June 2, 2015

H.E. Iván Acosta
Minister of Finance and Public Credit
Ministry of Finance and Public Credit
Managua, Nicaragua

Excellency:

Re: IDA Credit No 4862-NICARAGUA (Social Protection Project)
Additional Instructions: AMENDED Disbursement Letter

I refer to the Financing Agreement between the International Development Association (the “Association”) and the Republic of Nicaragua (the “Recipient”) for the above-referenced project, dated March 8, 2011. The financing Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of IDA Credit 4862-NI (“Financing”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

This letter is the Second Restatement of the Disbursement Letter dated March 8, 2011 and amended on August 25, 2014, for the above referenced project, restating Section II, paragraph (vi), Section III, paragraph (i) and Section IV, paragraph (i) to link Family Grants to Category (4) and eliminate the SOE limits. This restatement is consistent with restructuring approved on April 10, 2015 to create a new Category (4) for Family Grants. All other provisions and Attachments of the Disbursement Letter dated March 8, 2011 and amended on August 25, 2014, 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
  - Advance
  - Direct Payment

(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).**

An authorized signatory letter should be furnished to the Association at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
The World Bank  
1818 H Street, N.W.  
Washington, DC 20433  
United States of America  
Attention: J. Humberto Lopez, 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  
SCN Quadra 02 Lote A  
Edificio Corporate Financial Center  
7º andar  
70712-900, Brasilia, D.F.  
Brasil  
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"); 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$500,000.

(vi) Advances (sections 5 and 6) to MIFAN for Category 4 – Family Grants.

- **Type of Designated Account (subsection 5.3):** Segregated
- **Currency of Designated Account (subsection 5.4):** US Dollars
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Banco Central de Nicaragua
- **Ceiling (subsection 6.1):** Forecast for the next period

(vii) Advances (sections 5 and 6) to MIFAN for Categories 2 & 3.

- **Type of Designated Account (subsection 5.3):** Segregated
- **Currency of Designated Account (subsection 5.4):** US Dollars
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Banco Central de Nicaragua
- **Ceiling (subsection 6.1):** US$800,000.

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:**
  - Customized Statements of Expenditure for Family Grants (Category 4) of the project with the documentation detailed in Section IV of this letter; and
  - Statement of Expenditure for all other payments.

- **For reporting eligible expenditures paid from the Designated Account:**
Customized Statements of Expenditure for Family Grants (Category 4) of the project with the documentation detailed in Section IV of this letter;

Statement of Expenditure for all other payments; and

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

(i) **Family Grants – Category (4)**

Family Grants (see the Appendix to the Financing Agreement, definition No. 8), financed under Category (4), will be disbursed to a separate Designated Account (DA). The Recipient, Through MIFAN, will have access to these funds and will transfer, every two months from the DA to pay agent(s) contracted by MIFAN to make payments under the Family Grant program in the following six Departments responsible for making payments under the Family Grant program: (a) Chinandega; (b) Estelí; (c) Jinotega; (d) Léon; Madriz; and (f) Matagalpa.

The disbursements under Category (4) must ensure the enough availability of funds to pay the Family Grants for a maximum of 5 payment cycles (10 months), considering that each cycle is composed of 2 months. Subsequent disbursements under this Category (4) will take into account: (i) the results of the Concurrent Audit duly revised and approved by the Bank; (ii) the results of the pay agent account reconciliation, and (iii) whether the number of eligible beneficiaries reported by each of the departments, in MIFAN in their customized statement of expenditure (SOE), accurately reflects the number of people who meet the eligibility criteria required to qualify as eligible beneficiaries.

If the pay agent (i.e. financial Institution as described in the definition no. 11 of the Appendix to the Financing Agreement) account reconciliation reveals funds not paid, and/or the Concurrent Audit reveals that the amount of eligible beneficiaries for any department needs to be adjusted to adequately reflect the number of people who meet the eligibility criteria required to qualify as eligible beneficiaries, subsequent disbursements under Category (4) will need to be:

(a) Adjusted by the amount necessary to reflect the actual number of eligible beneficiaries (as determined by relevant Concurrent Audit); and

(b) Reduced by an amount of funds remaining in the pay agent (i.e. Financial Institution) account that was not disbursed during the previous pay periods.
Disbursements under Category (4) will require submitting (i) a customized SOE in the format agreed, and (ii) the Designated Account activity statement reflecting any required adjustments as a result of the above stated in (a) and (b).

**(ii) School Feeding Program – Category (3)**

Under Category 3 MIFAN will finance goods, works, and services as well as transfer approximately US$173,000 to cover the operating costs and training costs incurred by the Ministry of Education (MINED) related to the carrying out of the school feeding program. Specifically, MIFAN will be responsible for contracting and paying for goods, works and services, while MINED will be submit documentation to support both costs incurred and paid every two months from the transfer of funds received from MINED. The Operational Manual will detail the conditions for transferring funds from the MIFAN DA to the MINED operating account and the period and format of expenditure reporting. In addition, this component will be specifically included in the audit scope to be covered by external auditors.

**V. Other Disbursement Information**

Should instances of ineligibility be brought up by the annual financial audit, the concurrent audit, and/or by Bank supervision, the amounts in questions will be returned by MIFAN to the designated account or substituted with other eligible expenditures.

**VI. Other Important Information**


From the Client Connection website, you will be able to prepare and deliver Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information.

If you have not already done so, the Association recommends that you register as a user of the Client Connection website ([https://clientconnection.worldbank.org](https://clientconnection.worldbank.org)). From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Association by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact the World Bank Loan Department by sending an e-mail to loa_lcr@worldbank.org and placing the Credit number and name in the subject line.
Yours sincerely,

Maria Virginia Hormazabal
Finance Officer
WFAFO
Cc with copies:  Ms. Marcia Ramirez, Minister of MIFAN
               Sofia de Abreu, Counsel, (LEGEN)

Amendment prepared by: Fernanda Balduino, Finance Analyst

Cleared with and cc:  Miriam Montenegro, Sr. Social Protection Specialist (GSPDR)