



CREDIT NUMBER 5190-HN

# Financing Agreement

(Disaster Risk Management Project)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *DECEMBER 18*, 2012

**CREDIT NUMBER 5190-HN**

**FINANCING AGREEMENT**

AGREEMENT dated DECEMBER 18, 201~~2~~ entered into between the 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to nineteen millions five hundred thousand Special Drawing Rights (SDR19,500,000) (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 IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 United States Dollars.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (a) cause Parts I through IV of the Project to be carried out by COPECO, with the assistance of the Co-executing Agencies and Selected Municipalities; and (b) carry out Part V of the Project with the participation of the Coordinating Authority, all in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following:
  - (a) The COPECO Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of COPECO to perform any of its obligations under the Subsidiary Agreement.
  - (b) The SINAGER Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the implementation of the Project.
  - (c) COPECO shall have failed to comply with any of its obligations under the Subsidiary Agreement.
  - (d) Any Co- executing Agency shall have failed to comply with any of its obligations under the respective Co-Execution Agreement.
  - (e) Any Selected Municipality shall have failed to comply with any of its obligations under the respective Participation Agreement.

4.02. The Additional Events of Acceleration consist of the following:

- (a) Any event specified in paragraphs (c), (d) and/or (e) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.
- (b) Any event specified in paragraphs (a) and/or (b) of Section 4.01 of this Agreement occurs.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Subsidiary Agreement has been executed on behalf of the parties thereto.
- (b) The Co-execution Agreements have been executed on behalf of the parties thereto.

5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and COPECO, and is legally binding upon the Recipient and COPECO in accordance with its terms.

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than eighteen (18) months after the Association's approval of the Credit which expire on June 13, 2014.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is its Minister (*Secretario*) of SEFIN.

6.02. The Recipient's Address is:

Secretaría de Estado en el Despacho de Finanzas  
Dirección de Crédito Público  
Avenida Cervantes, Barrio El Jazmín  
Tegucigalpa, M.D.C.  
Honduras, C.A.  
Facsimile: (504) 2237-4142

6.03. The Association's Address is:

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

|                  |              |                |
|------------------|--------------|----------------|
| Cable:           | Telex:       | Facsimile:     |
| INDEVAS          | 248423 (MCI) | 1-202-477-6391 |
| Washington, D.C. |              |                |

AGREED at the District of Columbia, United States of America, as of the  
day and year first above written.

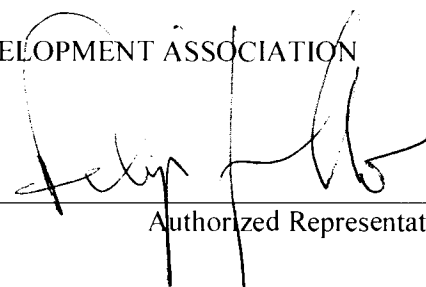
REPUBLIC OF HONDURAS

By

  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

  
Authorized Representative

## SCHEDULE 1

### Project Description

The objectives of the Project are to support the Recipient to: (a) continue strengthening its capacity for integrated disaster risk management at the municipal and national level; and (b) improve its capacity to respond promptly and effectively to an Eligible Emergency.

The Project consists of the following parts:

#### Part I: Strengthening of National-level DRM Capacities

1. Strengthening SEPLAN's territorial planning capacity, through, *inter alia*: (a) the provision of training and acquisition of equipment and software for territorial planning; (b) the consolidation and connectivity of SINIT and RENOT under SINAP; and (c) the update and dissemination of a standardized methodology for territorial planning.
2. Strengthening COPECO's coordination and promotion capacity for DRM, through, *inter alia*: (a) the carrying out of assessments, policy analysis, training and south-south knowledge exchanges to consolidate the Recipient's DRM policy and strategy; (b) the development and implementation of a communication strategy; (c) the establishment of a grievance redress mechanism and carrying out of social audits of relevant Project activities; and (d) the establishment of new offices, including the carrying out of works, and the acquisition of software, hardware and computer and office equipment.
3. Strengthening COPECO's technical quality assurance and environmental sustainability capacity, through, *inter alia*: (a) the preparation and dissemination of a good practice environmental code for DRM; (b) the development of a proposed update of the national construction code; (c) the establishment of an environmental management unit within COPECO; and (d) the carrying out of studies in connection to climate change and environmental sustainability.
4. Strengthening the Recipient's DRM monitoring and modeling capacity, by: (a) supporting COPECO, through, *inter alia*: (i) the consolidation of early warning systems for landslides and of the metropolitan wireless network, including: (A) the acquisition of monitoring and communication equipment; (B) the provision of training; and (C) the development of early warning protocols; (ii) the establishment of a seismic monitoring network; and (iii) the provision of training on probabilistic hazard and disaster risk modeling; and (b) supporting SERNA, through, *inter alia*, the acquisition of software, and equipment and the provision of training on hydrological and hydraulic modeling.

## **Part II: Strengthening of Municipal and Community Level DRM Capacities**

1. Enhancing municipal and local DRM capacity, through, *inter alia*: (a) the strengthening of the institutional capacity of the Selected Municipalities' emergency committees, including the provision of training and acquisition of equipment; (b) the strengthening of the technical and environmental units within the Selected Municipalities, including the provision of training and acquisition of software and equipment; and (c) the carrying out of emergency simulation exercises to monitor and evaluate local preparedness and response capacities.
2. Developing territorial planning and characterization for local risk management, through, *inter alia*: (a) the update, revision, and/or development of risk and land use characterization studies and territorial planning in the Selected Municipalities, including the preparation of Municipal Disaster Risk Management Plans, Municipal Land Use Plans and Municipal Emergency Plans; and (b) the development of COPECO's DRM information system and database management, including the provision of training and acquisition of software and equipment.
3. Institutionalizing local risk management, through, *inter alia*: (a) the validation of Municipal Plans and other related information with relevant stakeholders in Selected Municipalities; and (b) the carrying out of outreach activities with local authorities, civil society and private sector associations to promote the Project's DRM approach and its sustainability, including workshops.
4. Updating and implementing local and regional early warning systems, through, *inter alia*: (a) the acquisition of monitoring and communication equipment; and (b) the provision of training and development of early warning protocols.

## **Part III: Implementation of Disaster Mitigation Measures**

1. Design of Prioritized Structural Works and Prioritized Non-structural Measures.
2. Carrying out of Prioritized Structural Works, including their supervision.
3. Carrying out of Prioritized Non-structural Measures, including their supervision.

## **Part IV: Project Management, Monitoring and Evaluation**

1. Supporting Project Management, through, *inter alia*: (a) the provision of training and workshops; (b) the carrying out of the fiduciary aspects of the Project,

including audits; and (c) the oversight of the implementation of a communication strategy and a gender strategy for the Project.

2. Supporting Project monitoring and evaluation, including the collection of base line data to assess the Project's social, environmental, and economic impacts.

**Part V: Contingency Emergency Response**

Provision of support to respond to an Eligible Emergency.



## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. (a) The Recipient shall cause COPECO to operate and maintain during the Project implementation, a Project Coordination Unit ("PCU"), with functions, staffing (including but not limited to a national coordinator), and responsibilities satisfactory to the Association and set forth in the Operational Manual.
- (b) The Recipient undertakes that, unless the Association may otherwise agree, the PCU personnel shall only be hired based on professional criteria and shall only be replaced for reasons related to performance.
2. No later than six months after the Effective Date, and for purposes of promoting inter-institutional collaboration and provide policy and operational guidance, the Recipient shall create and thereafter operate and maintain throughout the implementation of the Project, a committee ("Project Coordinating Committee"), chaired by COPECO, and with composition, functions and responsibilities acceptable to the Association and specified in the Operational Manual.

##### **B. Subsidiary Agreement**

1. To facilitate the carrying out of Parts I through IV of the Project, the Recipient shall make the proceeds of the Financing available to COPECO under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and COPECO, under terms and conditions approved by the Association, and adequate to protect the interests of the Recipient and those of the Association, which shall include, *inter alia*:
  - (a) The obligation of COPECO to:
    - (i) carry out the Project in accordance with the Operational Manual and the provisions of the Anti-Corruption Guidelines;
    - (ii) provide promptly as needed, any additional resources within its control required for the purpose of implementing the Project;
    - (iii) procure the goods, works, consultants' services and non-consulting services to be financed out of the Credit in accordance with the provisions of this Agreement;

- (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with the Project Indicators, the progress of the Project and the achievement of its objectives;
  - (v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; (B) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and (C) make such financial statements publicly available in a timely fashion and in a manner acceptable to the Association;
  - (vi) enable the Recipient and the Association to inspect the Project, its operation and relevant records and documents;
  - (vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing; and
  - (viii) as needed, enter into MOUs with the Collaborating Agencies, under terms and conditions acceptable to the Association, for purposes of facilitating the implementation of the Project.
- (b) The right of the Recipient to suspend or terminate the right of COPECO to use the proceeds of the Credit, or obtain refund of all or any part of the amount of the Credit then withdrawn, upon COPECO's failure to perform any of its obligations under the Subsidiary Agreement.
2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

**C. Co-execution and Participation Agreements**

- 1. (a) For purposes of carrying out Parts I, II and III of the Project, the Recipient shall cause COPECO to enter into a separate agreement ("Co-execution Agreement"), under terms and conditions satisfactory to the Association, with the respective Co-executing Agency detailing its

respective role in the implementation of the pertinent Project activity, all as set forth in the Operational Manual.

- (b) The Recipient shall cause COPECO to exercise its rights and carry out its obligations under the corresponding Co-execution Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall cause COPECO not to amend, assign, abrogate, suspend, terminate, waive or fail to enforce any Co-execution Agreement or any provision thereof.
- 2.
  - (a) With respect to the implementation of Part II and III of the Project, prior to the carrying out of any Project activity in any given Selected Municipality, the Recipient shall cause COPECO to enter into an agreement (“Participation Agreement”) with such Selected Municipality under terms and conditions satisfactory to the Association, as set forth in the Operational Manual, including the obligation of the corresponding Selected Municipality to: (a) participate in the implementation of Part II and III of the Project; and (b) take or permit to be taken all actions to enable COPECO to comply with its obligations referred to in the Subsidiary Agreement.
  - (b) The Recipient shall cause COPECO to exercise its rights and carry out its obligations under the Participation Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall cause COPECO not to amend, assign, abrogate, suspend, terminate, waive or fail to enforce any Participation Agreement or any provision thereof.

**D. Operational Manual**

- 1.
  - (a) The Recipient shall cause COPECO to carry out Parts I through IV of the Project in accordance with an operational manual (“Operational Manual”) satisfactory to the Association, which manual shall include, *inter alia*: (i) the procedures for the carrying out, monitoring and evaluation of the Project (including the procurement, disbursement, financial management, social and environmental requirements thereof); (ii) the composition, functions and responsibilities of the PCU; (iii) the role of COPECO, each Co-executing Agency and the Selected Municipalities in the implementation of each Project activity; (iv) the function, composition and responsibilities of the Project Coordination Committee; (v) the indicators for Project monitoring and evaluation (“Project Indicators”); (vi) the selection criteria, processes and procedures to prepare Municipal Plans and select Prioritized Structural

Works and Prioritized Non-structural Measures; and (vii) a negative list of investments and/or activities excluded from financing under the Project as Prioritized Structural Works and/or Prioritized Non-structural Measures.

- (b) In the case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

**E. Implementation Arrangements for Part V of the Project (Contingency Emergency Response Component)**

1. In order to ensure the proper implementation of Part V of the Project ("CER Part"), the Recipient shall take the following measures:
  - (a) prepare and furnish to the Association for its review and approval, an operations manual ("CER Operational Manual") which shall set forth detailed implementation arrangements for the CER Part, including: (i) designation of terms of reference for, and resources to be allocated to, the entity to be responsible for coordinating and implementing the CER Part ("Coordinating Authority"); (ii) specific activities which may be included in the CER Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the CER Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CER Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the CER Part, consistent with the Association's policies on the matter; and (vi) any other arrangements necessary to ensure proper coordination and implementation of the CER Part;
  - (b) afford the Association a reasonable opportunity to review the proposed CER Operations Manual;
  - (c) promptly adopt the CER Operations Manual for the CER Part as shall have been approved by the Association;
  - (d) ensure that the CER Part is carried out in accordance with the CER Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the CER Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
  - (e) not amend, suspend, abrogate, repeal or waive any provision of the CER Operations Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the CER Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall undertake no activities under the CER Part (and no activities shall be included in the CER Part) unless and until the following conditions have been met in respect of said activities:
  - (a) the Recipient has determined that an Eligible Emergency has occurred, has furnished to the Association a request to include said activities in the CER Part in order to respond to said Eligible Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
  - (b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CER Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

**F. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**G. Safeguards**

1. The Recipient shall carry out Parts I through IV of the Project in accordance with the Resettlement Policy Framework, the Environmental and Social Management Framework and the Indigenous Peoples Planning Framework.
2. Without limitation to the provisions of paragraph (1) of this Section, prior to the carrying out of any works under Parts I through IV of the Project, the Recipient shall, and shall cause COPECO and the Selected Municipalities to: (a) prepare and furnish to the Association any needed resettlement plan, in accordance with the provisions of the Resettlement Policy Framework, and acceptable to the Association; and (b) immediately thereafter, implement each resettlement plan in accordance with its terms, and in a manner acceptable to the Association.
3. Without limitation to the provisions of paragraph (1) of this Section, prior to the carrying out of any works/activities under Parts I through IV of the Project, the Recipient shall, and shall cause COPECO and the Selected Municipalities to: (a) carry out an environmental/social screening and/or an environmental/social assessment (as the case may be) of the pertinent works/activities; (b) prepare and furnish to the Recipient any needed environmental/social management plan,

acceptable to the Association, for each said work/activity, all in accordance with the provisions of the Environmental and Social Management Framework; and (c) immediately thereafter, implement each environmental/social management plan in accordance with its terms, and in a manner acceptable to the Association.

4. Without limitation to the provisions of paragraph (1) of this Section, the Recipient shall, and shall cause COPECO and the Selected Municipalities to: (a) prepare and furnish to the Association any needed Indigenous Peoples Plan, in accordance with the provisions of the Indigenous Peoples Planning Framework, and acceptable to the Association; and (b) immediately thereafter, implement each Indigenous Peoples Plan in accordance with its terms, and in a manner acceptable to the Association.
5. With respect to any consultancy under Parts I through IV of the Project, including the assistance to be provided to the Selected Municipalities to prepare the Municipal Plans under Part II.2 of the Project, the Recipient shall, and shall cause COPECO and the Selected Municipalities to, ensure that the terms of reference for said activities of the Project shall be satisfactory to the Association following its review thereof, and to that end, such terms of reference shall duly incorporate the requirements of the applicable Safeguard Policies, then in force, as applied to the advice conveyed through such technical assistance.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Project Indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five days after the end of the period covered by such report.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months prior to the Closing Date.

### **B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation to the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, as part of the Project Report, interim unaudited financial reports for the Project covering the calendar semester, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods, Works and Non-consulting Services.**
  - (a) All goods, works and non-consulting services required for Part I through IV of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
  - (b) Without any limitations to any other provisions set forth in this Section or in the Procurement Guidelines, the following shall expressly govern the procurement of goods, works, and non-consulting services under this Section:
    - (i) Contracts shall be awarded to the lowest evaluated bid in accordance with criteria set forth in the bidding documents, and without taking into account, in the evaluation, the financial cost of foreign exchange components.
    - (ii) Foreign bidders shall not, as a condition for submitting bids, be required to:
      - (A) be registered in the Recipient's territory;
      - (B) have a representative in the Recipient's territory;
      - (C) be associated with suppliers or contractors of the Recipient's territory; or
      - (D) certify that, in their country of origin, suppliers or contractors of the Recipient's territory are allowed to

participate in competitive bidding procedures under equal conditions with other bidders.

- (iii) Contracts shall not be divided for the sole purpose of reducing contract amounts.

2. **Consultants' Services.**

- (a) All consultants' services required for Parts I through IV of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
- (b) Without limitation to any other provisions set forth in this Section or the Consultant Guidelines, the following shall expressly govern the procurement of consultants' services under this Section:
  - (i) foreign consultants shall be permitted to participate in the selection process even if there is availability of consultants of the Recipient's territory for the services being procured; and
  - (ii) foreign consultants shall not be required to be registered with associations of the Recipient's territory or to be associated with consulting firms of the Recipient's territory as a condition for participating in any selection process.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
- 2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:



| <b>Procurement Method</b>        |
|----------------------------------|
| (a) National Competitive Bidding |
| (b) Shopping                     |
| (c) Direct Contracting           |

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

| <b>Procurement Method</b>   |
|---|
| (a) Least Cost Selection  |
| (b) Selection based on Consultants' Qualifications  |
| (c) Quality-based Selection   |
| (d) Selection under a Fixed Budget  |
| (e) Single-source Selection   |
| (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants |
| (g) Sole Source Procedures for the Selection of Individual Consultants  |

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**E. Procurement of Emergency Expenditures under the CER Part of the Project**

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the CER Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CER Operations Manual.

#### **Section IV. Withdrawal of the Proceeds of the Financing**

##### **A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Credit Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

| <b>Category</b>  | <b>Amount of the Financing Allocated (expressed in SDR)</b> | <b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b> |
|--|---|---|
| (1) Goods, works, consultants’ services, non-consulting services, Training and Operating Costs for Parts, I, II, III and IV of the Project | 13,000,000  | 100%  |
| (2) Emergency Expenditures under Part V of the Project   | 6,500,000   | 100%  |
| <b>TOTAL AMOUNT</b>  | 19,500,000  |   |

3. For the purposes of this table:
  - (a) the term “Training” means expenditures (other than for consultants’ services and non-consulting services), solely as required for Parts I through IV of the Project, incurred for: (a) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection

with their training; (b) course fees; (c) training/workshop facility and equipment rentals; (d) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph; (e) scholarships and fellowships for training courses to be provided in the Recipient's territory or abroad; and (f) study tours and internships in the Recipient's territory or abroad; and

- (b) the term "Operating Costs" means the incremental expenses incurred on account of Project implementation, which would not have been incurred absent the Project, for the maintenance and leasing of vehicles and equipment, for fuel, office supplies and other consumables, vehicle and equipment insurance, office rent, internet connection and communications costs, utilities and travel, transportation and accommodations, and the costs of locally contracted support employees for the PCU.

**B. Withdrawal Conditions; Withdrawal Period**

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) for payments made prior to the date of this Agreement, except that withdrawals up to: (i) an aggregate amount not to exceed 20% of the amount allocated to Category (1) may be made for payments made prior to this date but on or after September 1, 2012 for Eligible Expenditures under Category (1); or (ii) an aggregate amount not to exceed 40% of the amount allocated to Category (2) may be made for payments made prior to this date but on or after September 1, 2012, for Eligible Expenditures under Category (2); or
- (b) under Category (2), for Emergency Expenditures under Part V of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:
  - (i) the Recipient has determined that an Eligible Emergency has occurred, has furnished to the Association a request to include said activities in the CER Part in order to respond to said Eligible Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
  - (ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under

said instruments, all in accordance with the provisions of Section I.E.3 (b) of this Schedule;

- (iii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.E.1 (a) of this Schedule, for the purposes of said activities; and
- (iv) the Recipient has adopted the CER Operations Manual in form, substance and manner acceptable to the Association and the provisions of the CER Operations Manual remain - or have been updated in accordance with the provisions of Section I.E.1 (a) of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the CER Part.

2. The Closing Date is April 30, 2019.

### **SCHEDULE 3**

#### **Repayment Schedule**

| <b>Date Payment Due</b>   | <b>Principal Amount of the Credit<br/>repayable<br/>(expressed as a percentage)*</b> |
|---|--|
| On each April 15 and October 15:                                    |  |
| commencing April 15, 2018 ____ to and including<br>October 15, 2027 | 1.65%  |
| commencing April 15, 2028 to and including<br>October 15, 2037      | 3.35%  |

\* 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 3.03 (b) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. "AHMON" means *Asociación de Municipios de Honduras*, the Recipient's Association of Municipalities.
2. "Anti-Corruption Guidelines" means 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.
3. "CAH" means *Colegio de Arquitectos de Honduras*, the Recipient's National Association of Architects.
4. "CCIVS" means *Comisión de Control de Inundaciones del Valle Sula*, the Recipient's Flood Control Commission of the Sula Valley.
5. "CER" means Contingency Emergency Response.
6. "CER Operations Manual" means the Recipient's manual for the CER Part that will set forth, *inter alia*, the actions to be taken by the Recipient when a crisis or emergency occurs, and is referred to in Section I.E.1(a) of Schedule 2 to this Agreement, as such manual may be amended from time to time with the prior written consent of the Association.
7. "CER Part" means Part V of the Project.
8. "CICH" means *Colegio de Ingenieros Civiles de Honduras*, the Recipient's National Association of Civil Engineers.
9. "Collaborating Agency" means any agency in the Recipient's territory, selected to collaborate in the Project, in a manner acceptable to the Association, including the CAH, CICH, UNAH, SEIP, SE, CCIVS and IP.
10. "Coordinating Authority" means the entity or entities designated by the Recipient in the CER Operations Manual and approved by the Association pursuant to Section I.E.1 (a) of Schedule 2 to this Agreement, to be responsible for coordinating the CER Part of the Project.
11. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

12. "COPECO" means *Comisión Permanente de Contingencias*, the Recipient's Disaster Risk Management Agency created by the COPECO's Legislation.
13. "COPECO Legislation" means the Recipient's Legislative Decree Law No. 990, dated December 12, 1990, and published in the Recipient's Official Gazette on January 25, 1991, as amended to the date of this Agreement.
14. "Co-Execution Agreement" means any of the agreements referred to in Section I.C.1 (a) of Schedule 2 to this Agreement.
15. "Co-executing Agency" means any of the following agencies: SEPLAN, SERNA and AHMON.
16. "DRM" means Disaster Risk Management.
17. "Eligible Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
18. "Emergency Expenditure" means any of the Eligible Expenditures set forth in the CER Operations Manual in accordance with the provisions of Section I.E.1 (a) of Schedule 2 to this Agreement and required for the activities included in the CER Part of the Project.
19. "Environmental and Social Management Framework" means the Recipient's framework dated October 17, 2012, referred to in Section I.G.1 of Schedule 2 of this Agreement acceptable to the Association, setting forth: (i) the modalities for environmental/social screening; and (ii) the procedures/actions for the preparation and implementation of environmental/social plans under the Project.
20. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
21. "Indigenous Peoples" means, a social group of people with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from the national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence oriented production.

22. "Indigenous Peoples Plan" or "IPP" means any indigenous peoples plan, acceptable to the Association, prepared in accordance with the Indigenous Peoples Policy Framework.
23. "Indigenous Peoples Policy Framework" or "IPPF" means the Recipient's framework dated October 17, 2012, referred to in Section I.G.1 of Schedule 2 to this Agreement, acceptable to the Association, setting forth procedures for preparation for an Indigenous Peoples Plan, measures for addressing the needs of the Indigenous Peoples, and providing guidelines and procedures for consultation with, and informed participation of, Indigenous Peoples.
24. "IP" means *Instituto de la Propiedad*, the Recipient's Property Institute.
25. "MOU" means any memorandum of understanding entered or to be entered into between any Collaborating Agency and COPECO, referred to in to Section I.B.1 (a) (viii) of Schedule 2 to this Agreement, as the same may be amended from time to time.
26. "Municipal Emergency Plan" means any of the Selected Municipalities' plans that defines the roles, responsibilities and general procedures of institutional alert and response to disasters, prepared and approved according to the criteria and procedures set forth in the Operational Manual.
27. "Municipal Plans" means collectively the Municipal Emergency Plans, Municipal Land Use Plans or the Municipal Disaster Risk Management Plans.
28. "Municipal Disaster Risk Management Plan" means any of the Selected Municipalities' plans, containing strategies, programs and projects to guide risk reduction activities, preparation for emergency response and disaster recovery, prepared and approved according to the criteria and procedures set forth in the Operational Manual.
29. "Municipal Land Use Plans" means any of the Selected Municipalities' plans containing studies, mapping, and analysis of environmental and hazard formulation, as well as decisions on land use and design of a long-range plan for different geographical and administrative levels, prepared and approved according to the criteria and procedures set forth in the Operational Manual.
30. "Municipality" means an autonomous entity established pursuant to the Recipient's Decree Number 134-90 dated October 29, 1990.
31. "Operational Manual" means the Recipient's manual referred to in Section I.D of Schedule 2 of this Agreement.



32. "Participation Agreement" means any of the agreements referred to in Section I.C.2 (a) of Schedule 2 of this Agreement.
33. "PCU" means the unit referred to in Section I.A.1 (a) of Schedule 2 to this Agreement.
34. "Prioritized Non-structural Measures" means any measure not involving physical construction that uses knowledge or practices to reduce disaster risks and impacts (i.e. public awareness raising activities, development of management plans, and provision of training and education), identified in any Municipal Plan, prioritized through a participatory mechanism detailed in the Operational Manual, and excluding the financing of expenditures contained in the negative list included in the Operational Manual.
35. "Prioritized Structural Works" means any physical construction to reduce or avoid possible impacts of hazards, or application of engineering techniques to achieve hazard-resistance and resilience in structures or systems, to be carried out in the Selected Municipalities, identified in any Municipal Plan, prioritized through a participatory mechanism detailed in the Operational Manual, and excluding the financing of expenditures contained in the negative list included in the Operational Manual.
36. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
37. "Procurement Plan" means the Recipient's procurement plan for the Project, dated October 31, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
38. "Project Coordinating Committee" means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.
39. "Project Indicators" means the indicators for Project monitoring and evaluation set forth in the Operational Manual.
40. "RENOT" means *Registro Nacional de Normativas de Ordenamiento Territorial*, the Recipient's National Territorial Planning Norms Registry.
41. "Resettlement Policy Framework" means the Recipient's framework dated October 17, 2012, acceptable to the Association, which sets forth, *inter alia*, the principles and objectives governing Resettlement preparation and implementation, and a description of the process for preparing and approving Resettlement Plans under the Project.

42. “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
43. “Safeguard Policies” means the Association’s operational policies and procedures set forth in the Association’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under [www.WorldAssociation.org/opmanual](http://www.WorldAssociation.org/opmanual).
44. “SE” means *Secretaría de Educación*, the Recipient’s Ministry of Education.
45. “SEIP” means *Secretaría del Interior y Población*, the Recipients’ Ministry of Interior and Population.
46. “Selected Municipality” means a Municipality, which has been selected to participate in the Project, according to the criteria set forth in the Operational Manual.
47. “SEFIN” means *Secretaría de Finanzas*, the Recipient’s Ministry of Finance.
48. “SEPLAN” means *Secretaría Técnica de Planificación y Cooperación Externa*, the Recipient’s Ministry of Planning and External Cooperation.
49. “SERNA” means *Secretaría de Recursos Naturales y Ambiente*, the Recipient’s Ministry of Natural Resources and Environment.
50. “SINAGER” means *Sistema Nacional de Gestión de Riesgos*, the Recipient’s National System for Risk Management.
51. “SINAGER Legislation” means the Recipient’s Executive Decree No. 151-2009, dated July 21, 2009, and published in the Recipient’s Official Gazette on December 26, 2009, as amended to the date of this Agreements, and the Recipient’s Executive Regulation Number 032-2010, dated September 16, 2010, and published in the Recipient’s Official Gazette on October 11, 2010, as amended to the date of this Agreement.

- 52. "SINAP" means *Sistema Nacional de Administración de la Propiedad*, the Recipient's National Property Administration System.
- 53. "SINIT" means *Sistema Nacional de Información Territorial*, the Recipient's National Territorial Information System.
- 54. "Subsidiary Agreement" means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement.
- 55. "UNAH" means *Universidad Nacional Autónoma de Honduras*, the Recipient's National Autonomous University.

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

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. *Service Charge and Interest Charge*

  - (a) *Service Charge*. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
  - (b) *Interest Charge*. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."
2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".
- 3.- The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

- 4.- Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
- 5.- Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).