



LOAN NO. 15882P

STRENGTHENING INNOVATION, RESILIENCE AND SUSTAINABILITY OF
AGRI-FOOD SYSTEMS IN NORTH CENTRAL HONDURAS PROJECT -
INNOVASAN

LOAN AGREEMENT

BETWEEN

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

AND

THE REPUBLIC OF HONDURAS



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The OPEC Fund for International Development

AGREEMENT between the OPEC Fund for International Development ("OPEC Fund") and the Republic of Honduras ("Borrower").

Whereas, the Borrower has requested a loan from the OPEC Fund for part financing of the Project described in Schedule 1; and

Whereas, the OPEC Fund has approved a loan to the Borrower in the amount of fifteen million Dollars (\$15,000,000) upon the terms and conditions set forth hereinafter ("Loan").

Now, therefore, the parties to this Loan Agreement ("Agreement") hereby agree as follows:

Article 1

GENERAL CONDITIONS; DEFINITIONS

1.01 The General Conditions attached hereto shall constitute an integral part of this Agreement.

1.02 In addition to the terms defined in the preamble, the following terms and expressions shall have the following meanings or, where they duplicate terms and expressions in the General Conditions, the following specific meanings:

- (a) "Authorized Representative" of the Borrower means its Secretary of Finance;
- (b) "Business Day" means a day (i) on which commercial banks and foreign exchange markets settle payments in Dollars in New York; (ii) (in relation to the fixing of an interest rate) which is a US Government Securities Business Day; and (iii) on which OPEC Fund is open for business in Vienna, Austria;
- (c) "Closing Date" means December 31, 2032;
- (d) "Day Count Fraction" means, Actual/360, or such other Day Count Fraction which is customary for USD or a Reference Rate, as determined by the OPEC Fund;
- (e) "Date of Final Repayment" means the last Date of Repayment specified in the amortization table set forth in Schedule 3;



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- (f) "Date of Repayment" means the date of each semi-annual repayment of the Loan as set forth in Schedule 3;
- (g) "Dollar" and the sign "\$" mean and refer to the lawful currency of the United States of America;
- (h) "Eligible Expenditure Commencement Date" means August 28, 2024;
- (i) "Executing Agency" means the Secretariat of Agriculture and Livestock (SAG);
- (j) "General Conditions" means the General Conditions Applicable to Public Sector Loan Agreements, June 2019;
- (k) "Grace Period" means the period beginning on the Date of the Agreement and ending five (5) years from that date;
- (l) "Interest Determination Date" means the second Business Day after the end of each Interest Period;
- (m) "Interest Payment Date" means any day on which interest is due and payable on the Loan in any year, provided that, if any such day is not a Business Day, the Interest Payment Date which would otherwise fall on that day will fall on the next Business Day;
- (n) "Interest Period" means each six (6) months' period (or such period as will enable any following Interest Determination Dates and related Interest Payment Dates to coincide with the Interest Determination Date of the immediately preceding withdrawal) beginning on an Interest Payment Date and ending on the day before the next Interest Payment Date, except in the case of the first Interest Period applicable to the withdrawal when it means the period beginning on the date on which the withdrawal is made and ending on the day before the next Interest Payment Date;
- (o) "Interest Rate" means the rate of interest payable on the Loan, determined in accordance with Section 2.02;
- (p) "Loan Administrator" means the International Fund for Agricultural Development (IFAD);
- (q) "Margin" means two hundred and thirty (230) basis points;
- (r) "Reference Rate" means, for any Interest Period, SOFR, and if that rate is less than zero, the Reference Rate shall be deemed to be zero;



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- (s) "Relevant Rate Page" means the display page designated by an established financial market data provider selected by the OPEC Fund as the page for the purpose of displaying at customary publication times the Reference Rate;
- (t) "SOFR" means, in respect of any Interest Period, the Secured Overnight Financing Rate for the period that appears on the Relevant Rate Page at customary publication times specified by the applicable benchmark administrator, calculated on a compounded in arrears basis using a lookback period of two (2) days and expressed as a percentage per annum, as reasonably determined by the OPEC Fund for the relevant Interest Period; and
- (u) "US Government Securities Business Day" means any day other than: (i) a Saturday or a Sunday; and (ii) a day on which the Securities Industry and Financial Markets Association (or any successor organisation) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in US Government securities.

* * *

Article 2 THE LOAN

2.01 The OPEC Fund agrees to lend to the Borrower and the Borrower agrees to borrow from the OPEC Fund the Loan in the amount of fifteen million Dollars (\$15,000,000) on the terms and conditions set forth in this Agreement.

2.02 For the purposes of this Loan:

(a) The Interest Rate, for any Interest Period, shall be the rate that is the sum of the Reference Rate plus the Margin.

(b) During each Interest Period, the Loan shall bear interest at the Interest Rate, as determined under this Section.

(c) Interest shall accrue from day to day and be pro-rated on the basis of the number of days for a month and year of the applicable Day Count Fraction.

(d) The determination by the OPEC Fund of Interest Rates is final and conclusive and binds the Borrower, unless the Borrower shows to the satisfaction of the OPEC Fund that the determination involves a clerical error.



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(e) If the OPEC Fund determines that:

- (i) the relevant Reference Rate is not available through the normal sources of information at the customary publication times in respect of the relevant Interest Period, the OPEC Fund shall reasonably determine such Reference Rate taking into account the prevailing market practice with respect to alternative methods for calculating the Reference Rate, their market representativeness and acceptability to the OPEC Fund for purposes of its asset and liability management, and notify the Borrower accordingly; or
- (ii) the Reference Rate has permanently ceased to be quoted, or the OPEC Fund is no longer able, or it is no longer commercially acceptable for the OPEC Fund, to continue to use such Reference Rate, for purposes of its asset and liability management, OPEC Fund shall apply such other comparable reference rate for the relevant currency, including any applicable spread, as the OPEC Fund shall determine, and notify the Borrower accordingly.

2.03 The Borrower shall pay a commitment fee at the rate of a quarter of one per cent (0.25%) per annum on the unwithdrawn balance beginning to accrue sixty (60) days from the Date of the Agreement and payable in the first instance within ninety (90) days from the Date of Effectiveness. For the avoidance of doubt, no commitment fee shall be payable if the Agreement is terminated for failure to become effective.

2.04 The Borrower shall pay a front-end fee of a quarter of one per cent (0.25%) of the Loan. The Borrower hereby authorizes the OPEC Fund to deduct the front-end fee from the first disbursement of the Loan proceeds upon effectiveness declaration.

2.05 Interest and commitment fee (except the first payment for commitment fee, which shall be payable as stipulated in Section 2.03) shall be paid semi-annually on May 15 and November 15 in each year into the OPEC Fund Account.

2.06 The Borrower shall repay the principal of the Loan in Dollars, or in any other freely convertible currency acceptable to the OPEC Fund in an amount equivalent to the Dollar amount due according to the market exchange rate prevailing at the time and place of repayment. Repayment shall commence immediately following the end of the Grace Period and shall be effected in thirty (30) semi-annual instalments each in an amount determined by the OPEC Fund as specified in Schedule 3 (AMORTIZATION) for the respective Date of Repayment.



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2.07 Any open credit or debit balance in the Loan account subsequent to the Date of Final Repayment shall be settled by the parties within sixty (60) calendar days after issuance of the notification of calculation of interest accrued in arrears by the OPEC Fund to the Borrower.

2.08 The Date of the Agreement shall be the date on which it is signed and dated by the authorized representative of the party last to sign and date the same.

* * *

Article 3 EFFECTIVENESS

3.01 This Agreement shall enter into force and effect in accordance with Section 3.02 upon receipt by the OPEC Fund of:

(a) satisfactory evidence that the execution and delivery of this Agreement on behalf of the Borrower have been duly authorized and ratified according to the constitutional requirements of the Borrower;

(b) a legal opinion issued by the Minister of Justice or the Attorney General or any other competent legal authority of the Borrower confirming that this Agreement has been duly authorized and ratified by the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms; and

(c) evidence that the loan or other financing agreement between the Loan Administrator and the Borrower for financing the Project has been declared effective or will be declared effective concurrently with this Agreement.

3.02 As soon as possible after the conditions specified in Section 3.01 shall have been satisfactorily fulfilled, this Agreement shall enter into full force and effect on the Date of Effectiveness.

3.03 If this Agreement does not become effective within one hundred and eighty (180) days after the Date of the Agreement, the Agreement and all obligations of the parties hereunder shall terminate, unless the OPEC Fund, after



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consideration of the reasons for the delay, establishes a later date for the purposes of this Section.

* * *

Article 4 ADDRESSES

4.01 The parties' addresses are as specified below:

For the OPEC Fund:

The OPEC Fund for International Development
Parking 8
A-1010 Vienna
AUSTRIA
Facsimile: (+43-1) 513 92 38

For the Borrower:

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

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Article 5 PROJECT GOVERNANCE

5.01 The Borrower, through the Executing Agency shall ensure that the procurement activities under the Loan meet the International Fund for Agricultural Development's procurement requirements.

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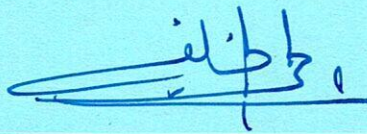
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LOAN NO. 15882P

IN WITNESS whereof the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed and delivered by exchange of correspondence in two counterparts in the English language, each considered an original and both to the same and one effect as of the Date of the Agreement.

FOR THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT:

Signature: _____



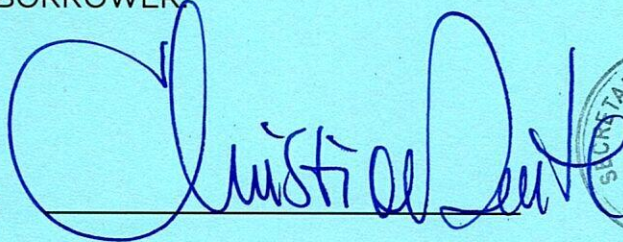
Name: Dr. Abdulhamid Alkhalifa

Title: President

Date: October 18, 2024

FOR THE BORROWER:

Signature: _____



Name: Christian Duarte

Title: Secretary of Finance

Date: December 13, 2024

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REPUBLIC OF HONDURAS

STRENGTHENING INNOVATION, RESILIENCE AND SUSTAINABILITY OF AGRIFOOD SYSTEMS IN NORTH CENTRAL HONDURAS PROJECT - INNOVASAN

SCHEDULE 1 PROJECT DESCRIPTION

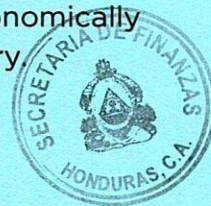
1.01 The Project aims to enhance food and nutrition security and build resilience in agri-food systems in north-central Honduras. The Project's scope includes a comprehensive approach that addresses various technical, environmental, and socio-economic challenges faced by the target population. The Project is designed to benefit small-scale rural producers, focusing on women, youth, and indigenous peoples through a series of coordinated interventions.

2.01 The Project's objectives will be achieved through the implementation of the following activities:

Component 1: Investments in Human, Social, Economic, and Natural Capital of Poor Smallholder Families: The component aims to strengthen family production units and small producer organizations through investments in business plans that develop nutrition-sensitive value chains and improve organizational, administrative, and marketing capacities.

Subcomponent 1.1: Investments in Production, Value Addition, and Commercialization. This subcomponent will finance the formulation and implementation of business plans in value chains sensitive to nutrition, gender and youth and resilient to climate change, as well as specialized technical assistance that includes an organizational strengthening plan, based on the needs of the target groups. Specifically, this sub-component will:

1. Enhance production capacities, add value to products, and improve the marketing strategies of rural businesses;
2. Provide financial support enabling small-scale rural businesses to invest in new technologies, equipment, and infrastructure improvements;
3. Provide technical assistance through training programs and workshops focused on modern agricultural practices, value addition techniques, and efficient marketing strategies;
4. Provide market access by connecting rural producers to larger markets and export opportunities, including establishing cooperative marketing groups to reduce transaction costs and improve bargaining power; and
5. Encourage the adoption of environmentally friendly and economically viable farming practices such as organic farming and agroforestry.



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Subcomponent 1.2: Investments in Grey and Green Infrastructure and Micro-Watershed Management for Water Supply. This subcomponent shall include the financing of investments in physical and natural infrastructure to reduce the climate change impacts of the target population and their means of production due to extreme rainfall, hurricanes, and/or droughts. Specifically, this sub-component will include:

1. A comprehensive investment approach at the micro-basin level that includes small and medium-sized infrastructure works;
2. Promotion of restoration of productive forest and agricultural landscapes to strengthen and recover ecosystem services;
3. A biophysical diagnosis at the municipal level to prepare an investment plan for both grey and green infrastructure to assess (i) water access and availability in terms of both quantity and quality and (ii) disaster risks associated with current and future climatic events;
4. A hydrological study to create a detailed mapping of water infrastructure needs;
5. Construction of various types of wells, in coordination with municipal governments, to serve at least ten (10) families per well;
6. Development of surface water systems to treat piped water from springs or capture points, to benefit one hundred (100) families each;
7. Installation of drip irrigation systems for food production;
8. Designing protective measures for roads and slope stabilization;
9. Implementation of the three existing Micro-Watershed Management Plans and formulation of three (3) new ones;
10. A municipal study to assess food insecurity and the specific needs for home improvements in the most vulnerable areas. Public tenders will be used to hire specialized companies to upgrade basic living conditions, including floors, roofs, kitchens, latrines, and access to potable water in rural households. Half of the improved homes will also receive agricultural units such as vertical mini-greenhouses or low-pressure irrigation systems, along with rainwater harvesting systems; and
11. Providing technologies like solar panels and water collection systems to support food production and energy needs.

Subcomponent 1.3: Strengthening the Capacities of the Rural Population, with Emphasis on Women and Youth. This subcomponent seeks to improve the capabilities of the rural population, especially those at risk of food insecurity and in the face of climatic events, to improve and diversify their eating and nutritional habits, as well as their capacity to adapt to climate change, through adequate management of risks caused by climate events, and for the appropriate use of information and communication technologies. Specifically, this sub-component will include:

1. Developing a Behavior Change Program for Food and Water Sanitation and Hygiene (WASH) skills with a gender and youth focus. The program will feature five training modules for families, teachers, and parents



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- involved in the National School Feeding Program and a campaign to improve food habits in rural communities;
2. Establishing Early warning systems for natural disasters such as floods, hurricanes, and droughts;
 3. Training on climate-resilient agricultural practices, such as drought-resistant crops, water-efficient irrigation methods, and agroforestry;
 4. Developing disaster preparedness and climate adaptation plans to ensure local relevance and effectiveness;
 5. Conducting gender sensitization workshops and training sessions to raise awareness about the importance of women's participation in agriculture and community activities;
 6. Developing programs specifically designed for rural youth, including leadership training, vocational education, and mentorship opportunities;
 7. Providing entrepreneurship training courses on business planning, financial management, and marketing to help young entrepreneurs start and grow their own businesses;
 8. Establishing business incubators and accelerators to provide mentoring, funding, and support services to young entrepreneurs; and
 9. Providing vocational training in areas such as agriculture, carpentry, plumbing, and other trades to improve employability.

Component 2: Strengthening Government and Stakeholder Capacities and Coordination. This component aims to improve institutional frameworks and integrate public policies to develop systemic solutions for better service provision to producer organizations. It focuses on enhancing climate resilience and Food and Nutritional Security (SAN) through two subcomponents. Expected outcomes include enhanced institutional capacities, increased access to financial and non-financial services for rural families, and improved commercialization services for producer organizations.

Subcomponent 2.1: Strengthening Governance and Institutional Capacities in SAN and Climate Change. The objective of this subcomponent is to enhance the governance and capacities of public, private, and civil society institutions to implement public policies in SAN and climate change within the agri-food sector, creating enabling conditions for Component 1 activities. Specifically, this subcomponent will include:

1. A diagnostics of school infrastructure study to improve water security and sanitation for at least 8,400 children in 42 schools, supporting better hygiene, safe water access, and adequate food storage with the necessary equipment to store food;
2. Investments to build or rehabilitate kitchen areas and food storage to enable the implementation of fresh food rationing;
3. Comprehensive institutional training programs with four diplomas in municipal planning, nutritional surveillance, breastfeeding, and food education to build a network of local SAN promoters;



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4. Publication and distribution of Food-Based Dietary Guidelines (GABAS) to aid teachers and school meal preparers in promoting balanced and healthy meals and improving cooking practices and reducing the use of wood;
5. Developing early warning systems for climate and natural disasters, monitoring deforestation and resource degradation, and specialized training in agrometeorology and greenhouse gas emissions;
6. Generating and disseminating climate change and disaster risk reduction materials and developing tools for assessing the impacts of climatic events on agri-food systems; and
7. Promotion of participation and empowerment of producer organizations through multi-stakeholder dialogues to address barriers to sustainable agri-food systems, focusing on gender and youth.

Subcomponent 2.2: Strengthening Financial, Non-Financial Services, and Information and Communication Technologies (ICTs) for Development. This subcomponent aims to improve access to credit and other financial and non-financial services for small producers and rural populations through partnerships with financial institutions, particularly non-banking institutions that better meet the needs of the target population. It also seeks to enhance the adoption and use of ICTs for the transition to sustainable and resilient agri-food systems. Specifically, this sub-component will include:

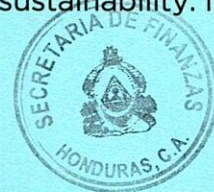
1. Mapping of remittance companies in Honduras, identifying financial products for remittance use, and exploring business and investment opportunities to channel remittance funds into productive activities;
2. Collaboration with credit service institutions to develop financial products and solutions through innovative channels like Fintech and Agritech companies;
3. Formation of rural savings and credit associations and digitization of their operations to ensure that they can generate required financial statements;
4. Providing digital training to reduce the urban-rural digital divide and implement a financial education program through a fintech company;
5. Identifying required services to address bottlenecks in nutrition-sensitive value chains and supporting their development through entrepreneurship activities and partnerships with Agritech companies;
6. Collaborating with INNOVATECH, a project financed by IFAD and implemented by German Sparkassenstiftung, aiming to help smallholder farmers recover faster and more resiliently from the impacts caused by the COVID-19 pandemic, to fund at least three (3) Agritech companies providing non-financial services such as logistics, e-trade, and provision of local agroecological inputs;
7. Coordinating with municipal governments to identify key markets and investing in their reconditioning to meet legal, technical, and sanitary standards;



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8. Promoting the reduction of food loss and waste in these markets and enhancing water and sanitation infrastructure to improve food safety and nutrition practices;
9. Supporting the Honduran Agricultural Marketing Institute in improving the profitability of small producer families by strengthening the basic grain collection system through investments in three collection centers and implementing a digital inventory and logistics management system;
10. Working with public authorities to digitize food demand and promote the participation of producer organizations in public procurement systems, leveraging opportunities for local inclusion and development; and
11. Integrating ICTs systematically and comprehensively through four main actions:
 - a. **Strengthening Institutional Capacities:** The Project will (i) support SAG to improve the Agricultural Product Market Information System of Honduras (SIMPAH), enhancing the usability of market and price information systems; (ii) develop and strengthen the Climate Information System, Early Warning System, and Geographic Information Systems to improve data-driven climate risk management and planning at regional and microwatershed levels.
 - b. **Analyzing Demand for Virtual Technical Assistance:** The Project will evaluate the demand for virtual technical assistance from producers, students, and agricultural technicians.
 - c. **Establishing a Virtual Technical Assistance Platform (PATV):** Building on the Agroextension program, the Project will create a PATV that integrates information from universities, technical service providers, public sector institutions, experimental stations, amongst others.
 - d. **Developing a Traceability System for Nutrition-Sensitive Production:** The Project will establish a national traceability system for nutrition-sensitive products. .

Component 3: Management, Monitoring, Evaluation, and Knowledge Management. This component's objective is to efficiently coordinate, manage, and administer the Project to ensure the achievement of relevant objectives and results. It includes actions in monitoring and evaluation, knowledge management, and communication, as well as proper financial and administrative management of the Project. Strategic and operational planning will be conducted from the direction and coordination of various units, ensuring viable and updated strategies on key themes such as gender and youth, climate change, water security, SAN, and sustainability. It



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will also define mechanisms for developing partnerships and framework agreements.
This will involve :

1. designing and implementing a Monitoring and Evaluation (M&E) system to support internal and external project management and decision-making;
2. creating a Knowledge Management and Communication strategy and plan in the first year, advising on the creation of knowledge and communication products to share Project results and lessons learned, and coordinating training activities in various productive, commercial, environmental management/Climate Change, SAN, gender, and youth topics; and
3. efficiently managing and administering financial, human, and material resources, as well as acquisitions, in accordance with national regulations and IFAD standards.

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REPUBLIC OF HONDURAS

STRENGTHENING INNOVATION, RESILIENCE AND SUSTAINABILITY OF AGRIFOOD SYSTEMS IN NORTH CENTRAL HONDURAS PROJECT - INNOVASAN

SCHEDULE 2 LOAN ALLOCATION

1. Unless otherwise agreed between the Borrower and OPEC Fund, the table below sets forth the components to be financed out of the proceeds of the Loan, the allocation of amounts of the Loan to each component and the percentage of total expenditures for items to be financed in respect of each component:

Components	OPEC Fund (Expressed in US Dollars) ¹	Percentage of Expenditures to be Financed
1. Investments in social, economic and natural human capital of smallholder families	10,650,000	71%
2. Strengthening the capacities and coordination of the government and other stakeholders in the territory	2,404,000	16%
3. Management and Administration	1,946,000	13%
Total	15,000,000	100%

2. Notwithstanding the allocation of the Loan proceeds or the disbursement percentage set forth in paragraph 1 above, if OPEC Fund has reasonably estimated that the amount of the Loan then allocated to the component specified above will be insufficient to finance the agreed percentage of all expenditures in that component, OPEC Fund may, by notice to the Borrower, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals in respect of the said component may continue until all expenditures thereunder shall have been made.

* * *

¹ The proceeds of the Loan will exclude any payments towards taxes.



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SCHEDULE 3 AMORTIZATION

1. The following table sets forth the Dates of Repayment of the Loan and the percentage of the principal amount of the Loan due and payable (Amount Due) on each Date of Repayment. If the proceeds of the Loan have been fully withdrawn as of the first Date of Repayment, the principal amount of the Loan repayable by the Borrower on each Date of Repayment shall be determined by OPEC Fund by multiplying: (a) the total amount of the Loan withdrawn and outstanding as of the first Date of Repayment; by (b) the percentage of the Amount Due specified below for each Date of Repayment.

<u>No.</u>	<u>Date of Repayment</u>	<u>Amount Due</u> (Expressed in Percentage)
1	November 15, 2029	3.33
2	May 15, 2030	3.33
3	November 15, 2030	3.33
4	May 15, 2031	3.33
5	November 15, 2031	3.33
6	May 15, 2032	3.33
7	November 15, 2032	3.33
8	May 15, 2033	3.33
9	November 15, 2033	3.33
10	May 15, 2034	3.33
11	November 15, 2034	3.33
12	May 15, 2035	3.33
13	November 15, 2035	3.33
14	May 15, 2036	3.33
15	November 15, 2036	3.33
16	May 15, 2037	3.33
17	November 15, 2037	3.33
18	May 15, 2038	3.33
19	November 15, 2038	3.33
20	May 15, 2039	3.33
21	November 15, 2039	3.33
22	May 15, 2040	3.33
23	November 15, 2040	3.33
24	May 15, 2041	3.33
25	November 15, 2041	3.33



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26	May 15, 2042	3.33
27	November 15, 2042	3.33
28	May 15, 2043	3.33
29	November 15, 2043	3.33
30	May 15, 2044	3.43
	<u>Total</u>	100

2. In the event that the Loan proceeds have not been fully withdrawn as of the first Date of Repayment, the principal amount of the Loan repayable by the Borrower on each Date of Repayment shall be determined as follows:

- (a) To the extent that any amount of the Loan proceeds has been withdrawn as of the first Date of Repayment, the Borrower shall repay the Loan amount withdrawn and outstanding as of the first Date of Repayment in accordance with paragraph 1 above.
- (b) Any withdrawal made after the first Date of Repayment shall be repaid on each Date of Repayment falling after the date of such withdrawal in amounts determined by OPEC Fund as follows: amount of the withdrawal multiplied by a fraction the numerator of which shall be the percentage specified in the table in paragraph 1 above for such Date of Repayment and the denominator of which shall be the sum of all remaining percentage for Dates of Repayment falling on and after such date.

3. Withdrawals made within sixty-five (65) calendar days prior to any Date of Repayment shall, for the purposes solely of calculating the amount of the Loan payable on any Date of Repayment, be treated as withdrawn and outstanding on the date immediately following such Date of Repayment. Notwithstanding the treatment herein, Interest and commitment fee shall begin to accrue on the respective value dates on which such withdrawals shall have been made.

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