

GRANT NUMBER D0720-NI

Financing Agreement

(Nicaragua Strengthening the Public Health Care System Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *June 26*, 2015

GRANT NUMBER D0720-NI

FINANCING AGREEMENT

AGREEMENT dated June 26, 2015, 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 grant in an amount equivalent to forty-two million seven hundred thousand Special Drawing Rights (SDR 42,700,000) ("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 Payment Dates are April 15 and October 15 in each year.
- 2.05. 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 the Project (except Part 1.2.(c)) through its Ministry of Health; and (b) cause Part 1.2.(c) of the Project to be carried out by CEMED, 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 The Additional Event of Suspension consists of, namely, the Procurement Law has been amended, suspended, abrogated, repealed or waived so as to render its Article 5(e) ineffective, in the opinion of the Association, and no provision analogous to such Article 5(e) has been adopted to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.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of, namely, the Operational Manual has been adopted by the Recipient, in a manner satisfactory to the Association, in accordance with Section I.E of Schedule 2 to the Financing Agreement.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. 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 the 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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Managua, Nicaragua, as
of the day and year first above written.

REPUBLIC OF NICARAGUA

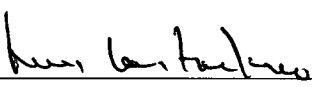
By


Name: Ivan Acosta Montalván

Title: Minister of Finance and Public Credit

**INTERNATIONAL DEVELOPMENT
ASSOCIATION**

By


Name: Luis F. Constantino

Title: Country Manager

SCHEDULE 1

Project Description

The objectives of the Project are to: (a) strengthen quality and access to health services; (b) contribute to adapting the public health system to the Recipient's changing epidemiological profile; and (c) secure financial support in case of Public Health Alert or Public Health Emergency.

The Project consists of the following parts:

Part 1. Strengthening the Quality and Access to Health Care Services

1. Improving the quality of health care services in selected municipalities through the financing of Capitation Payments to Selected Municipal Health Networks.
2. Strengthening and expanding the provision of basic health care services through support to: (a) the national immunization program at the primary level of health care; (b) the national clinical laboratory diagnosis capacity; (c) the repair and maintenance of medical equipment by MOH; (d) training programs for health workers; (e) the mainstreaming of culturally acceptable traditional medicine; (f) the implementation of the adolescent sexual reproductive health strategy; (g) the development of preventative and curative oral health services; and (h) the consolidation of health information systems of MOH.

Part 2. Institutional Strengthening of MOH to Respond to the Recipient's Changing Epidemiological Profile

1. Strengthening the MOH's capacity to prevent and respond to chronic diseases through support to, *inter alia*: (a) the preparation of a national chronic disease strategy; and (b) the strengthening of the national cervical cancer prevention and treatment plan.
2. Strengthening the MOH's capacity to prevent and respond to trauma injury cases through support to, *inter alia*: (a) the preparation of a national trauma strategy; (b) the improvement of distribution of medical supplies; (c) the provision of orthopedic materials for trauma patients; (d) the strengthening of the referral emergency units and intensive care units; and (e) the promotion and implementation of road safety programs and communication campaigns.

Part 3. Contingency Financing of a Public Health Emergency or Public Health Alert and Capacity Building

1. Provision of contingency financing in the case of an eligible Public Health Alert or a Public Health Emergency.

2. Strengthening entomological surveillance and raising awareness of vector-borne diseases in the territory of the Recipient through, *inter alia*: (a) the acquisition and maintenance of equipment to control vector spreading; (b) household preventative visits to vector infested areas; (c) development of communication strategies; (d) training; and (e) strengthening and creation of entomological units and laboratories.
3. Strengthening the implementation of hospital waste management in Selected Hospitals through, *inter alia*, support to: (a) the implementation of waste management plans in Selected Hospitals; (b) the acquisition of equipment for hospital waste management; and (c) training.

Part 4: Project Management

Strengthening of MOH's capacity for administering, implementing, supervising and evaluating Project activities, including support for the carrying out of external audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. By no later than six (6) months after the Effective Date, the Recipient, through MOH, shall appoint, and thereafter maintain, at all times during the implementation of the Project, competent personnel required for Project implementation, in adequate numbers, including, but not limited to, three procurement specialists and two financial management specialists, all with qualifications, experience and terms of reference acceptable to the Association, as further detailed in the Operational Manual.
2. The Recipient shall maintain, at all times during the implementation of the Project, relevant committees, councils and units within MOH, as further described in the Operational Manual, including the Project Technical Committee, which shall be responsible for, *inter alia*, overall coordination of Project activities.
3. The Recipient shall carry out Part 1.2.(a) of the Project, in accordance with the PAHO MoU.
4. By no later than six (6) months after the Effective Date, the Recipient shall, through MOH appoint, and thereafter maintain, throughout the duration of the Project implementation, a Project Verification Commission, with composition, qualifications, experience, and terms of reference satisfactory to the Association, for purposes of the verification and third-party, independent certification of the activities being carried out under Parts 1.1., 1.2.(d), 1.2.(g) and 3.2.(b) of the Project, as further detailed in the Operational Manual. The Project Verification Commission shall include representatives of the Technical Council, the Citizen Council and an External Independent Certification Institution.
5. The Recipient shall cause the Project Verification Commission to carry out, throughout Project implementation, verification and certification exercises of relevant activities under Parts 1.1., 1.2.(d), 1.2.(g) and 3.2.(b) of the Project, including spot checks, verification of data provided and records kept by Selected Municipal Health Networks, all in accordance with the provisions of the Operational Manual.

B. Performance Agreements

1. For purposes of implementing Part 1.1. of the Project, the Recipient, through MOH, shall:

- (a) enter into an agreement, under terms and conditions satisfactory to the Association, with each Selected SILAIS (“Performance Agreement”), which shall include, *inter alia*, the Selected SILAIS’ obligation to:
 - (i) carry out Part 1.1. of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the Operational Manual, Safeguard Instruments and the provisions of the Anti-Corruption Guidelines;
 - (ii) promptly transfer the funds received as Capitation Payments to the Selected Municipal Health Networks in accordance with: (A) the rural population of each selected municipality; (B) the relevant per capita amount agreed with each Selected Municipal Health Network; and (C) Section IV.C of Schedule 2 to this Agreement;
 - (iii) enter into separate Municipal Agreements with each Selected Municipal Health Network, as per Section I.C. of Schedule 2 to this Agreement;
 - (iv) guarantee the delivery of the health services by the Selected Municipal Health Networks;
 - (v) supervise and monitor the performance of the health services delivered by the Selected Municipal Health Networks;
 - (vi) keep records of the health services provided by the Selected Municipal Health Networks; and
 - (vii) compile progress reports on the achievement of the performance indicators and goals set out in each Municipal Agreement.
 - (b) exercise its rights and carrying out its obligations under each Performance Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.
2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not arrogate, amend, suspend, terminate, waive or otherwise fail to enforce any Performance Agreement or any provision thereof.
 3. In the case of any conflict between the terms of any Performance Agreement and those of this Agreement, the terms of this Agreement shall prevail.

C. Municipal Agreements

1. For purposes of implementing Part 1.1. of the Project, the Recipient, through the SILAIS, shall:
 - (a) enter into an agreement, under terms and conditions satisfactory to the Association, with each Selected Municipal Health Network (“Municipal Agreements”), setting forth, *inter alia*:
 - (i) the obligation of the SILAIS to transfer the pertinent Capitation Payments to the relevant Selected Municipal Health Networks on a per capita basis to finance the delivery of health services;
 - (ii) the obligation of the Selected Municipal Health Networks to: (A) carry out Part 1.1. of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the Operational Manual, Safeguard Instruments and the provisions of the Anti-Corruption Guidelines; (B) provide health services and meet the performance indicators and goals specified in the relevant Municipal Agreement; and (C) keep records of the health services provided and progress reports on the achievement of the performance indicators and goals set out in the applicable Municipal Agreement; and
 - (iii) the performance indicators and the correspondent performance goals.
 - (b) exercise its rights and carrying out its obligations under each Municipal Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.
2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient, through the SILAIS, shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce any Municipal Agreement or any provision thereof.
3. In the case of any conflict between the terms of any Municipal Agreement and those of this Agreement, the terms of this Agreement shall prevail.

D. CEMED Agreement

1. For purposes of implementing Part 1.2.(c) of the Project, the Recipient, through MOH, shall make part of the proceeds of the Financing available to CEMED under

an agreement to be entered between the Recipient and CEMED, under terms and conditions satisfactory to the Association (“CEMED Agreement”), which shall include, *inter alia*, the obligation of CEMED to:

- (a) carry out Part 1.2.(c) of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the Operational Manual, Safeguard Instruments and the provisions of the Anti-Corruption Guidelines;
 - (b) maintain policies and procedures adequate to enable the Recipient to monitor and evaluate, in accordance with the Project indicators set forth in the Operational Manual, the progress of the Project and the achievement of its objectives;
 - (c) enable the Recipient and the Association to inspect the activities under Part 1.2.(c) of the Project, its operation and relevant records and documents; and
 - (d) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.
2. The Recipient shall exercise its rights and carry out its obligations under the CEMED 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, terminate, waive or fail to enforce the CEMED Agreement or any of its provisions.

E. Operational Manual

1. The Recipient shall carry out the Project in accordance with the terms of the Operational Manual, which shall include, *inter alia*:
 - (a) the detailed description of Project implementation activities, their sequencing, timetable, benchmarks and the institutional arrangements of the Project;
 - (b) the criteria, costing mechanism, detailed rules and procedures for transfers of the Capitation Payments by MOH (through SILAIS) to the Selected Municipal Health Networks;
 - (c) details of the contents and procedures for the carrying out of all financial audits and social consultations;

- (d) a detailed description of all the health services;
 - (e) description of Outputs to be financed under the Project, unit of measurement and unit costs, as well as the verification mechanism for achievement of Outputs;
 - (f) the list of Selected SILAIS and Selected Municipal Health Networks that will participate in the Project;
 - (g) the model form for the CEMED Agreement, Performance Agreement and Municipal Agreement;
 - (h) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures (including all pertinent standard documents and model contracts in relation thereto);
 - (i) the Safeguard Instruments;
 - (j) the plan for the monitoring and supervision of the Project, including all environmental, project progress and social aspects in relation thereto; and
 - (k) the indicators to evaluate the performance 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 the case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

F. Anti-Corruption

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

G. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguard Instruments, in a manner satisfactory to the Association.
2. The Recipient shall ensure that any terms of reference for any consultancies related to technical assistance or capacity building under the Project shall be satisfactory to the Association following its review thereof and, to that end, such terms of

reference shall duly incorporate the requirements of the applicable Safeguard Instruments, as applied to the advice conveyed through such technical assistance and/or capacity building activities.

3. The Recipient shall ensure that each contract for civil works under the Project includes the obligation of the relevant contractor and any sub-contractors to comply with the relevant provisions of the Safeguard Instruments applicable to such civil works commissioned/awarded pursuant to said contract.
4. The Recipient shall maintain, and publicize the availability of, grievance redress mechanisms to hear and determine fairly and in good faith, and in accordance with the Safeguard Instruments, all complaints raised in relation to the implementation of the Safeguard Instruments by Project affected persons, Indigenous Peoples or other relevant communities, and take all measures necessary to implement the determinations made under such grievance redress mechanisms in a manner acceptable to the Association.
5. The Recipient shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, any provision of the Safeguard Instruments, whether in whole or in part, except as the Association shall otherwise agree in writing.
6. In the case of any inconsistency between the provisions of the Safeguard Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

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 (45) 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. 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 not later than

forty-five (45 days) after the end of each calendar semester, interim unaudited financial reports for the Project covering the 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. 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. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-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 Section I of the Procurement Guidelines, and with the provisions of this Section.
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 Section.
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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; and (c) Direct Contracting.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

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.

E. Special Provisions

In addition and without limitation to any other provisions set forth in this Section or in the Procurement Guidelines or the Consultant Guidelines, the following principles of procurement shall expressly govern all procurement of goods, works, non-consulting services or consultants' services, as the case may be:

- (a) foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding;
- (b) no bids shall be rejected, and no provisional awards shall be made at the time of bid opening;
- (c) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices;
- (d) the invitation to bid shall not publish the estimated cost of the contract;
- (e) in the case of Shopping, a minimum of three quotations shall be obtained as a condition to award the contract;

- (f) unless the Association may otherwise agree, for the procurement of goods and non-consulting services, the “best offer” shall be the one submitted by the bidder whose offer was determined to be the lowest evaluated bid and was found substantially responsive to the bidding document acceptable to the Association, provided further that the bidder was determined to be qualified to perform the contract satisfactorily;
- (g) bidders and consultants shall not be allowed to review or make copies of other bidder’s bids or consultants’ proposals, as the case may be. Likewise, bidders’ and consultants’ responses to requests of clarifications made by the procuring entity during the bidding process shall not be disclosed to other bidders or consultants, as the case may be. Finally, reports including recommendations for award shall not be shared with bidders and consultants prior to their publication;
- (h) eligibility criteria for the procurement of goods, works, non-consulting services and consulting services to be financed by the Credit shall be set forth in Section I of the Procurement Guidelines and of the Consultant Guidelines. Articles 17 and 18 of the Procurement Law shall not apply;
- (i) automatic rejection of bids or proposals, as the case may be, due to differences between bid or proposal prices and cost estimates being higher than predetermined percentages, shall not be allowed;
- (j) bidders shall have the possibility of procuring hard copies of bidding documents even if they are published on the Recipient’s procurement portal;
- (k) unless so indicated in the applicable Association Standard Bidding Documents, pre-bid conferences shall not be conducted;
- (l) bid preparation terms shall not be reduced as a result of re-bidding;
- (m) consultants shall not be required to submit proposal and performance securities;
- (n) complaints shall be handled as indicated in the appendixes to the Procurement Guidelines and Consultant Guidelines;
- (o) the procurement of goods, non-consulting services and works shall be carried out using standard bidding documents acceptable to the Association;
- (p) the Recipient, shall: (i) supply SEPA with the information contained in the initial Procurement Plan within 30 days after the Project has been

approved by the Association; and (ii) update the Procurement Plan at least every three months, or as required by the Association, to reflect the actual Project implementation needs and progress and shall supply SEPA with the information contained in the updated Procurement Plan immediately thereafter; and

- (q) the invitations to bid, bidding documents, minutes of bid opening, requests for expressions of interest and the pertinent summary of the evaluation reports of bids and proposals of all goods, works, non-consulting and consultants' services shall be published in SISCAE, and in a manner acceptable to the Association. The bidding period shall be counted from the date of publication of the invitation to bid or the date of the availability of the bidding documents, whichever is later, to the date of bid opening.

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 (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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Capitation Payments under Part 1.1. of the Project	6,225,660	100%
(2) Output-based disbursements under Parts 1.2.(d), 1.2.(g) and 3.2.(b) of the Project	1,772,100	100%

(3) Goods, works, non-consulting services, consultants' services and Operating Costs under Part 3.1. of the Project	1,067,500	100%
(4) Goods, works, non-consulting services, consultants' services, Training and Operating Costs under the Project (except Part 1.1, 1.2.(c), 1.2.(d), 1.2.(g), 3.1. and 3.2.(b))	33,136,540	100%
(5) Goods and Training under Part 1.2.(c) of the Project	498,200	100%
TOTAL AMOUNT	42,700,000	

3. For the purposes of this Section:

- (a) The term "Training" means expenditures (other than for Non-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 Parts 1, 2, and 3 of the Project; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution.
- (b) The term "Operating Costs" means the incremental operating costs incurred by MOH required for the implementation of the Project including: (i) consumable materials and supplies; (ii) communications, mass media and printing services; (iii) vehicle rental, operation and maintenance; (iv) charges for the opening and operation of bank accounts required for the Project; and (v) travel, lodging and per diem for implementing and monitoring the Project (excluding salaries of officials of the Recipient's civil service).

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 8,540,000 may be made for payments made prior to this date but on or after April 13, 2015

but in no case earlier than twelve (12) months from the date of this agreement, for Eligible Expenditures under Categories (4) and (5).

- (b) under Category (3) for Eligible Expenditures with respect to Part 3.1. of the Project, unless and until: (A) a Public Health Alert or a Public Health Emergency has been declared by the Recipient; and (B) the Recipient has provided a letter to the Association including: (i) legal evidence, satisfactory to the Association, of the declaration of a Public Health Alert or a Public Health Emergency; (ii) the estimated flow of funds needs; and (iii) (a) a list of the goods, works, consultants' services (including non-consulting services) and Operating Costs proposed to be financed under Part 3.1. of the Project to address the needs of the Public Health Emergency or a Public Health Alert (including a procurement plan) acceptable to the Association; and (b) the assessments and plans that the Association may require.
- (c) under Category (5) for Eligible Expenditures with respect to Part 1.2(c), unless and until the CEMED Agreement has been executed on behalf of the Recipient, through MOH, and CEMED, under terms and conditions satisfactory to the Association, and in accordance with Section I.D. of Schedule 2 to this Agreement.

2. The Closing Date is September 30, 2020.

C. Capitation Payments and Reduction in Amounts Disbursed under Category (1)

- 1. Under Category (1), withdrawals from the Financing Account shall be made in accordance with the Additional Instructions, upon submission by the Recipient, through MOH, to the Association of the reports specified below, each in form and substance satisfactory to the Association.
 - (a) Prior to the first withdrawal, the Recipient shall submit to the Association a cash flow forecast for the first two Reporting Periods of the calendar year in which the Effective Date falls, in respect to the Capitation Payments that will be transferred to the Selected Municipal Health Networks during said first two Reporting Periods, all in accordance with the Additional Instructions.
 - (b) Prior to all subsequent withdrawals covering each Reporting Period during Project implementation, the Recipient shall submit to the Association: (i) a cash flow forecast for the next Reporting Period, in respect to the Capitation Payments that will be transferred to the Selected Municipal Health Networks during said Reporting period, all in accordance with the Additional Instructions; and (ii) evidence, satisfactory to the Association,

of the Capitation Payments transferred to the Selected Municipal Health Networks during the previous Reporting Period are in accordance with the requirements defined in the Additional Instructions.

2. In connection with the foregoing:
 - (a) If the Association shall determine, based on the evidence referred to in Section IV.C.1. above, and the relevant Certified Documentation, as applicable that not all the Performance Goals have been attained during the respective Reporting Period, then, the withdrawn amount of the Financing shall be calculated and reduced in accordance with the provisions included in the Additional Instructions.
 - (b) The Association may, after consultation with, and by notice to the Recipient; (i) cancel any amount of the Financing, in whole or in part, under Category (1) and withheld pursuant to paragraph C.2.(a) above; or (ii) may reallocate such amount so withheld, in whole or in part, to Categories (2), (3), (4), and (5) as applicable.
3. Notwithstanding the provisions of paragraphs 1 and 2 above, the Association shall not be required to make any Financing withdrawal under Category (1) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section II.B. of this Schedule, any of the audit reports required to be furnished to the Association pursuant to said Section.
4. Out-put based disbursements under Category (2)

Under Category (2), withdrawal from the Financing Account shall be made for eligible operating costs of Public Health Activities carried out under Parts 1.2.(d), 1.2.(g) and 3.2.(b), upon submission by the Recipient of evidence that: (a) Selected Municipal Health Networks have completed the Public Health Activities, in a manner acceptable to the Association, as further detailed in the Additional Instructions; and (b) the pertinent Certified Documentation, acceptable to the Association, confirming achievement of the respective Output.

Section V. Other Undertakings

- A. No later than six (6) months after the Effective Date, the Recipient, through MOH, shall appoint and, thereafter maintain, at all times during Project implementation, independent auditors, with terms of reference acceptable to the Association.

APPENDIX

Section I. Definitions

1. “Additional Instructions” means the additional instructions referred to in Section IV.A.1. of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
3. “Capitation Payments” means the financial resources transferred by the Recipient to Selected Municipal Health Networks calculated as an annual average *per capita* amount initially determined to be the equivalent in *Córdobas* to USD3.6 needed to ensure the access of population in selected municipalities to the health care services.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “CEMED” means *Centro de Mantenimiento de Equipos Médicos*, the Recipient’s Maintenance Center for Medical Equipment, created pursuant to the CEMED Legislation.
6. “CEMED Agreement” means the agreement referred to in Section I.D. of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to CEMED.
7. “CEMED’s Legislation” means the Recipient’s Decree No. 19-92, dated March 20, 1992 and published in the Official Gazette No. 65 on April 3, 1992 which, *inter alia*, established CEMED and governs CEMED’s activities.
8. “Certified Documentation” means the document presented with PAHO or national universities, as the case may be, certification and signature.
9. “Citizen Council” means the council comprised of representatives of hospitals, MOH, health workers, and community leaders, established within each SILAIS, to oversee the relationship between the SILAIS and Municipal Health Networks and local communities.
10. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).

11. “Environmental Management Plan” or “EMP” means the Recipient’s environmental management plan for the Project, dated March 5, 2015, and disclosed on the MOH’s website and in the Association’s Infoshop on April 10, 2015, satisfactory to the Association, addressing the environmental, health and safety and social requirements of the Project, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Association.
12. “External Certification Institution” means the Pan American Health Organization for purposes of external certification of activities under Parts 1.1., 1.2.(g), 3.2.(b) of the Project, and national universities for purposes of external certification of activities under Part 1.2.(d) of the Project.
13. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
14. “Hospital Waste Management Plans” means the plans to be prepared under the Project for the management of hospital waste of Selected Hospitals in Managua.
15. “Indigenous Peoples” means a social group of people with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (a) a collective attachment to geographically distinct habits or ancestral territories and to the natural resources in these areas; (b) self-identification and identification by others as members of a distinct cultural group; (c) an indigenous language often different from the official language of the country or region language; and (d) presence of customary, cultural, economic, social or political institutions that are separate from those of the dominant society and culture.”
16. “Indigenous Peoples Plan” or “IPP” means the Recipient’s Indigenous Peoples Plan for the Project, dated April 10, 2015, and disclosed on the MOH’s website and in the Association’s Infoshop on April 10, 2015, satisfactory to the Association, addressing the indigenous peoples safeguard requirements of the Project, as the same may be amended, supplemented or otherwise modified from time to time with the prior written agreement of the Association.
17. “MOH” or “Ministry of Health” means *Ministerio de Salud*, the Recipient’s Ministry of Health, and any successor thereto.
18. “MOSAFC” means *Modelo de Salud Familiar y Comunitario*, the Recipient’s Community and Family Health Model, which includes the set of principles, regulations, plans, programs and instruments for the health promotion, protection, recovery and rehabilitation referred to under Title VII of Law No. 423.

19. “Official Gazette” means the Recipient’s official gazette (*La Gaceta*).
20. “Operational Manual” means the Recipient’s manual, satisfactory to the Association, referred to in Section I.E. of Schedule 2 to the Financing Agreement, as the same may be further updated/amended from time to time with the prior approval of the Association.
21. “Outputs” means any of outputs of Public Health Activities under Parts 1.2.(d), 1.2.(g) and 3.2.(b) of the Project, as the detailed description, unit of measurement and unit costs for such outputs are set forth in the Operational Manual.
22. “PAHO” means Pan American Health Organization.
23. “PAHO MOU” means the memorandum of understanding entered into by MOH and PAHO, referred to in Section I.A.3. of Schedule 2 of this Agreement, dated September 20, 2013 and revised in April 21, 2015.
24. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
25. “Procurement Law” means *Ley de Contrataciones Administrativas del Sector Público*, the Recipient’s Law No. 737, published in the Recipient’s Official Gazette Nos. 213 and 214, dated November 8 and 9, 2010, respectively.
26. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 5, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
27. “Project Verification Commission” means a commission composed by one representative of each of the Technical Council, Citizen Council and the External Certification Institution.
28. “Public Health Activities” means the activities to be carried out under Parts 1.2.(d), 1.2.(g) and 3.2.(b) of the Project.
29. “Public Health Alert” means an alert (*alerta sanitaria*) declared by the MOH in accordance with articles 395 and 396 of the Executive Regulation of Law No. 423 and the applicable legislation of the Recipient.
30. “Public Health Emergency” means an emergency (*emergencia sanitaria*) declared by the MOH in accordance with article 21 of Law No. 423 and chapter I of title XVII of the Executive Regulation of Law No. 423.

31. "Reporting Period" means a calendar semester for purposes of Section IV of Schedule 2 to this Agreement and the Additional Instructions.
32. "Safeguard Instruments" means, collectively, the EMP, the IPP and Hospital Waste Management Plans.
33. "Selected Hospitals" means any of the Recipient's health centers or hospitals in Managua selected pursuant to the criteria set forth in the Operational Manual.
34. "Selected Municipal Health Networks" means the municipal level health networks of the MOH selected pursuant to the criteria set forth in the Operational Manual.
35. "Selected SILAIS" means any of the SILAIS of the Recipient that participate in the Project selected pursuant to the criteria set forth in the Operational Manual.
36. "SEPA" means the *Sistema de Ejecución de Planes de Adquisiciones*, the Association's Procurement Plan Execution System, or any successor thereto.
37. "SILAIS" means *Sistema Local de Atención Integral en Salud*, any deconcentrated administrative and operative unit of the MOH responsible for the development of health in a specific territory of the Recipient, and consisting of health units and centers, local hospitals, and SILAIS' administrative offices, created pursuant to the Law No. 423.
38. "SISCAE" means *Sistema de Contrataciones Administrativas Electrónicas* under the Procurement Law.
39. "Technical Council" means a council within MOH, comprised of the Recipient's Minister of Health, each of directors of MOH and a representative of the health workers federation, which is responsible for overseeing the performance of the technical units of MOH.