></td>
<td>230,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) for Microenterprises</td>
<td></td>
<td>70,000</td>
<td>80%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td></td>
<td>1,380,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td></td>
<td><strong>41,100,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

2. For purposes of the table in paragraph 2 above:

   (a) Clause (a) of Category (4) means expenditures for the cost of: (i) tuition, travel and *per diem* for the members of the staff of MTI or the FOMAV that participate in training activities; (ii) renting sites for the delivery of training; (iii) printing training materials; and (iv) other costs related to the training referred to in Part D.2 of the Project; and

   (b) Clause (b) of Category (4) means expenditures for: (i) the cost of fuel, oil, lubricants, spare parts and other costs of operating MTI’s vehicles assigned to cover the transportation needs related to the training of Microenterprises under Part D.2 of the Project; (ii) the fees and *per diem* of promoters of the Recipient’s program of road maintenance by Microenterprises; (iii) the cost of renting sites for the delivery of training; (iv) the cost of printing training materials; and (v) other costs related to the training referred to in Part D.2 of the Project.

### B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 2,500,000 may be made for payments made prior to the date of this Agreement, but on or after January 1, 2006, for Eligible Expenditures;

(b) for payments made for expenditures under clause (d) of Category (1) of this Agreement unless the amounts of the Prior Credit allocated to clause (d) of Category 1 of the Prior Credit have been fully disbursed;

(c) for payments made for expenditures under clause (c) of Category (1) unless:

(i) the FOMAV’s work plan for 2006 is in a form and substance satisfactory to the Association and in conformity with the relevant provisions of the Operational Manual; and

(ii) the Recipient has provided the Association with evidence that key managerial and support staff have been retained to manage the FOMAV.

(d) after the first anniversary of the Effectiveness Date, for payments made for expenditures under clause (a) of Category (1) if the MTI and FOMAV have not signed the Subsidiary Agreement;

(e) for payments made for expenditures under clause (a) of Category (1) unless the Recipient has provided the Association with evidence that: (i) the Counterpart Funds Account has been established; and (ii) the Recipient has deposited in the Counterpart Funds Account the counterpart funds required for the first three months of implementation of the Project;

(f) after the first anniversary of the Effectiveness Date, for payments made for expenditures under clause (a) of Category (1) if the Recipient has not transferred, or caused the transfer, of the FOMAV Funds to the FOMAV on or before the 20th day of each month of the preceding year; and

(g) unless and until the National Assembly approves the Proposed Amendment, for payments made for expenditures under clause (a) of Category (1).

2. The Closing Date is December 31, 2011.
Annex A
to
SCHEDULE 2

Additional Provisions Relating to
Particular Methods of Procurement of Goods and Works

Without limitation upon the provisions of Schedule 2 of this Agreement or the Procurement Guidelines, the following additional provisions shall apply to all goods and works procured for the Project (pursuant to Section III.A.1 of Schedule 2 of this Agreement) under contracts awarded on the basis of National Competitive Bidding (“NCB Contracts”):

1. The Recipient shall submit all of the bidding documents that it proposes to use for the procurement of goods and works under NCB Contracts (the “Standard Bidding Documents”) to the Association for its approval before the Recipient issues its first invitation for bids for any of the NCB Contracts for the Project. Except as the Association shall otherwise agree, the Recipient shall not amend, revise or otherwise modify or change the Standard Bidding Documents that have been approved by the Association in accordance with the foregoing sentence (the “Approved SBDs”).

2. Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder: (a) who meets the appropriate technical and financial standards or capabilities; and (b) whose bid has been determined to be the lowest evaluated bid. Such determination shall be made exclusively on the basis of the specifications, conditions and evaluation criteria stipulated in the Approved SBDs. If the bid evaluation will consider any factor other than the amount or amounts of each bid, the Approved SBDs will precisely stipulate and describe each such factor, including, inter alia, the manner in which such factor will be quantified and given a relative weight for purposes of determining the lowest evaluated bid. For purposes of bid evaluation and comparison, the only bid amount or amounts to be used as a factor shall be the bid amount or amounts as quoted in the corresponding bid, as such bid may be corrected by the Recipient for arithmetic errors.

3. Foreign bidders shall not, as a condition for submitting bids, be required to:

   (a) be registered in the Recipient’s territory; or

   (b) have a representative in the Recipient’s territory.

4. Bidders shall not be allowed to examine the proposals of other bidders during the bid opening.
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 March 1 and September 1:</td>
<td></td>
</tr>
<tr>
<td>commencing September 1, 2016 to and including March 1, 2026</td>
<td>1%</td>
</tr>
<tr>
<td>commencing September 1, 2026 to and including March 1, 2046</td>
<td>2%</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 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Agreement” means this Financing Agreement, as the same may be amended from time to time.

2. “Approved SBDs” has the meaning given to it in paragraph 1 of Annex A to Schedule 2 to this Agreement.

3. “Category” has the meaning given to it in Section IV. A. 2 of Schedule 2 to this Agreement.

4. “Central Bank” means the Banco Central de Nicaragua, the Recipient’s central bank.

5. “Cuenta Escritural” means an account of the type described as a cuenta escritural in Article 103 of Law 550.

6. “Community Organizations” means organizations composed of members of communities adjoining the rural roads to be maintained or improved, which organization has been selected by the Recipient and approved by the Association for purposes of carrying out emergency routine maintenance or improvement of rural roads under Parts B and C of the Project.


8. “Counterpart Funds Account” has the meaning given to it in Section I.B.1 of Schedule 2 to this Agreement.

9. “Fiscal Year” means the Recipient’s fiscal year which commences on January 1.

10. “Environmental Specifications” has the meaning given to it in Section I.B.8 of Schedule 2 to this Agreement.

11. “FOMAV” means the Fondo de Mantenimiento Vial, the fund established by the Recipient for purposes of financing the maintenance of the Recipient’s roads pursuant to the FOMAV Legislation, which was referred to as the “RMF” under the Prior Credit.

12. “FOMAV Funds” means all amounts designated or collected by the Recipient, including, inter alia, any ministry or division of the Recipient, or any entities or persons controlled by the Recipient for the benefit of the FOMAV pursuant to the
FOMAV Legislation and any related laws or regulations, including, *inter alia*, the special fuel surcharge.

13. “FOMAV Legislation” means the Recipient’s Law No. 355, which was approved on June 29, 2000 (as published in the Official Gazette No. 157 on August 21, 2000), as amended by Law No. 572, which was approved on December 13, 2005 (as published in the Official Gazette on December 26, 2005).


15. “Indicators” means the impact, performance and implementation indicators set forth in a supplemental letter of even date herewith.

16. “Law 550” means the Recipient’s Law No. 550, which was approved on July 28, 2005 (as published in the Official Gazette No. 167 on August 29, 2005).

17. “Microenterprises” means cooperatives or associations which shall have been selected by the Recipient and approved by the Association for purposes of carrying out routine road maintenance activities under Part C of the Project.

18. “MTI” means the *Ministerio de Transporte e Infraestructura*, the Recipient’s Ministry of Transport and Infrastructure.

19. “National Assembly” means the Recipient’s legislative branch.

20. “Nicaraguan Córdoba” means the currency of the Recipient.

21. “NCB Contracts” has the meaning given to it in the first paragraph of Annex A to Schedule 2 to this Agreement.


23. “Operational Manual” means the Recipient’s manual, dated May 2006, containing the policies and procedures for carrying out, monitoring and evaluating the Project in accordance with this Agreement and that has been delivered and approved by the Association, as the same may be amended from time to time with the consent of the Association.

24. “Prior Credit” means the Development Credit Agreement (Credit No. 3464-NI) entered into between the Recipient and the Association on July 8, 1998, as amended.

26. “Procurement Law” means the Recipient’s Law No. 323, which was approved on December 2, 1999 (as published in the Official Gazette Nos. 1 and 2 on January 3, 2000, and January 4, 2000, respectively), as now in effect.

27. “Procurement Plan” means the Recipient’s procurement plan for the Project, received by the Association on April 25, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

28. “Proposed Amendment” means the proposed amendment of the Recipient’s Law No. 524, which was approved on July 28, 2005 (as published in the Official Gazette No. 72 on April 14, 2005), that will provide, inter alia, for an increase in the amount of the fines imposed on vehicle operators for the overloading of vehicles traveling through or within the Recipient’s territory to a level that the Association agrees is adequate given the objectives of the Project and Recipient’s road transport sector.

29. “Standard Bidding Documents” has the meaning given to it in paragraph 1 of Annex A to Schedule 2 to this Agreement.

30. “Subsidiary Agreement” has the meaning given to it in Section I.A.1 of Schedule 2 to this Agreement.