His Excellency
Mr. Iván Acosta Montalván
Minister of Finance and Public Credit
Ministry of Finance and Public Credit
Frente al Edificio de la Asamblea Nacional
Managua, Nicaragua

Re: IDA Credit 6015-NI (Alliance for Education Quality Project)
Additional Instructions: AMENDED Disbursement Letter

Dear Minister Acosta:

I refer to the Financing Agreement ("Agreement") between the International Development Association (the "Association") and the Republic of Nicaragua (the "Recipient") for the above-referenced project (the "Project"), dated May 2, 2017. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of Financing IDA 6015-NI ("Financing"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

This is the first amendment of the Disbursement Letter dated May 2, 2017 for the above referenced project. This letter restates Section II (vi) to modify the Project’s Designated Account ceiling from fixed to variable and Section III (i) to update the reporting requirements for the Project.

The World Bank Disbursement Guidelines for Investment Project Financing, dated February 2017, ("Disbursement Guidelines"), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Financing is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines or in the Financing Agreement.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Financing:

- Reimbursement for Category 1
- Advance, Reimbursement and Direct Payment for Category 2

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four (4) months after the Closing Date specified in the Financing Agreement. The Association will notify any changes to this date.
(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Conditions specified in Sections IV.B.1 and IV.B.2 of Schedule 2 of the Financing Agreement.

II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1). An authorized signatory letter should be furnished to the Association at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
Unites States of America
Attention: Y. Seynabou Sako, Country Director

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

The World Bank/Banco Mundial
SCN, Quadra 02, Lote A
Edificio Corporate Financial Center, 7ª Andar
70712-900 Brasilia, D.F.
Brazil
Attention: Loan Operations

(iii) Electronic Delivery (subsection 3.4) The Association may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Association’s Client Connection, web-based portal. The option to deliver Applications to the Association by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials ("SIDC") from the Association for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the Association agrees, the Association will provide the Recipient with SIDC for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of SIDC to Process Applications. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process
Applications and Supporting Documentation ("Terms and Conditions of Use of Secure Identification Credentials"); and (b) to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for Reimbursement and Direct Payment is US$500,000 (not applicable for Category 1).

(vi) Advances (sections 5 and 6) for Category 2 – DA-A

- **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):** Variable

III. Reporting on Use of Loan Proceeds

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

- **For requests for Reimbursement claimed under Category (1):**
  - EEPs Spending Report showing the spending status of the EEPs under the Recipient’s Approved Budget Lines and DLI compliance approved by the Association’s Task Team Lead. The EEPs Spending Report should be prepared on the basis of the Budget Execution Reports for expenditures under Parts 1.1.1 and 1.1.2 of the Project (Approved Budget Lines). Budget Execution Report means the report issued by the MINED from the Recipient’s integrated financial management system (SIGFA) for the Approved Budget Lines, and subject to financial audit.

- **For requests for Reimbursement and reporting eligible expenditures paid from the Designated Account claimed under Categories 2**
  - Statement of Expenditures; and.
  
  - Designated Account Reconciliation Statement with a copy of the Designated Account Bank Statement.

- **For requests for Direct Payment:** Records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Quarterly or more often if needed
IV. Disbursement Arrangements under Category 1 (DLI-based Disbursements)

(i) Applications for withdrawal under Category 1 allocated to individual Disbursement Linked Indicators ("DLI") may, pursuant to the provisions of Section IV.B.1 (b) and Section IV.B.2 of Schedule 2 to the Financing Agreement, be sent to the Association at any time.

(ii) The Association will disburse the funds allocated to the DLIs into an account indicated by the Ministry of Finance and Public Credit for further transfer to a separate account in the name of the Ministry of Education (MINED).

(iii) Each EEPs Spending Report submitted as supporting documentation for Applications for withdrawal claimed under Category (1) will need to be presented in the format agreed in section III (i) and approved by the Association. The EEPs Spending Report will require the following information:

(a) Demonstration of eligible expenditures made under the EEPs for Association financing.

(b) Calculation of amounts disbursed under each relevant DLI after they have been deemed acceptable by the Association’s technical team according to the Verification Protocols of DLIs.

(iv) In the case of partial compliance with requirements listed above, the following will apply:

a. Partial compliance of Scalable DLIs: If the Association has not received evidence of full compliance with the Scalable DLIs (DLIs 3, 5, 6, 7 and 8), as referred to in Section IV.B.2 of Schedule 2 to the Financing Agreement with respect to all disbursements under Category (1), then the Association shall only disburse the respective amount allocated to each Scalable DLI corresponding to the degree of achievement of at least minimum target defined for respective Scalable DLI in the Verification Protocols Table.

b. Lack of expenditures: If the Recipient fails to provide enough eligible expenditures under the EEPs in respect to all disbursements for a DLI that has been met, (or that has met the minimum target defined for the respective Scalable DLI, as defined in the Verification Protocols), then the undisbursed amount due to lack of eligible expenditures in the correspondent Application will be available to be requested by Recipient at any time when enough eligible expenditures are presented to the Association.

V. Other Important Information

For additional information on disbursement arrangements, please refer to the Loan Handbook available on the Bank’s website (http://www.worldbank.org/) and “Client Connection”. The Bank recommends that you register as a user of “Client Connection”. From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, or if you have any queries in relation to the above, please
contact the Bank by email at askloans@worldbank.org, using the above Project name and Credit number as a reference in the subject line.

Sincerely,

[Signature]
Maria Virginia Hornazabal
Finance Officer
WFACS – Loan Operations

Cc with copies:  Ministry of Education
                Francys Diaz Madriz
                Vice Ministra Administrativa Financiera
                El Zumen, Centro Civico Camilo Ortega, Modulo P, Planta Alta
                Managua, Nicaragua

                Ministry of Education
                Carla Isabel Lopez Fernandez
                Directora General de Coordinación de Programas y Proyectos
                El Zumen, Centro Civico Camilo Ortega, Modulo P, Planta Alta
                Managua, Nicaragua