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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**NICARAGUA**

**LOAN 546/SF-NI TO THE REPUBLIC OF NICARAGUA  
(RÍO BLANCO – SIUNA ROAD PROJECT)**

**(AMENDMENT OF RESOLUTION)**

**(NI0023)**

**LOAN PROPOSAL**

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## PROPOSED RESOLUTION

NICARAGUA: LOAN 546/SF-NI TO THE REPUBLIC OF NICARAGUA  
(Río Blanco-Siuna Road Project)

(Amendment of Resolution DE-77/78)

The Board of Executive Directors

## RESOLVES:

That Resolution DE-77/78, approved May 25, 1978, is amended as follows:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Nicaragua in order to grant it financing to cooperate in the execution of a project consisting of the construction of a road approximately 116 km long between the towns of Río Blanco and Siuna. This financing shall be subject substantially to the following conditions:

1. Amount and Currencies: Up to US\$32,000,000 or the equivalent in other currencies which are part of the Fund for Special Operations, of which amount: a) up to US\$29,500,000 or the equivalent thereof in other currencies (except that of Nicaragua) shall be disbursed to pay for goods and services acquired through international public bidding in the Bank member countries and for such other purposes as may be specified in the loan contract; and b) up to US\$2,500,000 equivalent shall be disbursed in cordobas to cover local costs. Payments of amortization and interest shall be made in the currencies disbursed.
2. Source of Funds: The Fund for Special Operations.
3. Guarantee: The general responsibility of the borrower.
4. Credit Fee: 1/2 of 1% per annum on the undisbursed portion of the amount indicated in subsection (a) of clause 1 of this resolution, commencing to accrue twelve months after the date of this resolution. Payment shall be made in dollars of the United States of America on the same dates as the interest.

5. Amortization: The borrower shall amortize the loan in a period of 40 years from the date of the contract, by means of semi-annual, consecutive and, insofar as possible, equal installments. The first installment shall be paid 10 1/2 years after the date of the contract.
6. Interest: 1% per annum for 10 years following the date of the contract and 2% per annum thereafter. Interest will be payable semiannually on principal amounts outstanding and the first payment shall be made 6 months after the date of the contract. At the request of the borrower, resources of the financing may be used to pay interest during the disbursement period.
7. Disbursement: Disbursement of the financing shall be completed within a period of 5 years from the effective date of the contract.
8. Special Conditions:
  - (a) The resources of the loan shall be used in their entirety by the Ministerio de Transporte y Obras Públicas (MTOP) through the Dirección General de Caminos (DGC). If modifications in the legal provisions or the basic regulations concerning the MTOP or the DGC are approved which, in the opinion of the Bank, may substantially affect the project, the Bank may take such measures as it deems appropriate, in accordance with provisions to be set forth in the loan contract.
  - (b) The resources of the loan shall be used to participate in the execution of a project estimated at the equivalent of US\$35,550,000, and in no case shall the participation of the loan resources exceed 90% of the total amount of the project. Consequently, the loan contract shall contain such provisions as the Bank deems appropriate to ensure that such national resources as may be necessary, in addition to the loan, for the complete execution of the project shall be duly provided in an amount estimated at the equivalent of US\$3,550,000, in accordance with a schedule of investments satisfactory to the Bank.

- (c) Prior to the first disbursement of the financing, the borrower, through the MTOP, shall submit evidence to the Bank's satisfaction that the MTOP has contracted for advisory services for the supervision and control of project construction pursuant to the procedures set forth in the pertinent annex to the loan contract.
- (d) In the acquisition of machinery, equipment and other goods related to the project and in the awarding of construction contracts, the system of public bids shall be followed in each case in which the value of such acquisitions or contracts exceeds the equivalent of US\$100,000. Invitations to bid shall be subject to procedures to be included as an annex to the loan contract.
- (e) The provisions of subsection (d) above notwithstanding, the DGC may construct on force account approximately 47 km of the highway (section A and part B), exclusive of bridges, representing an amount estimated at up to the equivalent of US\$6,500,000.
- (f) The Bank shall establish such inspection and supervision procedures as it deems necessary to assure the satisfactory execution of the project, and the borrower and the MTOP shall extend all cooperation required for the most effective accomplishment of this purpose. The sum of US\$295,000 and the equivalent of US\$25,000 in cordobas shall be allocated from the amount of the financing for credit to the general income accounts of the Bank to meet expenses of general inspection and supervision.

RECOMMENDATIONS

It is recommended that the following conditions, to be fulfilled to the Bank's satisfaction, be included in the loan contract in addition to those set forth in the proposed resolution:

1. Prior to each call for bids on construction work, the borrower shall undertake that the executing agency shall present:
  - (i) the plans, specifications and documents required for the construction in question and, if applicable, the documentation pertaining to the call for bids, including the pertinent model contract, and
  - (ii) evidence that the borrower has legal possession of the necessary land.
2. Within one year after the date of the last disbursement of the financing, and thereafter annually for a period of ten years, the borrower shall present evidence that the works are being adequately maintained in accordance with the stipulations in Section VI of Annex A to the loan contract and with generally accepted technical standards.
3. Within 18 months from the effective date of the loan contract, the borrower, through the MTOP, shall present to the Bank's satisfaction the following information for evaluating the socio-economic benefits of the project:
  - (i) the data specified in paragraphs 4.27 and 4.28 of the Project Report, corresponding to the year before the start of construction of the road, and
  - (ii) the system that will be utilized for collecting the data referred to in (i) above and for making the annual comparisons between the data for each immediately preceding year and that corresponding to the year before the start of construction of the road.
4. At the end of the second year from the effective date of the loan contract and of each subsequent year until four (4) years after the date of the last disbursement of the financing, the borrower, through MOP, shall present to the Bank the data specified in paragraphs 4.27 and 4.28 of the Project Report, corresponding in each case to the year immediately preceding.

5. Within two years from the effective date of the loan contract, the borrower, through the MTOP, must present to the Bank:
  - (i) the text of the agreement executed between MTOP and the INRA whereby the MTOP, according to the availability of its machinery and to periodic work programs mutually agreed upon with the INRA, and under the coordination of the INRA, shall use its own heavy equipment to perform the work necessary to clear the lots granted to low-income settlers, within the project area of influence; and
  - (ii) the text of the agreements executed between the INRA, on the one hand, and the Banco Nacional de Desarrollo (BND) and the Instituto Nicaraguense de Tecnología Agropecuaria (INTA), a branch of the Ministerio de Desarrollo Agrícola, on the other, assuring the provision of technical assistance and credit facilities to low-income settlers located in that area.
6. The borrower shall undertake to adopt all measures within its reach so that in any settlement plans carried out by IAN in the project's area of influence, appropriate provisions will be included with respect to: erosion control, rational exploitation of forests, and environmental protection, including, inter alia, the establishment of forest reserves or the provision of land for forests.
7. The Bank may recognize as part of the national resources in addition to the loan the investments made by the MTOP for construction of approximately 7 km of the highway prior to signature of the loan contract but subsequent to May 25, 1978, up to the equivalent of US\$600,000, provided that requirements substantially similar to those established in the proposed resolution and the loan contract have been met.
8. Starting from the fiscal year ending on December 31, 1980, and throughout the execution of the project, the financial statements and supplemental information of the project shall be audited by an independent firm of public accountants acceptable to the Bank, in accordance with procedures agreed upon with the Bank. The firm shall be contracted by the borrower after consultation with the Tribunal de Cuentas.

9. An annex substantially similar in content to Appendix III (The Project) to the loan proposal shall be included in the loan contract.
10. Coincident with signature of the loan contract, the Bank and the borrower shall sign an agreement for nonreimbursable technical cooperation pursuant to the provisions of Resolution DE- /79 and the terms of reference stipulated in Appendix D to the Project Report.