Financing Agreement

(Rural and Urban Access Improvement Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated Matelca, 10th, 2017
FINANCING AGREEMENT

AGREEMENT dated March 10th, 2017, entered into 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 the amount of forty-six million eight hundred thousand Dollars ($46,800,000) (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 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service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.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of one and a quarter percent (1.25%)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.

2.06. The Payment Dates are May 15 and November 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 objectives of the Project. To this end, the Recipient shall: (a) carry out Parts 1.1, 1.4, 2, and 3 (except 3.6 (b)) of the Project through MTI; (b) carry out Part 1.2 of the Project through MTI, with the assistance of MCAs; (c) cause FOMAV to carry out Parts 1.3 and 3.6 (b) of the Project; and (d) cause the Coordinating Authority to carry out Part 4 of the Project; all 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 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 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; and

(c) that FOMAV shall have failed to comply with its obligations under the Subsidiary Agreement.
4.02. The Additional Events of Acceleration consist of the following:

(a) that any event specified in paragraphs (a) or (b) of Section 4.01 of this Agreement occurs; or

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

**ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and FOMAV;

(b) the SUF Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled; and

(c) the Operational Manual has been adopted by the Recipient and FOMAV.

5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and FOMAV and is legally binding upon the Recipient and FOMAV in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety days (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (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 date of this Agreement.
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
Avenida Bolívar, Frente a la Asamblea Nacional
Managua, Nicaragua

Facsimile:+(505) 2222-3033

6.03. The Association’s Address is:

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

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED at Managua, Republic of Nicaragua as of the day and year first above written.

REPUBLIC OF NICARAGUA

By

Authorized Representative

Name: Iván Acosta Montalván
Title: Minister of Finance and Public Credit

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Luis Constantino
Title: Country Manager, IICA
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) improve safe and sustainable access to markets and services in targeted rural and urban areas of the Recipient; and (b) in the event of an Eligible Emergency, provide immediate and effective response to said Eligible Emergency.

The Project consists of the following parts:

Part 1: Road Infrastructure Improvement

1.1 Upgrading of the La Garita-Tipitapa (about 8 kilometers) and Ciudad Sandino-Mateare (about 11.8 kilometers) road sections from two to four lanes to improve access to the city of Managua for commuters and reduce transport costs for the transit traffic, including the incorporation of road safety measures in the design and the supervision of the works.

1.2 Carrying out of rehabilitation and improvement works (such as cobblestone surfacing or any other viable surface replacement option acceptable to the Association), and the construction of drainage facilities and structures on Selected Rural Roads, all within the existing right of way.

1.3 (a) Carrying out of periodic maintenance works (such as asphalt resurfacing), on approximately 30 kilometers of the San Lorenzo-Múhan priority section of the Core Road Network, all within the existing right of way.

(b) Carrying out of routine maintenance of Selected Rural Roads paved with cobblestone, all within the existing right of way.

1.4 Carrying out of works to improve the resilience of vulnerable points of the Recipient’s road network to climate change impacts, selected in accordance with the criteria set forth in the Operational Manual.

Part 2: Road Safety

2.1 Carrying out of civil works to implement road safety measures in road accident hazardous spots, selected in accordance with the criteria set forth in the Operational Manual.

2.2 Provision of support for the implementation of the Recipient’s Road Safety Strategy for the period of 2013-2018, and carrying out of capacity building activities for managing road safety, including, inter alia: (a) road safety audits of the La Garita –Tipitapa and Ciudad Sandino-Mateare road sections upgraded under Part 1.1 of the Project; (b) technical studies related to the works under Part 2.1 of
the Project; (c) training of members of CONASEV; (d) provision of speed radars and breathalyzers to improve enforcement of road safety; and (e) institutional strengthening of MTI road safety professionals.

**Part 3: Institutional Strengthening and Implementation Support**

3.1 Strengthening of the capacity of MTI's planning unit for: (a) monitoring and evaluation; (b) collection of road sector statistical data; and (c) administering and managing information collected through its statistical software program.

3.2 Carrying out of a forward-looking impact evaluation of the activities implemented under the Project with a focus on poverty.

3.3 Carrying out of the financial audits of the Project.

3.4 Strengthening of the environmental and social safeguards capacity of the environmental unit of the MTI.

3.5 Strengthening of the procurement capacity of the MTI.

3.6 Strengthening of the institutional capacity of: (a) MTI and (b) FOMAV.

3.7 Provision of support for the enhancement of women's participation in the road works.

3.8 Provision of support for technical studies related to works under the Project or to other potential investments in the transport sector.

3.9 Carrying out of a beneficiary satisfaction survey to promote citizen engagement.

**Part 4: Immediate Response Mechanism**

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

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through MTI, shall:

   (a) maintain a Project coordination unit within MTI (the UCR-BM) with functions and responsibilities satisfactory to the Association, including, inter alia: (i) overall planning, coordination and monitoring of Project activities; (ii) managing of the procurement process for the hiring of MCAs and other contractors with respect to Part 1.2 of the Project; (iii) managing the procurement processes for the selection of consultants under the Project; (iv) periodic updating of the Procurement Plan, the preparation of financial reports and the hiring of external auditors; and (v) coordination with FOMAV with respect to Parts 1.3 and 3.6 (b) of the Project;

   (b) staff the UCR-BM with personnel in numbers and with experience and qualifications, all satisfactory to the Association; and

   (c) ensure that the MCAs carry out their respective procurement activities under Part 1.2 of the Project in accordance with the relevant provisions of the Operational Manual.

2. The Recipient shall:

   (a) not later than November 30 of each year during Project implementation, furnish 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

   (b) cause FOMAV to be staffed at all times during Project implementation with personnel in numbers and with experience and qualifications, all acceptable to the Association.

B. Subsidiary Agreement

1. To facilitate the carrying out of Parts 1.3 and 3.6 (b) of the Project, the Recipient shall make a portion of the proceeds of the Financing allocated from time to time to Parts 1.3 and 3.6 (b) of the Project in the Operational Manual (as set forth in Section I.C.1 (b) of this Schedule) available to FOMAV under a Subsidiary Agreement ("Subsidiary Agreement") between the Recipient and the FOMAV,
under terms and conditions approved by the Association, which shall include, *inter alia:*

(a) the obligation of the Recipient to transfer, through MTI, on a grant basis the proceeds of the Financing allocated to Parts 1.3 and 3.6 (b) of the Project to FOMAV to enable FOMAV to carry out Part 1.3 and 3.6 (b) of the Project; and

(b) the obligation of FOMAV to: (i) carry out Parts 1.3 and 3.6 (b) of the Project in accordance with the provisions of this Agreement, the General Conditions, the Operational Manual, the ESMPs for Maintenance Works, the RPF and the IPPF; and (ii) take or permit to be taken all actions to enable the Recipient to comply with its obligations under this Agreement in respect to Parts 1.3 and 3.6 (b) of the Project.

2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such 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, waive, terminate or fail to enforce the Subsidiary Agreement or any of its provisions. In case of any inconsistency between any provision of the Subsidiary Agreement and this Agreement, the provisions of this Agreement shall prevail.

C. **Operational Manual**

1. The Recipient shall: (a) carry out Parts 1.1, 1.2, 1.4, 2 and 3 (except 3.6 (b)) of the Project; and (b) cause FOMAV to carry out Parts 1.3 and 3.6 (b) of the Project, in accordance with the terms of the Operational Manual, acceptable to the Association, which shall include, *inter alia:*

   (a) the detailed description of all Project implementation activities, their sequencing and the prospective timetable and benchmark in relation thereto;

   (b) the financing plan for the Project, including the cost allocation for each Part of the Project and the source of funding;

   (c) the Project administrative, financial, accounting, auditing, procurement and disbursement procedures, including all relevant standard documents;

   (d) the procedures for the procurement to be carried out by MCAs;
(e) the models for proposals and bid evaluation reports and for short lists preparation, for works, goods, non-consulting services and consulting services (as the case may be);

(f) the standard bidding documents and model contracts, which shall include the pertinent ESMPs for Improvement Works, the ESMPs for Maintenance Works, the pertinent environmental management plans prepared under the ESMF, the pertinent ARAPs for Improvement Works, the pertinent resettlement action plans prepared under the RPF, the IPP and the pertinent indigenous peoples plans prepared under the IPPF, and any additional relevant environmental/social management plans prepared pursuant to Section F of this Agreement;

(g) the ESMPs for Improvement Works, ESMPs for Maintenance Works, the ARAPs for Improvement Works, the IPP, the ESMF, the RPF and the IPPF;

(h) the plan for the monitoring, evaluation and supervision of the Project;

(i) the performance indicators for the Project;

(j) the criteria to identify and prioritize, by the Recipient and FOMAV, the roads sections within the Selected Rural Roads;

(k) the guidelines for the carrying out of environmental and social screenings and/or assessment of works under the Project for the preparation of the relevant environmental/social management plans referred to in Section I.F. of this Schedule;

(l) the procedures for the implementation of Part 1.3 of the Project, including: (i) selection criteria for the micro-enterprises which FOMAV may contract to carry out road maintenance works on the Selected Rural Roads; and (ii) the standard operating procedures for environmental and social management of small scale impacts resulting from routine maintenance minor works;

(m) the list of Selected Rural Roads; and

(n) the selection criteria to be used for Parts 1.4 and 2.1 of the Project.

2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce the Operational Manual or any provision thereof.
3. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Implementation Arrangements for Part 4 of the Project – Immediate Response Mechanism

1. In order to ensure the proper implementation of Part 4 of the Project, the Recipient shall take the following measures:

   (a) prepare and furnish to the Association for its review and approval, an operations manual ("IRM Operations Manual") which shall set forth detailed implementation arrangements for Part 4 of the Project, including:
       (i) designation of terms of reference for, and resources to be allocated to, the entity to be responsible for coordinating and implementing Part 4 of the Project ("Coordinating Authority"); (ii) specific activities which may be included in Part 4 of the Project, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for Part 4 of the Project; (iv) procurement methods and procedures for Emergency Expenditures to be financed under Part 4 of the Project; (v) documentation required for withdrawals for Emergency Expenditures; (vi) environmental and social safeguard management frameworks for Part 4 of the Project, consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of Part 4 of the Project;

   (b) afford the Association a reasonable opportunity to review the proposed IRM Operations Manual;

   (c) promptly adopt the IRM Operations Manual for Part 4 of the Project as shall have been approved by the Association;

   (d) ensure that the Coordinating Authority carries out Part 4 of the Project in accordance with the IRM Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and

   (e) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operations Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of Part 4 of the Project, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall undertake no activities under Part 4 of the Project (and no activities shall be included in Part 4 of the Project) unless and until the following conditions have been met in respect of 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 Part 4 of the Project in order to respond to said Eligible Emergency, and the Association has agreed with such determination, accepted said request, and notified the Recipient thereof; and

(b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the IRM 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.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. Safeguards

1. The Recipient shall carry out Part 1.1 of the Project in accordance with the relevant ESMPs for Improvement Works and the relevant ARAPs for Improvement Works.

2. (a) The Recipient shall carry out Part 1.2 of the Project in accordance with the relevant ESMPs for Improvement Works, the relevant ARAP for Improvement Works, the IPP, and the RPF (and any plans prepared thereunder).

(b) If, as a result of the definition of the sitting alignments of the Macuelizo-Santa María road section under Part 1.2 of the Project, it is determined by the Association that Resettlement will be involved in relation thereto, the Recipient shall prepare a resettlement action plan in accordance with the RPF, acceptable to the Association, and immediately thereafter implement such plan in accordance with its terms.

3. (a) The Recipient shall cause FOMAV to carry out: (a) Part 1.3 (a) of the Project in accordance with the ESMP for Maintenance Works; and (b) Part 1.3 (b) of the Project in accordance with the ESMF and any environmental and social management plans prepared thereunder for Selected Rural Roads.
(b) The Recipient shall ensure that the works under Part 1.3 of the Project do not involve any Resettlement, or, in the event that the need for Resettlement arises during Project implementation due to unforeseen circumstances, the Recipient shall cause FOMAV to, prior to the carrying out of any given works in which Resettlement is involved, prepare the necessary resettlement action plans in accordance with the RPF, and acceptable to the Association, and thereafter implement such plans in accordance with its terms.

4. The Recipient shall carry out Parts 1.4 and 2 of the Project in accordance with the ESMF (and any environmental and social management plans prepared thereunder); the RPF (and any resettlement action plans prepared thereunder); and the IPPF (and any indigenous peoples plans prepared thereunder).

5. The Recipient shall not, and shall cause FOMAV not to, amend, suspend or abrogate any of the provisions of the ESMPs for Improvement Works, the ESMP for Maintenance Works, the IPP, the ARAPs for Improvement Works, the ESMF (and any environmental management plans prepared thereunder); the RPF (and any resettlement action plans prepared thereunder), or the IPPF (and any indigenous peoples plans prepared thereunder) without the prior agreement of the Association.

6. The Recipient shall ensure that the terms of reference for any consultancies related to any technical assistance provided under the Project shall be satisfactory to the Association, following its review thereof, and to that end, such terms of reference shall incorporate the requirements of the Association Safeguard Policies then in force, as applied to such technical assistance.

Section II. Project Monitoring, Reporting and 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 indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

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. The Recipient shall prepare and furnish to the Association as part of each Project Report, interim unaudited financial reports for the Project covering the pertinent semester, in form and substance satisfactory to the Association.

3. The Recipient shall have its 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 of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. All goods, works, non-consulting services and consulting 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 the Procurement Regulations and the provisions of the Procurement Plan.

B. Notwithstanding any provision to the contrary in the Section, Emergency Expenditures required for Part 4 of the Project shall be procured in accordance with the procurement methods and procedures set forth in the IRM Operations Manual.

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 shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), 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 (“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 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, Training and Operating Costs for the Project (except those financed under the SUF Financing Agreement)</td>
<td>46,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Emergency Expenditures under Part 4 of the Project (except those financed under the SUF Financing Agreement)</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>46,800,000</td>
<td></td>
</tr>
</tbody>
</table>

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 $9,360,000 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) for Emergency Expenditures, unless the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met:

   (i) the Recipient has determined that an Eligible Emergency has occurred, has furnished to the Association a request to include said activities in Part 4 of the Project in order to respond to said Eligible Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

   (ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has
implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.D.3 (b) of this Schedule;

(iii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.D.2 of this Schedule for the purposes of said activities; and

(iv) the Recipient has adopted the IRM Operations Manual in form, substance and manner acceptable to the Association and the provisions of the IRM Operations Manual remain or have been updated in accordance with the provisions of Section I.D.1(c) of this Schedule so as to be appropriate for the inclusion and implementation of said activities under Part 4 of the Project.

2. The Closing Date is June 30, 2022.
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 May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2022 to and including November 15, 2031</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing May 15, 2032 to and including November 15, 2041</td>
<td>3.35%</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


2. “ARAPs for Improvement Works” means any of the following Recipient’s abbreviated resettlement action plans, acceptable to the Association, for the carrying out of works under Parts 1.1 and 1.2 of the Project; as each said plan may be amended from time to time with the prior no-objection from the Association:
   (i) La Garita-Tipitapa ARAP, dated December 21, 2016, published by the Recipient on December 27, 2016, and on the Association’s website on December 28, 2016;
   (ii) Ciudad Sandino-Mateare ARAP, dated December 22, 2016, published by the Recipient on December 27, 2016, and on the Association’s website on December 28, 2016; and


4. 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.

5. 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.

6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. "CONASEV" means Consejo Nacional de Seguridad y Educación Vial, the National Council for Road Safety and Education, created under the Recipient’s Law No. 856, duly published in the Recipient’s Official Gazette No. 66 on April 7, 2014, which amends Law No. 431. The text of Law No. 431, as amended by Law No. 856, was duly published in the Recipient’s Official Gazette on May 27, 2014.

8. "Coordinating Authority" means the entity or entities designated by the Recipient in the IRM Operations Manual and approved by the Association pursuant to Section 1.D.1(a) of Schedule 2 to this Agreement, to be responsible for coordinating Part 4 of the Project.

9. "Core Road Network" means the network comprised by the National Trunk Road Network and the Recipient’s via colectoras (collector roads), as referred to in Article 7 of the Recipient’s Law No. 706 of October 8, 2009, duly published in the Official Gazette No. 243 on December 23, 2009.

10. "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 a natural or man-made crisis or disaster.

11. "Emergency Expenditure" means any of the Eligible Expenditures set forth in the IRM Operations Manual in accordance with the provisions of Section 1.D.1 (a) of Schedule 2 to this Agreement and required for the activities included in Part 4 of the Project.

12. "ESMF" means the Recipient’s framework for the environmental and social management of the Project, dated December 22, 2016, acceptable to the Association, and disclosed by the Recipient on December 27, 2016, and through the Association’s website on December 29, 2016, which contains, inter alia, the guidelines for the carrying out of environmental assessments and for the preparation and implementation of environmental management plans, when applicable, as such framework may be amended from time to time with the prior agreement of the Association.

13. "ESMPs for Improvement Works" means any of the following Recipient’s environmental/social management plans, acceptable to the Association, for the carrying out of improvement works under Parts 1.1 and 1.2 of the Project, and included in the Operational Manual, all of which address the environmental, social, natural habitats and cultural property safeguard requirements, including the actions/provisions to be undertaken for the prevention, mitigation and remediation of any potential environmental damage arising from the implementation of civil works under said Parts of the Project; as each said plan may be amended from time to time with the prior no-objection from the Association:
(i) La Garita-Tipitapa ESMP, dated December 14, 2016, published by the Recipient on December 23, 2016, and on the Association’s website on December 28, 2016;

(ii) Ciudad Sandino-Mateare ESMP, dated December 14, 2016, published by the Recipient on December 23, 2016, and on the Association’s website on December 28, 2016;

(iii) Granada-Malacatoya ESMP, dated December 13, 2016, published by the Recipient on December 23, 2016, and on the Association’s website on December 28, 2016;

(iv) Corn Island ESMP, dated December 13, 2016, published by the Recipient on December 23, 2016, and on the Association’s website on December 28, 2016;


(vi) Cárdenas-Colón ESMP, dated December 13, 2016, published by the Recipient on December 23, 2016, and on the Association’s website on December 28, 2016; and


14. “ESMP for Maintenance Works” means the Recipient’s environmental/social management plan, dated December 20, 2016, published by the Recipient on December 23, 2016, and on the Association’s website on December 28, 2016, acceptable to the Association, for the carrying out of maintenance works in the San Lorenzo-Múhan road section, under Part 1.3 of the Project.

15. “FOMAV” means the Fondo de Mantenimiento Vial, the fund established by the Recipient for purposes of financing the maintenance of the Recipient’s national and municipal roads pursuant to the FOMAV Legislation, or any successor thereto acceptable to the Association.

16. “FOMAV Legislation” means Ley Creadora del Fondo de Mantenimiento Vial, the Recipient’s Law No. 355 that created FOMAV, duly published in Official Gazette No. 157 on August 21, 2000, as said law has been amended to the date of this Agreement.

17. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
18. "IPP" means the Recipient’s Indigenous Peoples Plan, dated December 21, 2016, acceptable to the Association, for the activities to be carried under Part 1.2 of the Project in Corn Island, published by the Recipient on December 23, 2016, and disclosed on the Association’s website on December 28, 2016.

19. "IPPF" means the Recipient’s Indigenous Peoples Planning Framework for the Project, dated December 15, 2016, acceptable to the Association, and published by the Recipient on December 23, 2016, and disclosed in the Association’s website on December 28, 2016, which contains, inter alia, guidelines for the preparation and implementation of indigenous peoples plans, when applicable, as may be amended from time to time with the prior agreement of the Association.

20. "IRM Operations Manual" means the operations manual referred to in Section I.D.1(a) of Schedule 2 of this Agreement, to be adopted by the Recipient for the Part 4 of the Project in accordance with the provisions of said Section, as said manual may be amended from time to time with the Agreement of the Association.

21. "MCA" means Módulos Comunitarios de Adoquinado, any of the Recipient’s community modules for cobblestones, composed of members of the local communities adjacent to any of the works under Part 1.2 of the Project, selected by the Recipient and approved by the Association for purposes of assisting the Recipient in the carrying out of the works under Part 1.2 of the Project.

22. "MTI" means Ministerio de Transporte e Infraestructura, the Recipient’s Ministry of Transport and Infrastructure, or any successor thereto acceptable to the Association.


24. “Operational Manual” means the manual, acceptable to the Association, referred to in Section I.C.1 of Schedule 2 of this Agreement, as may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes and schedules to such manual.

25. “Operating Costs” means the incremental expenses incurred by the UCR-BM on account of Project implementation, supervision, monitoring and evaluation, which may include office supplies, reasonable commercial banking charges and fees, vehicle operation and maintenance, communication and insurance costs, operation and maintenance of office equipment, office administration costs, utilities, travel, and per diem, and remuneration of locally contracted UCR-BM employees, none of which would have been incurred in the absence of the Project.

27. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 6, 2017 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.


29. “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

30. “RPF” means the Recipient’s resettlement policy framework for the Project, dated December 19, 2016, acceptable to the Association, and published by the Recipient on December 23, 2016, and disclosed in the Association’s website on December 28, 2016, which contains, inter alia, guidelines for the preparation and implementation of resettlement action plans, when applicable, as may be amended from time to time with the prior agreement of the Association.

31. “Selected Rural Roads” means the following road sections, the length of which is approximately 46.2 kilometers in the aggregate: Granada-Malacatoya, Corn Island, Macuelizo-Santa María, Cárdenas-Colón, and La Libertad-San Pedro de Lóvago, which have been selected in accordance with criteria acceptable to the Association under Part 1.2 of the Project, and other road sections to be selected in accordance with criteria acceptable to the Association under Part 1.3 (b) of the Project, all to be listed in the Operational Manual.

32. “Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association.

33. “SUF Financing Agreement” means the Financing Agreement for the Project, between the Recipient and the Association, dated the same date as this Agreement, which agreement incorporates the Association’s non-concessional terms from its Scale-Up Facility, as such financing agreement may be amended from time to time.
“SUF Financing Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.

34. “Training” means expenditures (other than consulting services) for: (i) reasonable travel, room, board and *per diem* incurred by trainers, training facilitators, and trainees in connection with the training activities under the Project; (ii) course fees; and (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution.

35. “UCR-BM” means *Unidad Coordinadora de Recursos del Banco Mundial*, the unit within MTI referred to in Section I.A.1 of Schedule 2 to this Agreement, or any successor thereto acceptable to the Association.

Section II. **Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

   “Section 3.02. Service Charge and Interest Charge

   (a) *Service Charge*. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) *Interest Charge*. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

   “32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment
Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).