

Loan Agreement No. HO-P7

LOAN AGREEMENT

For

Hospital Network Strengthening Project

Between

JAPAN INTERNATIONAL COOPERATION AGENCY

And

THE GOVERNMENT OF THE REPUBLIC OF HONDURAS

Dated March 20, 2024

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Loan Agreement No. HO-P7, dated March 20, 2024, between the JAPAN INTERNATIONAL COOPERATION AGENCY and THE GOVERNMENT OF THE REPUBLIC OF HONDURAS

On the basis of the Exchange of Notes between THE GOVERNMENT OF JAPAN and THE GOVERNMENT OF THE REPUBLIC OF HONDURAS dated March 20, 2024 concerning a Japanese loan to be extended with a view to promoting the economic stabilization and development efforts of the Republic of Honduras,

the JAPAN INTERNATIONAL COOPERATION AGENCY (hereinafter referred to as “JICA”) and THE GOVERNMENT OF THE REPUBLIC OF HONDURAS (hereinafter referred to as the “Borrower”) herewith conclude the following Loan Agreement (hereinafter referred to as the “Loan Agreement”, which includes all agreements supplemental hereto).

Article I

Loan

Section 1. Amount and Purpose of Loan

JICA agrees to lend the Borrower an amount not exceeding ELEVEN BILLION SEVEN HUNDRED THREE MILLION Japanese Yen (¥11,703,000,000) as the principal for the implementation of the Hospital Network Strengthening Project described in Schedule 1 attached hereto (hereinafter referred to as the “Project”) in the form of co-financing with Program to Strengthen the Hospital Network extended by Inter-American Development Bank (hereinafter referred to as “IDB”) under the Framework Agreement between IDB and JICA “Co-financing for Renewable Energy and Energy Efficiency (CORE), signed on March 16, 2012, and its subsequent amendment dated March 29, 2014, April 9, 2016, December 15, 2016, and “Cooperation for Economic Recovery and Social Inclusion (CORE)” signed on March 24, 2021, as may be amended from time to time (hereinafter referred

to as the "Framework Agreement") on the terms and conditions set forth in the Loan Agreement and in accordance with the relevant laws and regulations of Japan (hereinafter referred to as the "**Loan**"); provided, however, that when the cumulative total of disbursements under the Loan Agreement reaches the above-mentioned maximum amount of the Loan, JICA shall make no further disbursement.

Section 2. Use of Proceeds of Loan

- (1) The Borrower shall cause the proceeds of the Loan to be used for the purchase of eligible goods and services necessary for the implementation of the Project from suppliers, contractors or consultants (hereinafter collectively referred to as the "**Supplier(s)**") of the eligible source country(ies) described in Section 2. of Schedule 4 attached hereto (hereinafter referred to as the "**Eligible Source Country(ies)**") in accordance with the applicable policies for the procurement of goods and works of the IDB, according to the Framework Agreement.
- (2) The final disbursement under the Loan Agreement shall be made within the period from the Effective Date of the Loan Agreement to the date, which is the same day and month as the Effective Date six (6) years after the Effective Date of the Loan Agreement (inclusive of both dates) unless otherwise agreed upon between JICA and the Borrower (hereinafter referred to as the "**Disbursement Period**"), and no further disbursement shall be made by JICA after the Disbursement Period has expired.
- (3) Notwithstanding Section 2. (2) above, if the expiry date of the Disbursement Period is not a banking business day in Japan, the immediately succeeding banking business day in Japan shall be deemed the expiry date of the Disbursement Period.
- (4) Notwithstanding Section 1. above, no disbursement shall be made under the Loan Agreement in respect of payments made prior to the date of Exchange of Notes first above written for expenditures to purchase eligible goods and services necessary for the implementation of the Project from the Supplier(s).

Article II

Repayment, Interest and Front-End Fee

Section 1. Repayment of Principal

The Borrower shall repay the principal of the Loan to JICA in accordance with the Amortization Schedule as set forth in Schedule 3 attached hereto.

Section 2. Interest and Method of Payment thereof

- (1) The Borrower shall pay the interest on the Loan to JICA semi-annually on March 20 and September 20 of each year (each such date hereinafter referred to as the "**Payment Date**") in arrears at the rate of one and six-tenths percent (1.60%) per annum on the principal disbursed and outstanding for each Interest Period.

Section 3. Front-End Fee and Method of Payment thereof

In accordance with Section 3.05. (2) of the General Terms and Conditions for Japanese ODA Loans dated April 2021, JICA and the Borrower agree that the full amount (and not less than the full amount) payable by the Borrower as the Front-End Fee shall be included and added under Section 3.05. (1) of the General Terms and Conditions to the principal of the Loan on the date, which is sixty (60) days from but excluding the Effective Date (if such date is not a banking business day in Japan, the immediately succeeding banking business day in Japan) or on such other date as designated by JICA, and shall be deemed to have been paid by the Borrower.

Article III

Particular Covenants

Section 1. General Terms and Conditions

Other terms and conditions generally applicable to the Loan Agreement shall be set forth in the General Terms and Conditions for Japanese ODA Loans dated April 2021 (hereinafter referred to as the “**General Terms and Conditions**”), with the following supplemental stipulations:

(1) Section 2.01. (k) of the General Terms and Conditions shall be read as follows:

(k) “Front-End Fee” means a fee to be paid by the Borrower to JICA in the amount equivalent to two-tenths percent (0.2%) of the total sum of all “Amount of the Loan Allocated” for Categories (A) and (B) in Section 1. of Schedule 2; provided, however, that any amount of less than ONE Million Japanese Yen (¥1,000,000) shall be disregarded and the amount to be disbursed as the Front-End Fee will be recognized as TWENTY THREE MILLION Japanese Yen (¥23,000,000).

(2) Section 3.05.(3) of the General Terms and Conditions shall be read as follows:

(3) If the Disbursement Period of the Loan Agreement has not been extended and the Completion Date, determined by JICA, has occurred within the original Disbursement Period, the amount that is one-half of the “Amount of the Loan Allocated” for the Front-End Fee Category as indicated in Schedule 2 (hereinafter referred to as the “**FEF Repayment Amount**”) will be deducted from the Borrower’s debt to JICA under the Loan Agreement. With regard to the deduction of the FEF Repayment Amount pursuant to this Section 3.05. (3), JICA may, at its discretion, (i) apply the FEF Repayment Amount in whole or in part, to the amount then due and payable by

the Borrower to JICA, if any, and/or, (ii) set off the FEF Repayment Amount against any amount payable by the Borrower to JICA under the Loan Agreement. No interest or overdue charge shall accrue on the FEF Repayment Amount.

- (3) With regard to Section 3.08. (1) of the General Terms and Conditions, the Borrower shall have all repayment and/or prepayment of principal and payment of Refund, interest and Any Other Charges under the Loan Agreement credited to the "JICA-Loan" account, account No. 0207787, at the Head Office of MUFG Bank, Ltd., located in Tokyo, Japan.
- (4) Section 5.07.(1)(c) of the General Terms and Conditions shall be deleted.
- (5) The following subclause (i) shall be added to Section 6.01. of the General Terms and Conditions:
 - (i) Any event or circumstance that shall give IDB the right, under the provisions of the loan agreements between IDB and the Borrower entered into for or in relation to the Project, to suspend or terminate any disbursement to the Borrower and/or to declare all of the principal then outstanding, with the interest and any charges thereon, to be due and payable immediately.
- (6) The following shall be replaced with Section 10.03. of the General Terms and Conditions:

The Loan Agreement shall become effective on the date on which the following has occurred: (i) JICA declares itself satisfied with the evidence of authority and the specimen signatures referred to in Section 10.01., paragraph (1), the Legal Opinion mentioned in Section 10.02., paragraph (1), and the Guarantee, if any, (ii) after JICA confirms that the Program to Strengthen the Hospital Network executed by and between IDB and the Borrower dated as of November 30, 2023 has been duly executed and delivered, and that all conditions precedent to its effectiveness other than any condition requiring the Loan Agreement to have been executed and effective have been fulfilled or arrangements satisfactory to JICA have been made for the fulfillment thereof, within a period of time satisfactory to JICA, unless otherwise waived by JICA.

JICA shall immediately notify the Borrower in writing of the Effective Date of the Loan Agreement.

Section 2. Procurement Procedure

The guidelines for procurement mentioned in Section 4.01. of the General Terms and Conditions shall be as stipulated in the Procurement Procedure attached hereto as Schedule 4.

Section 3. Disbursement Procedure

The disbursement procedure mentioned in Section 5.01. of the General Terms and Conditions shall be Reimbursement Procedure, Direct Payments Procedure, and/or Advance Procedure as stipulated in the Schedule 5, 6, and 7 attached hereto.

Section 4. Administration of Loan

- (1) The Borrower shall authorize Secretary of Health (hereinafter referred to as the "**Executing Agency**") as the executing agency to implement the Project.
- (2) JICA appoints the IDB as Project Administrator in accordance with the Framework Agreement to undertake the following activities on behalf of JICA in accordance with the IDB policy and its normal procedures; (i) Supervision (review and concurrence) on procurement procedures of goods, works and/or services (consulting and non-consulting services) for the Loan Agreement, (ii) Review of disbursement documents submitted by the Borrower, through the Executing Agency, for the Loan Agreement and forwarding such documents to JICA.
- (3) The Borrower shall cause the Executing Agency to employ consultants for the implementation of the Project.
- (4) Should the funds available from the proceeds of the Loan be insufficient for the implementation of the Project, the Borrower shall make arrangements promptly to provide such funds as shall be needed.

- (5) The Borrower, through the Executing Agency, shall furnish JICA, via IDB, with progress reports for the Project, in such form and in such detail as IDB and JICA may reasonably request semiannually until the Project is completed.
- (6) Promptly, but in any event not later than six (6) months after completion of the Project, the Borrower, through the Executing Agency, shall furnish JICA, via IDB with a project completion report in such form and in such detail as IDB and JICA may reasonably request.

Section 5. Table of Contents and Headings

The table of contents and the headings of Articles or Sections herein are inserted for convenience of reference only, do not constitute part of the Loan Agreement and are not to be considered in construing or interpreting the Loan Agreement.

Section 6. Notices and Requests

The following addresses are specified for the purpose of Section 9.03. of the General Terms and Conditions:

For JICA

Postal address:

JAPAN INTERNATIONAL COOPERATION AGENCY
JICA HONDURAS OFFICE

Octavo Nivel, Edificio Corporativo "777", Colonia Las Lomas
del Guijarro Sur, Tegucigalpa M.D.C; Honduras, C.A.

Attention: Chief Representative

For the Borrower

Postal address:

SECRETARÍA DE ESTADO EN EL DESPACHO DE
FINANZAS (SEFIN)

Barrio El Jazmín, Ave. Cervantes, Tegucigalpa M.D.C,
Honduras, C.A.

Attention: Secretary of Finance

If the above addresses and/or names are changed, the party concerned shall immediately notify the other party hereto in writing of the new addresses and/or names.

IN WITNESS WHEREOF, JICA and the Borrower, acting through their duly authorized representatives, have caused the Loan Agreement to be duly executed in their respective names and delivered at Tegucigalpa, Honduras, as of the day and year first above written.

For

JAPAN INTERNATIONAL
COOPERATION AGENCY

For

THE GOVERNMENT OF THE
REPUBLIC OF HONDURAS

篠 克 彦

SHINO KATSUHIKO
Chief Representative
Honduras Office

MARLON OCHOA
Minister of Finance



Schedule 1

Description of Project

Section 1. Outline of the Project

(1) Objective:

The objective of this project is to strengthen the emergency medical care system by constructing emergency hospitals in Tegucigalpa and San Pedro Sula, providing necessary equipments, strengthening cordination between the hospitals, and training medical personnels, thereby contributing to improving access and quality of medical services for emergency patients.

(2) Location:

Tegucigalpa and San Pedro Sula

(3) Executing Agency:

Secretary of Health

(4) Scope of the Work:

- (a) Civil Works and Procurement of Equipment
- (b) Technical Cooperation for Quality Hospital Management, etc.
- (c) Consulting Services
- (d) Medical Human Resource Development

The proceeds of the Loan are available for the above items (a), (b) and (c).

Any balances remaining on the aforementioned items are to be financed by the Borrower.

Section 2. Limitation of Government Budget

Disbursement of the proceeds of the Loan shall be made within the limit of the Japanese Government's annual budgetary appropriations for JICA.

Schedule 2

Allocation of Proceeds of Loan

Section 1. Allocation

Category	Amount of the Loan Allocated (in million Japanese Yen)	% of Expenditure to be Financed
(A) Advance Procedure	11,680	100%
(B) Reimbursement Procedure and Direct Payments Procedure	0	100%
(C) Front-End Fee	23	—
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Total	11,703	

Note: Items not eligible for financing are as shown below.

- (a) General administration expenses
- (b) Taxes and duties
- (c) Purchase of land and other real property
- (d) Compensation
- (e) Other indirect items

With regard to disbursement in any of Categories (A) and (B), the amount to be disbursed shall be calculated based on the amount of the eligible expenditure by multiplying such amount by the percentage of the "Expenditure to be Financed" for the respective Category stipulated in this section, unless otherwise agreed upon between JICA and the Borrower.

Section 2. Reallocation upon change in cost estimates

- (1) If the estimated cost of items included in any of Categories (A) and (B) shall increase, the amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan, will be allocated by JICA, at the request of the Borrower, to such Category from other Categories, subject, however, to the requirements for contingencies, as determined by JICA, in respect of the cost of items in the other Categories.
- (2) The amount of Category (C) shall neither be reallocated to other Categories nor be reallocated from other Categories.

Schedule 3

Amortization Schedule

Due Date	Amount (in Japanese Yen)
On March 20, 2034	285,440,000
On each March 20 and September 20 beginning September 20, 2034 through March 20, 2054	285,439,000

Schedule 4

Procurement Procedure

Section 1. Guidelines to be used for procurement under the Loan

Procurement of all goods and services, including consulting services, to be financed out of the proceeds of the Loan shall be in accordance with the applicable policies for the procurement of goods and works and policies for the Selection and Contracting of Consultants of the IDB, according to the Framework Agreement.

Section 2. Eligible Source Country(ies)

The Eligible Source Country(ies) for procurement of all goods and services (including consulting services) to be financed out of the proceeds of the Loan are in accordance with the applicable policies for the procurement of goods and works and policies for the Selection and Contracting of Consultants of the IDB, according to Framework Agreement.

Section 3. JICA's review of decisions relating to procurement of goods and services (including consulting services)

Once completing satisfactorily the procurement process under the IDB's review, the Borrower shall, through the Executing Agency, furnish the IDB a copy of the contract in the agreed form with the IDB. The IDB submits them to JICA for JICA's reference in accordance with the Framework Agreement.

Schedule 5

Reimbursement Procedure

The Disbursement Handbook on the Framework Agreement, in effect at the date of signing of the Loan Agreement, and as may be amended from time to time (hereinafter referred to as the "**Handbook**"), shall be applied with the following supplemental stipulations, for disbursement of the proceeds of the Loan for the allocation to Category (B) as specified in Section 1. of Schedule 2 attached to the Loan Agreement for the payments already made to the Supplier(s).

Section 1. Procedure

- (1) The designated foreign exchange bank in Tokyo shall be MUFG Bank, Ltd., Tokyo (hereinafter referred to as the "**Paying Bank**").
- (2) The designated bank in the territory of the Borrower shall be the Central Bank of Honduras (hereinafter referred to as the "**Agent Bank**") and it shall act as the agent for the purposes of effecting any transactions required by the Borrower under this procedure.

Section 2. Request for Reimbursement

- (1) The Borrower shall, at the request of the Executing Agency, request JICA to make reimbursement for a sum not exceeding the amount actually paid to the Supplier(s) by sending to JICA, via the IDB, the required disbursement documents set forth under the Handbook.
- (2) The Borrower shall make the request mentioned above so that JICA can receive the necessary documents, in principle, not less than fifteen (15) business days prior to (i) the expiration date of the Disbursement Period and (ii) the date that the Borrower requests JICA to make disbursement, if so requested.

Section 3. Disbursement

- (1) When JICA finds the disbursement documents in order and in conformity with the relevant provisions of the Loan Agreement and the Handbook, JICA shall make reimbursement in Japanese Yen. Reimbursement will be made, in principle, within fifteen (15) business days from the date of receipt of the disbursement documents from the IDB by paying into the non-resident Yen account (hereinafter referred to as the “**Loan Account**”), which shall be opened, in accordance with the relevant laws and regulations of Japan, in advance with the Paying Bank.
- (2) The amount paid to the Supplier(s) and exchange rate used for conversion to Japanese Yen or other internationally traded currency acceptable to JICA, shall be described in the disbursement documents in accordance with the Handbook. If the amount stated in the Disbursement Request is in a currency other than Japanese Yen, the amount of disbursement in Japanese Yen shall be calculated at the telegraphic transfer selling (TTS) rate quoted by the Paying Bank two (2) business days before the date on which the disbursement is made.

Section 4. Banking Arrangement

- (1) Any action taken or arrangement or agreement entered into by the Agent Bank pursuant to the authority conferred on the Agent Bank shall be fully binding on the Borrower and shall have the same force and effect as if such action was taken or such arrangement was entered into by the Borrower. The Borrower may revoke or modify the authority conferred on the Agent Bank if consent of JICA is obtained.
- (2) The Borrower shall cause the Agent Bank to make necessary arrangement with the Paying Bank, including, but not limited to, the following for this Schedule:
 - (a) to open a Loan Account on behalf of the Borrower with the Paying Bank; and
 - (b) to confirm necessary arrangements for transaction of funds after the proceeds of the Loan is credited to the Loan Account.

Section 5. Foreign Exchange Risk

The Borrower shall bear all risks associated with foreign exchange fluctuations arising from disbursement and JICA shall not be liable therefor.

Section 6. Refund

If JICA has determined at any time that any of the following occurs, the Borrower shall promptly upon notice from JICA, refund to JICA such non-eligible amount in accordance with the Handbook:

- (a) (Refund Associated with the Auditor's Report) any payment made for expenses not eligible identified by an external auditor's report and review by the IDB (Section IV. 4. of the Handbook); or
- (b) (Refund of Non-Eligible Expenses Accrued Only to JICA) any payment made for expenses not eligible under the Loan Agreement only by JICA (Section V. 2. of the Handbook).

Section 7. Exemption of JICA's obligation

- (1) In the case where each of the following cases occurs at the time of making each disbursement, JICA is not obligated to make any disbursement to the Borrower.
 - (a) JICA reasonably determines that fulfillment of the disbursement under the Loan Agreement would be difficult due to any event that is beyond the control of JICA, including, but not limited to, (i) a system malfunction, (ii) the imposition of economic sanctions, or (iii) the occurrence of any force majeure event, such as an act of God, epidemic disease, war, terrorism or change in governmental regulations.
 - (b) JICA reasonably determines that any reason or circumstance exists that would make it difficult for any supplier, contractor or consultant to receive a payment under a contract to be finance out of the proceeds of the Loan.
- (2) In the case that the situation indicated in this Section occurs, JICA shall, as the Borrower may reasonably request, afford the Borrower all reasonable opportunities for exchange of views between JICA and the Borrower.

Schedule 6

Direct Payments Procedure

The Disbursement Handbook on the Framework Agreement, in effect at the date of signing of the Loan Agreement, and as may be amended from time to time (hereinafter referred to as the "**Handbook**"), shall be applied with the following supplemental stipulations, for disbursement of the proceeds of the Loan for the allocation to Category (B) as specified in Section 1. of Schedule 2 attached to the Loan Agreement for the payments to be made to the Supplier(s).

Section 1. Procedure

- (1) The designated foreign exchange bank in Tokyo shall be MUFG Bank, Ltd., Tokyo (hereinafter referred to as the "**Paying Bank**").
- (2) The designated bank in the territory of the Borrower shall be the Central Bank of Honduras (hereinafter referred to as the "**Agent Bank**") and it shall act as the agent for the purposes of taking any action or entering into any arrangement or agreement, on behalf of the Borrower, required or permitted under this procedure.
- (3) The Borrower shall, exclusively for the Project, open and maintain a non-resident Japanese Yen account (hereinafter referred to as the "**Loan Account**") in accordance with the relevant laws and regulation of Japan in advance with the Paying Bank.

Section 2. Request for Disbursement

- (1) The Borrower shall request JICA to make disbursement for a sum not exceeding the amount actually claimed by the Supplier(s) by sending to JICA, via the IDB, the required disbursement documents set forth under the Handbook.

- (2) The Borrower shall make the request mentioned above so that JICA can receive the necessary documents, in principle, not less than fifteen (15) business days prior to (i) the expiration date of the Disbursement Period and (ii) the date that the Borrower requests JICA to make disbursement, only if so requested.

Section 3. Disbursement

- (1) When JICA finds the disbursement documents in order and in conformity with the relevant provisions of the Loan Agreement and the Handbook, JICA shall make disbursement in Japanese Yen, in principle, within fifteen (15) business days from the date of receipt of the disbursement documents from the IDB by paying into the Loan Account.
- (2) In case where the amount stated in the Disbursement Request, as per Annex 5 of the Handbook, is in an international traded foreign currency acceptable to JICA other than Japanese Yen, the amount of disbursement in Japanese Yen shall be calculated at the telegraphic transfer selling (TTS) rate quoted by the Paying Bank two (2) business days before the date on which the disbursement is made.

Section 4. Payment to the Supplier(s)

Case 1: Case 1 shall apply in case where the currency used for the actual payment to the Supplier(s) is the local currency of the Borrower's country.

Immediately after the proceeds of the Loan disbursed by JICA has been credited to the Loan Account, the Borrower shall cause the Paying Bank to make a cable advice to the Agent Bank. After receiving the cable advice from the Paying Bank, the Borrower shall cause the Agent Bank to immediately transfer the amount described in the Disbursement Request to the Supplier(s) in the local currency of the Borrower's country, to the corresponding account(s) of the Supplier(s) as specified in the Disbursement Request.

Case 2: Case 2 shall apply in case where the currency used for the actual payment to the Supplier(s) in Japanese Yen or other internationally traded foreign currency acceptable to JICA.

Immediately after the proceeds of the Loan disbursed by JICA has been credited to the Loan Account, the Borrower shall cause the Paying Bank to transfer the disbursed amount to the corresponding account(s) of the Supplier(s) as specified in the Disbursement Request.

Section 5. Banking Arrangement

- (1) Such arrangement or agreement mentioned above for Case 1 shall include, but not be limited to, the following:
 - (a) The Borrower shall cause the Agent Bank to make necessary arrangement with the Paying Bank:
 - (i) to open a Loan Account on behalf of the Borrower with the Paying Bank; and
 - (ii) to let the Paying Bank make a cable advice to the Agent Bank of the disbursement by JICA.
 - (b) The Borrower shall make necessary arrangement with the Agent Bank, so that, after receiving the cable advice from the Paying Bank, the Agent Bank shall immediately credit the amount described in Disbursement Request to the Supplier(s), in the local currency of the Borrower's country, to the corresponding account(s) of Supplier(s) pursuant to the Disbursement Request.
- (2) Such arrangement or agreement mentioned above for Case 2 shall include, but not be limited to, the following:
 - (a) The Borrower shall cause the Agent Bank to make necessary arrangements or agreements with the Paying Bank:
 - (i) to open a Loan Account on behalf of the Borrower with the Paying Bank; and
 - (ii) immediately after the disbursement made by JICA has been credited to the Loan Account of the Agent Bank, to make the Paying Bank transfer the disbursed amount to the corresponding account(s) of the Supplier(s) pursuant to the Disbursement Request.

- (b) Notwithstanding the stipulation in (2) (a) above, the Paying Bank shall transfer the disbursed amount to the corresponding account(s) of the Supplier(s) pursuant to a copy of the Disbursement Request submitted by JICA.
- (3) Any action taken or arrangement or agreement entered into by the Agent Bank pursuant to the authority conferred on the Agent Bank shall be fully binding on the Borrower and shall have the same force and effect as if such action was taken or such arrangement or agreement was entered into by the Borrower.
- (4) The Borrower may revoke or modify the authority conferred on the Agent Bank if consent of JICA is obtained.

Section 6. Foreign Exchange Risk

JICA shall not be liable for any risks incurred by the Borrower and/or the Supplier(s) at the time of exchange owing to any difference between payment claims from the Supplier(s) to the Borrower and the actual payments to the Supplier(s).

Section 7. Refund

If JICA has determined at any time that any of the following occurs, the Borrower shall promptly upon notice from JICA, refund to JICA such non-eligible amount in accordance with the Handbook:

- (a) (Refund Associated with Auditor's Report) any payment made for expenses not eligible identified by an external auditor's report and review by the IDB (Section IV. 4. of the Handbook); or
- (b) (Refund of Non-eligible Expenses Accrued Only to JICA) any payment made for expenses not eligible under the Loan Agreement only by JICA (Section V. 2. of the Handbook).

Section 8. Exemption of JICA's obligation

- (1) In the case where each of the following cases occurs at the time of making each disbursement, JICA is not obligated to make any disbursement to the Borrower.
 - (a) JICA reasonably determines that fulfillment of the disbursement under the Loan Agreement would be difficult due to any event that is beyond the control of JICA, including, but not limited to, (i) a system malfunction, (ii) the imposition of economic sanctions, or (iii) the occurrence of any force majeure event, such as an act of God, epidemic disease, war, terrorism or change in governmental regulations.
 - (b) JICA reasonably determines that any reason or circumstance exists that would make it difficult for any supplier, contractor or consultant to receive a payment under a contract to be finance out of the proceeds of the Loan.
- (2) In the case that the situation indicated in this Section occurs, JICA shall, as the Borrower may reasonably request, afford the Borrower all reasonable opportunities for exchange of views between JICA and the Borrower.

Schedule 7

Advance Procedure

The Disbursement Handbook on the Framework Agreement, in effect at the date of signing of the Loan Agreement, and as may be amended from time to time (hereinafter referred to as the "**Handbook**"), shall be applied with the following supplemental stipulations, for disbursement of the proceeds of the Loan allocated to Category (A) as specified in Section 1. of Schedule 2 attached to the Loan Agreement.

Section 1. Procedure

- (1) The designated foreign exchange bank in Tokyo shall be MUFG Bank, Ltd., Tokyo (hereinafter referred to as the "**Paying Bank**").
- (2) The designated bank in the territory of the Borrower shall be the Central Bank of Honduras (hereinafter referred to as the "**Agent Bank**") and it shall act as the agent for the purposes of taking any action or entering into any arrangement or agreement, on behalf of the Borrower, required or permitted under this procedure.
- (3) The Borrower shall open and maintain (i) a non-resident Yen account (hereinafter referred to as the "**Loan Account**") in accordance with the relevant laws and regulation of Japan in advance with the Paying Bank and which shall be used as (ii) a designated account denominated in Japanese Yen (hereinafter referred to as the "**Designated Account**") and (iii) an account denominated in the Currency Agreed with IDB opened with the Agent Bank (hereinafter referred to as "**Local Account**") from which the payments for eligible expenditures are made in accordance with Section II, 5.(1)(b) of the Handbook.

Section 2. Request for Disbursement

- (1) The Borrower, through the Executing Agency, shall request JICA to make disbursement by submitting, via the IDB, the required disbursement documents set forth under the Handbook.
- (2) The Borrower, through the Executing Agency, shall make the request mentioned above so that JICA can receive the necessary documents, in principle, not less than fifteen (15) business days prior to (i) the expiration date of the Disbursement Period and (ii) the date that the Borrower, through the Executing Agency, requests JICA to make disbursement, provided that item (ii) shall apply only in the case where such request is made.

Section 3. Disbursement

- (1) When JICA finds the disbursement documents in order and in conformity with the Loan Agreement and the Handbook, JICA shall make disbursement in Japanese Yen into the Loan Account, which is also used as the Designated Account, in principle, within fifteen (15) business days from the date of receipt of the disbursement documents from the IDB. The Borrower shall then transfer the amount disbursed into the Designated Account in the Currency Agreed with IDB.
- (2) All amounts withdrawn from the Designated Account shall be used solely for payments made or to be made in accordance with the purpose and scope of works stipulated in the relevant provisions of the Loan Agreement. The Borrower, through the Executing Agency, shall record all transactions, including the exchange rates applied to the amount transferred from the Designated Account to the Local Account, independently in accordance with consistently maintained sound accounting principles. The Borrower, through the Executing Agency, shall submit relevant documents, including, but not limited to, the documents mentioned hereinafter to justify the expenditures paid out from the Local Account.
- (3) If the percentage of justification made is less than the level agreed in

accordance with the Handbook at the time of making the subsequent request for disbursement, the Borrower shall not be allowed to submit the request for subsequent disbursement until it exceeds such agreed level, unless otherwise agreed between the IDB and JICA.

Section 4. Payments Made in Currency Other than the Currency Agreed with IDB and Japanese Yen

- (1) As described in Section II, 5. (1) of the Handbook, when the currency used or to be used for the payment is not the Currency Agreed with IDB, the amount paid or to be paid shall be converted to the Currency Agreed with IDB, and the Borrower shall withdraw the amount in such Currency Agreed with IDB equivalent to the amount paid or to be paid in the original currency, from the Local Account in accordance with Section II, 5.(1)(b) of the Handbook.
- (2) As described in Section II, 5. (1) of the Handbook, the Borrower, through the Executing Agency, shall manage and administer the advanced amount and to justify the disbursed amount in both Japanese Yen and in the Currency Agreed with IDB. If the currency of payment for Supplier(s) is not Japanese Yen, the amount should be evaluated using the same exchange rate applied for the transfer of disbursed fund from the Designated Account in Japanese Yen to the Local Account in the Currency Agreed with IDB to manage and administer disbursements under the Advance Procedure. In this regard, the exchange rate at the time of withdrawal from the Local Account and the equivalent amount paid in Japanese Yen shall be described in the Statement of Expense and submitted together with the evidence of the exchange rate.

Section 5. Banking Arrangement

- (1) Any action taken or arrangement or agreement entered into by the Agent Bank pursuant to the authority conferred on the Agent Bank shall be fully binding on the Borrower and shall have the same force and effect as if such action was taken or such arrangement or agreement was entered into by the

Borrower. The Borrower may revoke or modify the authority conferred on the Agent Bank if consent of JICA is obtained.

- (2) The Borrower shall cause the Agent Bank to make necessary arrangement with the Paying Bank, including, but not limited to, the following:
 - (a) to open a Loan Account with the Paying Bank; and
 - (b) to confirm necessary arrangements for transaction of funds to the Designated Account after the proceeds of the Loan is credited to the Loan Account.

Section 6. Foreign Exchange Risk

The Borrower shall bear all risks associated with foreign exchange fluctuations arising from disbursement and JICA shall not be liable therefor.

Section 7. Refund

- (1) If JICA has determined at any time that any of the following occurs, the Borrower shall promptly upon notice from JICA, deposit into the Designated Account, or if JICA so requests, refund to JICA such non-eligible and/or unjustifiable amount in accordance with the Handbook:
 - (a) (Refund Associated with by Auditor's Report) any payment made for expenses not eligible identified by an external auditor's report and review by the IDB staff (Section IV. 4. of the Handbook);
 - (b) (Refund of Non-Eligible Expenses Deemed Only by JICA) any payment made for an expense not eligible under the Loan Agreement (Section V. 2. of the Handbook), or
 - (c) (Refund of Unjustified Advance) any payment not justified by supporting documents under the Advance Procedure (Section V. 1. of the Handbook). Such unjustified amount shall be determined to be the balance between the cumulative disbursement for the Designated Account and the cumulative amount of satisfactory supporting documents in Japanese Yen received by JICA.

Section 8. Exemption of JICA's obligation

- (1) In the case where each of the following cases occurs at the time of making each disbursement, JICA is not obligated to make any disbursement to the Borrower.
 - (a) JICA reasonably determines that fulfillment of the disbursement under the Loan Agreement would be difficult due to any event that is beyond the control of JICA, including, but not limited to, (i) a system malfunction, (ii) the imposition of economic sanctions, or (iii) the occurrence of any force majeure event, such as an act of God, epidemic disease, war, terrorism or change in governmental regulations.
 - (b) JICA reasonably determines that any reason or circumstance exists that would make it difficult for any supplier, contractor or consultant to receive a payment under a contract to be finance out of the proceeds of the Loan.
- (2) In the case that the situation indicated in this Section occurs, JICA shall, as the Borrower may reasonably request, afford the Borrower all reasonable opportunities for exchange of views between JICA and the Borrower.