



D072-NI

June 26, 2015

His Excellency
Mr. Iván Acosta
Minister of Finance and Public Credit
Ministry of Finance and Public Credit
Managua, Nicaragua

Re: NICARAGUA: Strengthening the Public Health Care System Project
IDA Grant No. D0720-NI

Additional Instructions: Disbursement Letter

I refer to the Financing Agreement (“Agreement”) between the Republic of Nicaragua (the “Recipient”) and the International Development Association (“World Bank”), for the above-referenced Project, dated June 26, 2015. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant IDA D0720-NI (“Grant”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached *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 Grant 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 Grant:

- Reimbursement
- Advances
- 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 Conditions (s) specified in the Financing Agreement.

II. Withdrawal of Grant Proceeds

(i) Authorized Signatures (subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the World Bank 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: J. Humberto Lopez, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

Banco Mundial
SCN Quadra 02, Lote A
Edificio Corporate Finance Center
7° Andar
70712-900 Brasilia, D.F.
Brazil
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4). The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank's Client Connection, web-based portal. The option to deliver Applications to the World Bank 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 World Bank 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 World Bank 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\$ 300,000 for Direct Payments.

(vi) **Advances (sections 5 and 6) to:**

✓ **DA-A:** Ministry of Health (MOH) for Capitation Payments financed under Category 1 (Part 1.1 of the Project).

- **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)** Initial advance would be based on an annual forecast of the population of responsibility in each selected municipality certified by the National Institute of Statistics (INIDE) multiplied by the per capita cost. Subsequent advances would be based on a semiannual forecast.

✓ **DA-B:** Ministry of Health (MOH) for Out-put based expenditures financed under Category 2 (Parts 1.2. (d), 1.2. (g) and 3.2. (b) of the Project).

- **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):** Based on cash forecast calculated as 100% of the estimated amount of the PHA cost for a given semester.

✓ **DA-C:** Ministry of Health (MOH) for Health for expenditures financed under Categories 3, 4 and 5 (All Project, except for Part 1.1., 1.2. (d), 1.2. (g) and 3.2. (b)).

- **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\$6,000,000. In the case of Public Health Alert or Public Health Emergency Declaration, the DA ceiling will be increased by the amount allocated to Category (3).

III. Reporting on Use of Grant Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement and reporting eligible expenditures paid from the Designated Accounts:**
 - Customized Statement of Expenditures for Capitation Payments financed under Category 1 (Attachment 4 - Customized Statement of Expenditures for Capitation Payments);
 - Customized Statement of Expenditures for Category 2 (Attachment 5 - Customized Statement of Expenditures for Out-put based disbursements);
 - Verification by the Project Verification Commission including certification given by the Pan American Health Organization (PAHO) (Parts 1.1., 1.2. (g) and 3.2. (b)), or National Universities (Part 1.2. (d), as defined in the MOP for the respective payments);
 - Statement of Expenditure in the form attached (Attachment 6) for eligible expenditures financed under Categories 3, 4 and 5;
 - Information about contracts subject to the World Bank's prior review as indicated in column 4 of Attachment 6; and
 - Designated Account Activity Statement in the form attached (Attachment 7) with a copy of the Designated Account Bank Statement applicable only when reporting eligible expenditures paid from the Designated Accounts.
- **For requests for Direct Payment:** Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices, certifications of reception whenever required).

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Semiannually for DA-A (Category 1) and DA-B (Category 2) and Quarterly for DA-C (Categories 3, 4 and 5).

IV. Additional Disbursement Instructions

(i) Capitation Payments – Category 1

The Project proceeds would be disbursed on a semi-annual basis against the population of responsibility in each municipality, the achievement of health indicators agreed, and the implementation of the Quality of Care Action Plan. Based on the Community and Family Health Care Project (P106870), the per capita cost of health care services nationwide is estimated to be US\$3.6 multiplied by the rural population of each municipality.

The semiannual advances for Capitation payments to the DA-A would be calculated as the 100% of the annual amount certified by the INIDE and the documentation would be made in two installments for each semester as follows:

- a) Sixty percent (60%) of health care service per capita cost (calculated for the semester) would be documented at the beginning of the semi-annual period once the correspondent amounts have been transferred to the selected Municipalities. The documentation shall be submitted to the World Bank up to 30 days after the beginning of the period.
- b) Forty percent (40%) would be documented against fulfillment of compulsory performance indicators and the implementation of the Quality of Care Action Plan as defined in the Operations Manual certified by the Project Verification Commission. The documentation shall be submitted to the World Bank up to 2 months after the end of the period. The Operational Manual establishes specific procedures, rules and conditions for determining amounts to be disbursed in the case of municipalities that have not been able to achieve the delivery performance, including a mechanism of retention towards the compliance of specific action plans.

(ii) Out-put based disbursement: – Category 2

The Category 2 would finance the MOH for Eligible Operating Costs of Public Health Activities (PHAs) based on the operating costs associated with essential program delivery aggregated in a unit cost. The payments will be undertaken on the basis of a PHAs menu and pre-defined unit cost estimation reflecting actual market prices partially recognizing the cost of non-procurable inputs (salary costs related to outputs, and operational costs such as per diem, gas, mail costs, etc.) of the selected interventions. These costs are considered to be reliable proxies, on average, for actual costs of delivering the project outputs. The World Bank will annually review the continuous pertinence of the unit costs and the Project Verification Commission will confirm the relevance of the PHA activities. The description, unit of measurement and unit costs of outputs are described in the Operations Manual.

The PHAs include i) prevention of dental caries among school children, ii) household visits to educate, control and prevent mosquito breeding, and iii) some specific training of the health professionals of the MOH. Specific outputs would be verified by the Project Verification Commission and certified by PAHO or National Universities, respectively for the respective payments.

In order to support timely implementation of PHAs, the semiannual advances for Out-put based disbursements to the DA-B of MOH would be calculated as 100% of the estimated amount of the PHAs cost for a given semester. Once the MOH has received the advance, a percentage of the

semiannual forecasts (this percentage will be defined for each PHA in the MOP) would be accounted for as advances to the Municipalities, on the basis of the Work Plan prepared by the MOH. Once activities (outputs) are completed and verified by the Project Verification Commission, and total reimbursement amount is defined, remaining amount would be transferred by the MOH to the Municipalities, and respective expenditures accounted in their system. Subsequently, MOH will submit the documentation of DA-B to the World Bank. Any remaining advances not documented in the period will compensate the forecasted amount for the next period.

(iii) Contingent Financing of Public Health Alert or Public Health Emergency – Category 3

Disbursements would be made to the MOH to facilitate the use of critical resources in the event that a public health alert or a public health emergency is officially declared. Funds would be disbursed once an alert or emergency has been declared and the GoN complies with specific requirements agreed with the World Bank including a list of the goods, minor rehabilitation works, consultants' services (including non-consultant services) and Operating Costs to address the needs. Disbursement would be made through advances to the DA-C to MOH according to defined expenses described in MOH Operational Manual procedures. The expenditures will be documented through Statements of Expenditures.

V. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the World Bank's public website at <http://www.worldbank.org> and its secure website "Client Connection" at <http://clientconnection.worldbank.org>. Print copies are available upon request.

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>). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact Yolaina G. Montoya ymontoya@worldbank.org of the World Bank Nicaragua country office.

If you have any queries in relation to the above, please contact Maria Virginia Hormazabal (mhormazabal@worldbank.org), Finance Officer at the World Bank Loan Department. Kindly place the grant number and name in the subject line.

Yours sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION



Luis F. Constantino
Country Manager

Attachments - N/A

1. World Bank Disbursement Guidelines, May 2006
2. Authorized Signature Sample Letter
3. Terms and Conditions of Use of Secure Identification Credentials
4. Customized Statement of Expenditures for Capitation Payments (Category 1)
5. Customized Statement of Expenditures for Out-put based disbursements (Category 2)
6. Statement of Expenditures (Categories 3 and 4)
7. Sample Designated Account Activity Statement

Cc: Mr. Iván Acosta, Minister of Finance and Public Credit

Mr. José Adrián Chavarría, Vice Minister of Finance and Public Credit