

CREDIT NUMBER 6680-HN

Financing Agreement

(Water Security in the Dry Corridor of Honduras Project)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION



CREDIT NUMBER 6680-HN

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF HONDURAS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of assisting in financing the project described in Schedule 1 to this Agreement ("Project"). 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) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of seventy million Dollars (\$70,000,000) (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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent ($1/2$ of 1%) per annum on the Unwithdrawn Financing Balance.
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent ($3/4$ of 1%) per annum plus the Basis Adjustment to the Service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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge;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 April 15 and October 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 objective of the Project. To this end, the Recipient shall carry out the Project through INVEST-H; all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) that the Project Operational Manual has been adopted by the Recipient through INVEST-H, in a manner and with contents acceptable to the Association; and
 - (b) that the PMU has been established as provided by Section I.A.1(b) of Schedule 2 to this Agreement in manner acceptable to the Association and as provided in said Section.
- 4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.
- 4.03. For purposes of Section 10.05 (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 Signature Date.



ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister (*Secretario*) of SEFIN.
- 5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Secretaría de Estado en el Despacho de Finanzas
Dirección General de Crédito Público
Avenida Cervantes, Barrio El Jazmín
Tegucigalpa, M.D.C.
Honduras, C.A.; and

(b) the Recipient's Electronic Address is:

Telex:	Facsimile:	E-mail:
(504) 2237-4142	(504) 2237-4142	dgcp@sefin.gob.hn

- 5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

(b) the Association's Electronic Address is:

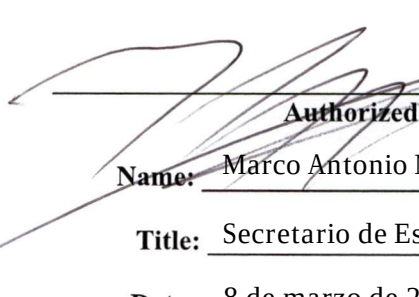
Telex:	Facsimile:	E-mail:
248423 (MCI)	1-202-477-6391	ysakho@worldbank.org



AGREED as of the Signature Date.

REPUBLIC OF HONDURAS

By



Authorized Representative

Name: Marco Antonio Midence Milla

Title: Secretario de Estado

Date: 8 de marzo de 2021



INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Michel kerf

Authorized Representative

Name: Michel kerf

Title: Country Director

Date: 08-Mar-2021

SCHEDULE 1

Project Description

The objective of the Project is to improve water service delivery and strengthen water governance in selected areas of the Dry Corridor of Honduras.

The Project consists of the following parts:

Part 1: Strengthening institutional capacity for water resources governance and management

- (a) Strengthening water resource information systems in the Nacaome Water Basin through, *inter alia*: (i) (A) developing: (1) an optimization plan for the modernization of hydrological and climate services; and (2) an operation and maintenance plan; and (B) upgrading the hydroclimatic network; (ii) developing an automated hydroclimatic data integration system, including the acquisition and installation of the associated IT equipment; (iii) carrying out water resources demand analysis and a groundwater assessment to complement physical water balances; (iv) developing a system to monitor water availability to support planning of water resources allocation; and (v) building capacities of technical staff and key local actors.
- (b) Promoting water governance and capacity building as follows:
 - 1. At the municipal level, through, *inter-alia*: (i) providing support in the process of issuance of the Legal Declaration of water source zones; (ii) supporting the elaboration of watershed management and protection plans; and (iii) if needed, as determined by the Recipient in a manner acceptable to the Association, supporting the design of compensation mechanisms to protect the catchment area.
 - 2. At the basin level, through, *inter-alia*: (i) supporting and designing new mechanisms for managing the JCV Dam; (ii) strengthening the Nacaome Water Basin Board; and (iii) elaborating watershed management plans.
 - 3. At the national level, through, *inter-alia*, strengthening the establishment of the ADA through capacity building and piloting the interconnection of the ADA's and the Nacaome Water Basin's information systems.

Part 2: Scaling up resilient hydraulic infrastructure for water security in the Dry Corridor

- (a) Promoting an integrated and multi-purpose micro-watershed management approach in the Dry Corridor, including, *inter-alia*: (i) the establishing of selected SIAS,



through designing, constructing, and supervising the necessary infrastructure to operate said systems, including the design and implementation of the corresponding environmental and social assessments; (ii) providing capacity building and/or training to the Water Boards and Irrigation Boards on operation and maintenance of the SIASs, and other agriculture aspects including crop management; (iii) providing basic sanitation units and implementing social communication plans to promote rational use of water and hygiene practices; and (iv) developing of upstream catchment protection and management plans.

- (b) Maximizing the benefits of the multipurpose JCV Dam through, *inter-alia*: (i) supplying and installing the gates on the JCV Dam spillway; (ii) constructing a water treatment plant and dedicated pipeline for the Municipalities Downstream of the JVC Dam; (iii) implementing associated environmental and social mitigation and management plans in accordance with the ESIA; and (iv) implementing dam safety interventions which includes, *inter-alia*: (1) a comprehensive dam safety assessment; (2) the establishment of a panel of experts on dam safety; (3) the provision of technical assistance to MIAMBIENTE to establish mechanisms to ensure sustainability of the operation and maintenance of the JCV Dam; and (4) the preparation and completion of specific operations and maintenance manuals, a monitoring plan, a publicly approved emergency preparedness plan, an emergency action plan for high spillway discharge and dam break contingencies.

Part 3: Project management and capacity building

Strengthening INVEST-H's implementation capacity, through *inter-alia* provision of support for: (a) Project management and coordination; (b) monitoring result evaluation and impact assessment activities; (c) fiduciary administration and oversight, internal controls, and Project audits; (d) INVEST-H's systems for environmental and social standards risk management; (e) outreaching stakeholders for awareness on the Project, citizen engagement and establishment of grievance mechanisms; (f) carrying out Project-related strategic studies, as well as pre-feasibility and environmental and social studies that may contribute towards preparation of future interventions in the Dry Corridor; (g) designing and implementing the Project's gender strategy; and (h) training of the PMU staff.

Part 4: Contingency Emergency Response Component

Provision of immediate response to an Eligible Crisis or Emergency, as needed.



SCHEDULE 2

Project Execution

Section I. Implementation Arrangement

A. Institutional Arrangements

1. For purposes of the implementation of Parts 1, 2 and 3 of the Project, the Recipient shall:
 - (a) ensure that INVEST-H is operated and maintained, throughout Project implementation, with technical functions, staffing, and responsibilities satisfactory to the Association, as set forth in the Project Operational Manual;
 - (b) through INVEST-H, establish, and thereafter, operate and maintain, throughout Project implementation, a Project Management Unit (PMU), with functions, responsibilities, resources and composition acceptable to the Association, including fiduciary functions, staffing (including *inter alia*, a procurement specialist, a financial management specialist, an environmental specialist, a social specialist, and a communications and grievance management specialist), all as set forth in the Project Operational Manual; and
 - (c) without limitation of the provisions of (b) above, no later than thirty (30) days after the Effective Date, hire the following additional staff for the PMU: (i) one procurement specialist and a procurement officer; (ii) a labor and occupational health specialist; (iii) a gender and social inclusion specialist; (iv) a legal specialist; and (v) a resettlement of population specialist.
2. To facilitate the implementation of Part 1 (a) of the Project, the Recipient, through INVEST-H, shall no later than thirty (30) days after the Effective Date, enter into a tripartite agreement (the Inter-institutional Agreement) with MIAMBIENTE and COPECO; all under terms and conditions acceptable to the Association, including the provisions set forth in Section I.C. of this Schedule 2.
3. Without limitations to the provisions of paragraph 2 above, the Recipient, through INVEST-H, shall ensure that no works shall be carried out under Part 1 (a) of the Project unless the agreement referred to in said paragraph has been signed.
4. To facilitate the implementation of Part 1. (b) 1 of the Project, the Recipient, through INVEST-H, shall no later than thirty (30) days after the Effective Date, enter into an agreement (the Inter-institutional Agreement) with ICF; under terms



and conditions acceptable to the Association, including the provisions set forth in Section I.C. of this Schedule 2.

5. To facilitate the implementation of Parts 1. (b) 2, 1. (b) 3, and 2. (b) of the Project, the Recipient, through INVEST-H, shall no later than thirty (30) days after the Effective Date, enter into an agreement (the Inter-institutional Agreement) with MIAMBIENTE, under terms and conditions acceptable to the Association, including the provisions set forth in Section I.C. of this Schedule 2.
6. To facilitate the implementation of Part 2. (a) of the Project with respect to each selected SIAS, the Recipient, through INVEST-H, shall no later than sixty (60) days after the Effective Date enter into an agreement (the Inter-institutional Agreement) with the corresponding Selected Municipality (which has territorial jurisdiction over said selected SIAS) and the pertinent Water Board and/or Irrigation Board (as the case may be); all under terms and conditions acceptable to the Association including the provisions set forth in Section I.C. of this Schedule 2.
7. Without limitations to the provisions of paragraph 6 above, the Recipient, through INVEST-H, shall ensure that no works shall be carried out under Part 2 (a) of the Project unless the agreement referred to in said paragraph has been signed.
8. Without limitations to the provisions of paragraph 5 above, the Recipient shall ensure that: (i) no works shall be carried out under Part 2 (b) of the Project unless the comprehensive dam safety assessment of the JCV Dam referred to in Part 2 (b) (iv) (1) of the Project has been completed in a manner acceptable to the Association, and the recommendations set forth therein have been implemented in accordance with the pertinent provisions set forth in Section I.C of this Schedule and in a manner acceptable to the Association, and the agreement referred to in paragraph 5 above has been signed; and (ii) no goods shall be procured, unless the agreement referred to in paragraph 5 above has been signed.
9. The Recipient, through INVEST-H, shall exercise its rights and carry out its obligations under each Inter Institutional Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, the Recipient, through INVEST-H, shall not assign, amend, abrogate, waive or fail to enforce any Inter Institutional Agreement or any of its provisions.

B. Project Operational Manual

1. The Recipient, through INVEST-H, shall adopt, and thereafter maintain and carry out the Project in accordance with a manual (the Project Operational Manual), which shall set forth, *inter alia*: (i) a detailed description of Project activities and institutional arrangements for the Project; (ii) the Project administrative,



budgeting, accounting, auditing, reporting, financial, procurement and disbursement procedures; (iii) the monitoring indicators for the Project; (iv) the detailed procedures for coordination and collaboration among the relevant Recipient's institutions, and other stakeholders in the carrying out of the Project; (v) the minimum terms and conditions of each Interinstitutional Agreement; and (vi) the Anti-Corruption Guidelines.

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

C. Environmental and Social Standards

1. The Recipient, through INVEST-H, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient, through INVEST-H, shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient, through INVEST-H, shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient, through INVEST-H, shall ensure that:



- (a) all necessary measures are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- 5. The Recipient, through INVEST-H, shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
- 6. The Recipient, through INVEST-H, shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

D. Contingent Emergency Response

- 1. In order to ensure the proper implementation of contingent emergency response activities under Part 4 of the Project ("Emergency Response Part"), the Recipient shall:
 - (a) prepare and furnish to the Association for its review and approval, a Contingency Emergency Response Manual ("CER Manual") which shall set forth detailed implementation arrangements for the Emergency Response Part, including: (i) any additional institutional structures or arrangements for coordinating and implementing the Emergency



Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and procedures for the Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social management arrangements and instruments applicable to the Emergency Response Part consistent with the provisions of Section C of this Schedule; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;

- (b) afford the Association a reasonable opportunity to review the proposed CER Manual;
 - (c) promptly adopt the CER Manual for the Emergency Response Part as accepted by the Association and integrate it as an annex to the Project Operational Manual;
 - (d) ensure that the Emergency Response Part is carried out in accordance with the CER Manual; provided, however, that in the event of any inconsistency between the provisions of the CER Manual and this Agreement, the provisions of this Agreement shall prevail; and
 - (e) not amend, suspend, abrogate, repeal or waive any provision of the CER Manual without the prior written approval by the Association.
2. The Recipient shall, throughout the implementation of the Emergency Response Part, maintain the institutional structures and arrangements established in accordance with the CER Manual, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall undertake no activities under the Emergency Response Part unless and until the following conditions have been met in respect of said activities:
- (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
 - (b) the Recipient has ensured the preparation and disclosure of all environmental and social instruments as may be required for said activities in accordance with the CER Manual and the ESCP, the Association has



approved all said instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient, through INVEST-H, shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Credit Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training and Operating Costs for the Project (except for Part 2 (a), and works for Part 2 (b)(i) and (ii) of the Project)	22,000,000	100%
(2) Goods, works, non-consulting services, consulting services, Training and Operating Costs for Part 2 (a) of the Project	15,000,000	100%
(3) Works for Part 2 (b)(i) and (ii) of the Project	33,000,000	Up to 100%
(4) Emergency Expenditures under Part 4 of the Project	0	100%
TOTAL AMOUNT	70,000,000	



B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date;
 - (b) for expenditures under Category (2), unless at least two (2) of the Inter-Institutional Agreements referred to in Section I.A.6 of this Schedule have been entered into on terms and conditions acceptable to the Association;
 - (c) for expenditures under Category (3), unless the Inter-Institutional Agreement referred to in Section I.A.5 of this Schedule has been entered into on terms and conditions acceptable to the Association; or
 - (d) for Emergency Expenditures under Category (4), unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said expenditures:
 - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include the proposed activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
 - (ii) the Recipient has ensured that all environmental and social instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.D. of this Schedule;
 - (iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.D of this Schedule, for the purposes of said activities; and
 - (iv) the Recipient has adopted the CER Manual, in form and substance acceptable to the Association, and the provisions of the CER Manual remain - or have been updated in accordance with the provisions of Section I.D of this Schedule so as to be - appropriate for the inclusion and implementation of the Emergency Response Part.



2. The Closing Date is December 30, 2025.

Section IV. Other Undertakings

1. Without limitation to the provisions of Section 4.03 of the General Conditions, the Recipient, through INVEST-H, shall provide, promptly, as needed, counterpart funds in the amount of at least fifteen million Dollars (US\$15,000,000) required to carry out the works under Part 2 (b)(i) and (ii) of the Project.



SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
commencing October 15, 2025 to and including April 15, 2045	1.65%
commencing October 15, 2045 to and including April 15, 2050	3.40%

* 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 3.05 (b) of the General Conditions.



APPENDIX

Section I. Definitions

1. “ADA” or “*Autoridad del Agua*” means the Recipient’s National Water Authority.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
3. “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.
4. “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.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “Concessional Financing” means, without limitation to the definition of said term in paragraph 19 of the General Conditions, the Credit extended by the Association to the Recipient on the terms referred to in Article II to this Agreement and in the General Conditions.
7. “Contingency Emergency Response Manual” and the acronym “CER Manual” means the manual referred to in Section I.D. 1 of Schedule 2 to this Agreement, to be adopted by the Recipient for the Emergency Response Part, which is part of the Project Operational Manual.
8. “COPECO” means the Recipient’s Ministry of Disaster Risk Management and National Contingencies created pursuant to the Recipient’s Executive Decree No. PCM-057-2019, dated September 11, 2019 and published in the Official Gazette on September 12, 2019.
9. “Dry Corridor” means a region located in the southwest of the Recipient’s territory, along the Pacific coast and covering 20,000 km², which is mainly along five water basins (Sampile, Choluteca, Nacaome, Lempa and Goascorán) and surrounding



areas, which have precipitations less than 6 months per year, and are increasingly vulnerable to severe weather instability and climate shocks.

10. “Eligible Crisis or 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 Emergency Response Manual in accordance with the provisions of Section I.D. 1 (a) (ii) of Schedule 2 to this Agreement and required for the Emergency Response Part.
12. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 4 of the Project.
13. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated April 16, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
14. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
15. “ESIA” means the environmental and social impact assessment, to be prepared by the Recipient, through INVEST-H, in a manner acceptable to the Association, and as further specified in the ESCP, setting out, *inter-alia*, details of the potential environmental and social risks and adverse impacts associated with activities under Part 2 of the Project, together with an environmental and social management plan



defining measures to manage such risks and impacts, in accordance with the ESCP and the Environmental and Social Standards, including, *inter-alia*, any measures to ensure the safety of the JCV Dam.

16. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018.
17. “ICF” or “*Instituto Nacional de Conservación y Desarrollo Forestal, Áreas Protegidas y Vida Silvestre*” means the Recipient’s National Institute of Forest Conservation and Development, Protected Areas and Wildlife, established pursuant to the Recipient’s Executive Decree 98-2007 dated February 26, 2008, or any successor thereto acceptable to the Association.
18. “Inter-Institutional Agreement” means any of the agreements referred to in Section I.A.2,4,5 and 6 of Schedule 2 to this Agreement.
19. “INSEP” or “*Secretaría de Infraestructura y Servicios Públicos*” means the Recipient’s Ministry of Infrastructure and Public Service established pursuant to the Recipient’s Executive Decree 001- 2014, dated May 30, 2014, or any successor thereto acceptable to the Association.
20. “INVEST-H” means the Recipient’s strategic investment office and Project implementing entity, created pursuant to the Recipient’s Law No. 233-2005, dated September 21, 2005, as amended to the date of this Agreement, or any successor thereto acceptable to the Association.
21. “Irrigation Board” means an entity registered under the URSAC, comprised of community members, which is responsible for managing the distribution of water for irrigation, under: (i) the territorial jurisdiction of each Selected Municipality that will provide support in the construction, operation, and maintenance of the selected SIAs under Part 2. (a) of the Project; and (ii) the territorial jurisdiction of each Municipality Downstream; as further described in the Project Operational Manual.
22. “IT” means information technology.
23. “JCV Dam” means the José Cecilio del Valle Dam, located in the Nacaome Water Basin.
24. “Legal Declaration” means the legal declaration issued by the National Institute of Forest Conservation and Development, Protected Areas and Wildlife (ICF) at the request of communities or municipalities, pursuant to Article 65 of the Legislative Decree No.156-2007, dated February 26, 2008 establishing a water production zone.



25. “MIAMBIENTE” or “*Secretaría de Recursos Naturales y Ambiente*” means the Recipient’s Ministry of Natural Resources and Environment, established pursuant to the Recipient’s Legislative Decree 218-96 dated December 30, 1996, or any successor thereto acceptable to the Association.
26. “Municipalities Downstream” means the Recipient’s municipalities of Prespire, Nacaome, San Antonio de Flores, San Lorenzo, and any other municipality which meets the criteria set forth in the Project Operational Manual.
27. “Nacaome Water Basin” means the Recipient’s water basin located in the southern region of the country, with a surface extension of 3,486 square km, and 110 km long leading to the Pacific, as defined in the Law for the Establishment of a Country Vision and the Adoption of a Nation Plan for Honduras, adopted through Decree 286-2009, dated February 2, 2010.
28. “Nacaome Water Basin Board” means the Board for the Nacaome Water Basin, established by MIAMBIENTE pursuant to Article 21 of the General Water Law, dated December 14, 2009 approved by Legislative Decree No. 181-2009.
29. “Operating Costs” means reasonable costs, as shall have been approved by the Association, for the incremental expenses incurred on account of Project implementation, consisting of communication costs, office supplies and maintenance, equipment maintenance, utilities, document duplication/printing, non-durable goods, insurance, fuel, maintenance and repair of vehicles, travel cost and per diem for Project staff for travel linked to the implementation of the Project (but excluding salaries of officials of the Recipient’s civil service).
30. “PMU” means the unit referred to in Section 1.A.1(b) of Schedule 2 to this Agreement, or any other successor thereto acceptable to the Association.
31. “Project Operational Manual” means the Recipient’s manual acceptable to the Association and 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 agreement of the Association.
32. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
33. “SEFIN” or “*Secretaría de Estado en el Despacho de Finanzas*” means the Recipient’s Ministry of Finance or any successor thereto acceptable to the Association.
34. “Selected Municipality” means the municipalities of Curaren, La Venta, La Paz, Intibuca, and any other municipality selected by the Recipient in accordance with the criteria set forth in the Project Operational Manual.



35. "SIAS" or "*Sistema Integrado de Agua Segura*" means the Integrated System for Water Security to be established in any given Selected Municipality under Part 2.(a) of the Project.
36. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
37. "Training" means the reasonable costs, as shall have been approved by the Association, for training and workshops, conducted under the Project, including tuition, travel and subsistence costs for training participants, costs associated with securing the services of trainers and speakers, rental of training and workshop facilities, preparation and reproduction of training materials, and other costs directly related to training course or workshop preparation and implementation (but excluding goods and consulting services).
38. "URSAC" or *Unidad de Registro y Seguimiento de las Asociaciones Civiles* means the Recipient's Civil Associations Registration and Monitoring Unit established within the Recipient's Ministry of Human Rights, Justice, Governance and Decentralization.
39. "Water Board" means an entity registered under the URSAC, comprised of community members, which is responsible for managing the distribution of water for human consumption, under: (i) the territorial jurisdiction of each Selected Municipality that will provide support in the construction, operation, and maintenance of the selected SIAs under Part 2. (a) of the Project; and (ii) the territorial jurisdiction of each Municipality Downstream; as further described in the Project Operational Manual.

