

CREDIT NUMBER 6822-HN

Financing Agreement

(Honduras Tropical Cyclones Eta and Iota Recovery Project)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION



CREDIT NUMBER 6822-HN

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF HONDURAS ("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) 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 one hundred fifty million Dollars (\$150,000,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge;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, through SEDECOAS, shall carry out the Project 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 referred to in Section I.B of Schedule 2 to this Agreement has been prepared and adopted by the Recipient, through SEDECOAS, in a manner satisfactory to the Association; and
 - (b) that the Project's Indigenous Peoples and Afro-Descendants Plan ("IPADP") has been prepared, consulted, disclosed, and adopted by the Recipient, through SEDECOAS, in a manner satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) 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 (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Finance - *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:

Facsimile: E-mail:
(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:
248423 (MCI) 1-202-477-6391



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 support the Recipient's response and recovery needs and strengthen institutional capacity to manage a resilient and inclusive recovery and reconstruction.

The Project consists of the following parts:

Part 1. Emergency relief, response, and public health and safety operations

Providing immediate relief and response through, *inter-alia*: (i) supporting emergency evacuation and rescue, including transportation, the provision of food and other supplies to the Affected Population, and the provision of shelter; (ii) clearing water and debris in Affected Areas; and (iii) taking measures to combat Expected Outbreaks.

Part 2: Resilient rehabilitation and reconstruction of public and community infrastructure, and resumption of public services

Supporting the repair, rehabilitation, and reconstruction of Priority Facilities, including, *inter-alia*: (i) temporary relocation; (ii) carrying out survey and design for major renovation or new construction of high Priority Facilities, and supporting demolition and debris removal, as applicable; (iii) repairing Selected Damaged Public Buildings and Housing; (iv) taking measures to restore Basic Services and usage of Priority Facilities; and (v) preparing the technical specifications and acquiring the necessary equipment to resume the provision of Basic Services.

Part 3: Institutional support to the Government recovery and reconstruction program

1. Building SEDECOAS' and any other Relevant Entity's technical and institutional capacity on, *inter-alia*: (i) Project management, procurement, contract management, transparency, financial management, technical audits, compliance monitoring of construction activities, compliance with ESS, compliance with social inclusion targets, and grievance redress mechanisms; and (ii) carrying out monitoring and evaluation activities.
2. Building SEDECOAS' and any other Relevant Entity's technical and institutional capacity to pilot integrated approaches for better asset management of infrastructure to reduce their vulnerability to future adverse natural events.
3. Providing technical assistance to carry out Critical Studies needed for resilient reconstruction and recovery.



4. Implementing a communication strategy to inform beneficiaries and potential beneficiaries, the scope and coverage of the activities under the Project.
5. Operating Costs and Training for the Project Implementation Unit.



SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Throughout Project implementation, the Recipient shall ensure that SEDECOAS functions in a manner and with adequate staffing and budgetary resources, all acceptable to the Association and as set forth in the Project Operational Manual.
2. No later than thirty (30) days after the Effective Date, the Recipient, through SEDECOAS, shall establish, and thereafter operate and maintain, a Project implementation unit ("PIU") with functions and resources acceptable to the Association, and adequate staff, including: (a) a general coordinator, (b) a technical coordinator; (c) a financial management specialist; (d) a procurement specialist; (e) a monitoring and evaluation specialist; (f) an environmental specialist; (g) a social development and gender specialist; (h) a health and safety specialist; and (i) a communications specialist; all with functions, qualifications, and responsibilities satisfactory to the Association, as set forth in the Project Operational Manual.

B. Project Operational Manual

1. The Recipient, through SEDECOAS, shall adopt and thereafter carry out the Project in accordance with the provisions of a manual (the "Project Operational Manual"), which shall include, *inter-alia*: (a) a detailed description of Project activities and institutional arrangements; (b) the Project administrative, budgeting, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (c) the monitoring indicators for the Project; (d) the composition, functions, and qualifications for the PIU staff; (e) the detailed procedures for coordination and collaboration among the relevant Recipient's institutions; (f) the model Inter-Institutional Agreements; (g) the eligibility and prioritization criteria for the Prioritized Facilities and the Selected Damaged Public Buildings and Housing; (h) personal data collection and processing requirements in accordance with good international practices; and (i) the Anti-Corruption Guidelines.
2. Except as the Recipient, through SEDECOAS, and the Association may otherwise agree in writing, the Recipient, through SEDECOAS, shall not, abrogate, amend, suspend, waive, or otherwise fail to enforce the Project Operational Manual or any provision thereof.
3. In case of any conflict between the terms of this Agreement and the Project Operational Manual, the provisions of this Agreement shall prevail.



C. Environmental and Social Standards

1. The Recipient, through SEDECOAS, 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 SEDECOAS, 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 SEDECOAS, shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as 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 SEDECOAS, shall ensure that:
 - (a) all measures necessary 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, including health risks, in accordance with the ESCP,



the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Recipient, through SEDECOAS, 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 SEDECOAS, shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors, 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. Inter-Institutional Agreements

1. To facilitate the carrying out of the Project, and prior to the participation of a Project Entity in the implementation of any given Project activity, the Recipient, through SEDECOAS, shall: (a) sign with said Project Entity an Inter-Institutional Agreement with terms and conditions acceptable to the Association; and (b) thereafter maintain said Inter-Institutional Agreement throughout the implementation of the Project.
2. The Recipient, through SEDECOAS, shall exercise its rights 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.
3. Except as the Association shall otherwise agree, the Recipient, through SEDECOAS, shall not assign, amend, abrogate, waive, terminate or fail to enforce any Inter-Institutional Agreement or any of their provisions.

E. Financial Management

No later than one hundred and eighty (180) days after the Effective Date, the Recipient, through SEDECOAS, shall hire and retain, throughout Project implementation, an external, independent, private audit firm, acceptable to the Association, to provide the audit services described in the Project Operational Manual.



Section II. Project Monitoring, Reporting and Evaluation

1. The Recipient, through SEDECOAS, 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.
2. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

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 Financing Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, and Operating Costs under Part 1 of the Project	10,000,000	100%
(2) Goods, works, non-consulting services, consulting services, Training, and Operating Costs under Part 2 of the Project	129,000,000	100%



(3) Goods, non-consulting services, consulting services, Training, and Operating Costs under Part 3 of the Project	11,000,000	100%
TOTAL AMOUNT	150,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed sixty million Dollars (USD 60,000,000) may be made for payments made prior to this date but on or after November 2, 2020, for Eligible Expenditures under the Project, following an Environmental and Social Audit, satisfactory to the Association, showing that the pertinent obligations set forth in this Agreement, as applicable to each Eligible Expenditure, have been complied with.
2. The Closing Date is December 31, 2026.



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 April 15, 2026 to and including October 15, 2045	1.65%
commencing April 15, 2046 to and including October 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. “Affected Areas” means the areas within the Recipient’s territory, affected by the Tropical Cyclones.
2. “Affected Population” means the population in the Recipient’s territory affected by the Tropical Cyclones.
3. “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.
4. “Basic Services” means public benefits provided to the Recipient’s population to cater for essential needs such as primary education, primary health, and basic infrastructure like roads, electricity, water supply and irrigation, and any other service as agreed by the Association.
5. “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.
6. “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.
7. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
8. “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 of this Agreement and in the General Conditions.
9. “Critical Studies” means any analytical study necessary for the resilient reconstruction and recovery of the Recipient, on specific sectors, as agreed by the Association.



10. “Environmental and Social Audit” means an instrument to be prepared and adopted by the Recipient, through SEDECOAS, that shall: (i) determine the nature and extent of environmental and social areas of concern of all goods, services, works and other activities to be retroactively financed under the Project; (ii) identify appropriate mitigation or corrective measures, as necessary, related costs and a schedule to implement such measures; all in accordance with the Environmental and Social Standards, and in a manner satisfactory to the Association.
11. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated December 7, 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.
12. “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.
13. “Expected Outbreaks” means malaria, dengue, cholera, or any other infectious disease originated or powered by the effects of the Tropical Cyclones, as agreed by the Association.
14. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020).
15. “Inter-Institutional Agreement” means any of the agreements referred to in Section I.D.1 of Schedule 2.



16. “IPADP” or “Indigenous Peoples and Afro-Descendants Plan” means the Recipient’s plan for the Project referred to in Article 4.01(b) of this Agreement, to be adopted and thereafter implemented by the Recipient, through SEDECOAS, as set out in the ESCP and in accordance with the Environmental and Social Standards, in a manner acceptable to the Association, as said plan may be revised from time to time, with prior written agreement of the Association.
17. “Operating Costs” means reasonable expenditures, as shall have been approved by the Association, for the incremental expenditures incurred on account of Project implementation, consisting of, *inter alia*, communication costs, office supplies and maintenance, and equipment maintenance, utilities, document duplication/printing, non-durable goods, 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).
18. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
19. “PIU” means the Project implementation unit referred to in Section I.A.2 of Schedule 2.
20. “Priority Facility” means the Recipient’s infrastructure that provides Basic Services, selected in accordance with the eligibility and prioritization criteria set forth in the Project Operational Manual.
21. “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.
22. “Project Entity” means any relevant entity whose collaboration will be necessary for Project implementation acceptable to the Association, as further detailed in the Project Operational Manual.
23. “Relevant Entity” means SEFIN and any other relevant entity for Project implementation acceptable to the Association and identified in the Project Operational Manual.



24. “SEDECOAS” or “*Secretaria de Estado en los Despachos de Desarrollo Comunitario, Agua y Saneamiento*” means the Recipient’s Ministry of Community Development, Water and Sanitation, or any successor thereto acceptable to the Association.
25. “SEFIN” or “*Secretaria de Estado en el Despacho de Finanzas*” means the Recipient’s Ministry of Finance.
26. “Selected Damaged Public Buildings and Housing” means the public buildings and housing damaged by the effects of the Tropical Cyclones, selected in accordance with the eligibility and prioritization criteria set forth in the Project Operational Manual.
27. “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.
28. “Training” means the reasonable costs associated with training under the Project, as agreed between the Recipient and the Association, and attributable to study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers’ fees, and other training related miscellaneous costs.
29. “Tropical Cyclones” means tropical cyclones Eta and Iota which landed in the Recipient’s territory in November 2020.

