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CREDIT NUMBER 7703- HN (CREDIT A-Blend)  
CREDIT NUMBER 7702- HN (CREDIT B-SML)

# Financing Agreement

(First Fiscal and Climate Transparency and Sustainability Development Policy  
Financing)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

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**CREDIT NUMBER 7703-HN (CREDIT A-Blend)**  
**CREDIT NUMBER 7702-HN (CREDIT B-SML)**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between REPUBLIC OF HONDURAS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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. To assist in the financing of the Program, the Association agrees to extend to the Recipient the following two credits, for a total value of one hundred forty-five million three hundred thousand Dollars (\$145,300,000), which are deemed as Concessional Financing for purposes of the General Conditions, in the following amounts:
  - (a) a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of fifty-seven million two hundred thousand Dollars (\$57,200,000), as such amount may be converted from time to time through a Currency Conversion (variously, "Credit A-Blend" and "Financing").
  - (b) a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of eighty-eight million one hundred thousand Dollars (\$88,100,000), as such amount may be converted from time to time through a Currency Conversion (variously, "Credit B-SML" and "Financing").
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

- 2.03. The Service Charge is applicable only to Credit A-Blend and is 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, or such rate as may apply following a Currency Conversion; on the Withdrawn Credit Balance of Credit A-Blend.
- 2.04. The Interest Charge is applicable only to Credit A-Blend and is 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, or such rate as may apply following a Currency Conversion; on the Withdrawn Credit Balance of Credit A-Blend.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of Credit A-Blend and Credit B-SML shall be repaid in accordance with Section 3.05 of the General Conditions and the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is Dollar.
- 2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

### ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
  - (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
  - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.





#### ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

#### ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. 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 VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Finance (*Secretario de Estado en el Despacho de Finanzas* – SEFIN).
- 6.02. For purposes of Section 11.01 of the General Conditions:
  - (a) the Recipient's address is:

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

- (b) the Recipient's Electronic Address is:

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

6.03. For purposes of Section 11.01 of the General Conditions:

(a) the Association's address is:

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

(b) the Association's Electronic Address is:

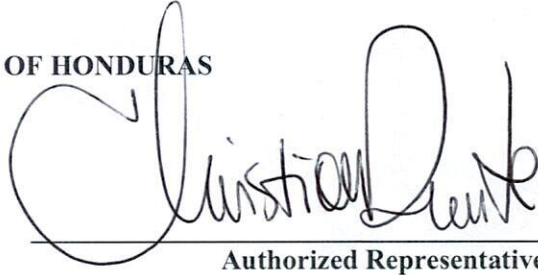
Telex:	Facsimile:	E-mail:
248423 (MCI)	1-202-477-6391	mkerf@worldbank.org



AGREED as of the Signature Date.

REPUBLIC OF HONDURAS

By

  
Authorized Representative



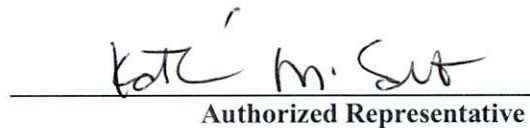
Name: Christian Duarte

Title: Minister of Finance

Date: February 17, 2025

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

  
Authorized Representative

Name: Katherine Scott

Title: Resident Representative

Date: February 17, 2025

## SCHEDULE 1

### Program Actions; Availability of Financing Proceeds

#### Section I. Actions under the Program

Actions Taken under the Program. The actions taken by the Recipient under the Program include the following:

#### Pillar A – Strengthen Tax Transparency and Sustainable Finance

1. To strengthen financial integrity and tax transparency, the Recipient has expanded the definition of the crime of money laundering to include all serious criminal offences as predicate offences (which includes tax fraud), as evidenced by adoption of Legislative Decree 43-2023, published in the Official Gazette No. 39,290 on July 25, 2023.
2. To strengthen tax transparency, the Recipient, through SAR, has advanced toward fully implementing the country-by-country reporting standard defined in Action 13 of the OECD's Inclusive Framework on Base Erosion and Profit Shifting (BEPS) as evidenced by approval of Ministerial Agreement "Acuerdo SAR 653-2023", published in the Official Gazette No. 36,489 on March 19, 2024.
3. To enable the Recipient to issue sustainable bonds for financing projects that have climate, environmental, and social benefits, the Recipient, through the SEFIN, has approved the Framework for Green, Social and Sustainable Thematic Bonds, as evidenced by approval of Ministerial Agreement No. 637-2024, published in the Official Gazette No. 36,692 on November 18, 2024.

#### Pillar B – Promote Climate Sustainability

4. To foster agricultural competitiveness and deforestation-free exports and ensure preparedness for the European Union Regulation on Deforestation-free Products ("EUDR"), the Recipient has, through ICF, established an interinstitutional technical committee to support compliance with the EUDR, as evidenced by approval of Ministerial Agreement No. 050-2024, published in the Official Gazette No. 36,713 on December 12, 2024.
5. To promote the efficient use of energy, the Recipient has established an institutional framework for governing and promoting energy efficiency, as evidenced by adoption of the Law on Rational and Efficient Use of Energy, published in the Official Gazette No. 36,594 on July 24, 2024.
6. To improve risk management of climate induced natural disasters by the Honduran banking sector, the Recipient, through CNBS, has required that the monthly





regulatory reports submitted by supervised financial institutions to the CNBS be expanded to include environmental, social, and climate data (which includes geographical location of the production centers that are being financed), as evidenced by: (a) GEE Resolution No.169/03-18-2024 of the National Banking and Insurance Commission (*Comisión Nacional de Bancos y Seguros*) published through CNBS Circular No. 008/2024 dated March 21, 2024; and (b) certification of the General Secretariat of the CNBS, regarding the content of section 4.6 of the CNBS Data Reporting Manual.

**Section II. Availability of Financing Proceeds**

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Credit A-Blend Allocated (expressed in USD)</b>	<b>Amount of the Credit B-SML Allocated (expressed in USD)</b>
(1) Single Withdrawal Tranche	57,200,000	88,100,000
TOTAL AMOUNT	57,200,000	88,100,000

**C. Withdrawal Tranche Release Conditions.**

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

**D. Deposit of Financing Amounts.**

The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03(a) of the General Conditions; (b) the details of the account to which the Lempiras equivalent of the Financing proceeds will be credited; and (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems.

**E. Closing Date.** The Closing Date is June 30, 2026.



## SCHEDULE 2

### Repayment Schedule

The Recipient shall repay the principal amount of the Credit in accordance with the table set forth below.

#### REPAYMENT OF CREDIT A-BLEND

Date Payment Due	Principal Amount of the Credit A-Blend repayable (expressed as a percentage)*
On each April 15 <sup>th</sup> and October 15 <sup>th</sup>	
commencing April 15 <sup>th</sup> , 2030, to and including October 15 <sup>th</sup> , 2049	1.65%
commencing April 15 <sup>th</sup> , 2050, to and including October 15 <sup>th</sup> , 2054	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.

#### REPAYMENT OF CREDIT B-SML

Date Payment Due	Principal Amount of the Credit B-SML repayable (expressed as a percentage)*
On each April 15 <sup>th</sup> and October 15 <sup>th</sup> :	
commencing April 15 <sup>th</sup> , 2031, to and including April 15 <sup>th</sup> , 2036	8.33%
on October 15 <sup>th</sup> , 2036	8.37%

\* 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. "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 A-Blend, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit A-Blend is approved by the Executive Directors of the Association and expressed either as a positive or negative percentage per annum.
2. "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 A-Blend, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit A-Blend is approved by the Executive Directors of the Association and expressed as a percentage per annum.
3. "OECD's Inclusive Framework on Base Erosion and Profit Shifting (BEPS)" means the global tax governance network led by a 24-country Steering Group which allows countries to participate on an equal footing, to develop and monitor standards and actions to combat BEPS, tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment.
4. "CNBS Data Reporting Manual" means the manual prepared by CNBS to ensure the optimal use of the *Sistema Capturador de Transacciones* UIF – a platform for reporting financial transactions by supervised financial institutions – which provides detailed instructions and standardized descriptions of data fields, their valid values, and corresponding validations, offering a simplified explanation of each field's content and requirements.
5. "Concessional Financing" means without limitation to the definition of said term in paragraph 18 of the General Conditions, the credits extended by the Association to the Recipient on the terms referred to in Article II to this Agreement and in the General Conditions.
6. "Credit A-Blend" means the credit in the amount referenced in Section 2.01(a) of this Agreement and the Credit for purposes of paragraph 25 of the Appendix to the General Conditions.
7. "Credit B-SML" means the credit in the amount referenced in Section 2.01(b) of this Agreement and the Credit for purposes of paragraph 25 of the Appendix to the General Conditions.
8. "CNBS" means the *Comisión Nacional de Bancos y Seguros*, the Recipient's National Commission on Banks and Insurers.

9. “European Union Regulation on Deforestation-free Products” or “EUDR” means Regulation (EU) 2023/1115 of the European Parliament and of the Council of May 31, 2023, on the making available on the European Union market and the export from the European Union of certain commodities and products associated with deforestation and forest degradation. It lays down rules aimed to minimize the European Union’s contribution to deforestation and forest degradation worldwide, thereby contributing to a reduction in global deforestation and reducing the European Union’s contribution to greenhouse gas emissions and global biodiversity loss.
10. “Framework for Green, Social and Sustainable Thematic Bonds” means the Recipient’s *Marco de Referencia de Bonos Temáticos Verdes, Sociales y Sostenibles* which defines the eligible public expenditures to which proceeds of such bonds may be applied, the process for selecting eligible projects, how bond proceeds will be used, tracked and managed, and the modalities for reporting on the allocation of funds and the expected environmental and social impacts of projects and activities supported by such bonds.
11. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (last revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.
12. “ICF” means the Recipient’s National Institute of Forest Conservation and Development, Protected Areas and Wildlife.
13. “Lempiras” means the Recipient’s local currency.
14. “Official Gazette” means *La Gaceta*, the Recipient’s official journal.
15. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter referenced DGCP-FEN-668/2024 dated November 5, 2024 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule I to this Agreement, and actions to be taken consistent with the program’s objectives.
16. “SAR” means the *Servicio de Administracion de Rentas*, the Recipient’s tax authority.
17. “SEFIN” means the *Secretaría de Estado en el Despacho de Finanzas*, the Recipient’s Ministry of Finance.





18. "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.
19. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. In paragraphs numbered 4 and 79 of the Appendix, the terms "Amortization Schedule" and "Payment Date", respectively are modified to read as follows:
  - "4. "Amortization Schedule" means the schedule for repayment of principal amount specified in the Financing Agreement for purposes of Sections 3.05 and 3.10."
  - "79. "Payment Date" means each date specified in the Financing Agreement occurring on or after the date of the Financing Agreement on which Service Charges, Interest Charges, Commitment Charges, and other Credit charges and fees (other than the Front-end Fee) are payable, as applicable."