

YAYE SEYNABOU SAKHO
Country Director, Central American Countries
Latin America and the Caribbean

August 23, 2018

Mr. Wilfredo Rafael Cerrato Rodríguez
President
Banco Central de Honduras
Centro Cívico Gubernamental,
Boulevard Fuerzas Armadas
Tegucigalpa, Honduras

Re: **TFSCB Grant No. TF0A8185**
Honduras: Supporting Cost of Living Measurements Project
Letter Agreement

Dear Mr. Cerrato:

In response to the request for financial assistance made on behalf of *Banco Central de Honduras* ("BCH") ("Recipient") by the Republic of Honduras ("Beneficiary"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by the donors ("Donors") under the Trust Fund for Statistical Capacity Building III, proposes to extend to the Recipient for the benefit of the Beneficiary, a grant in an amount not to exceed four hundred ninety thousand, six hundred seventy-seven United States Dollars (USD 490,677) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

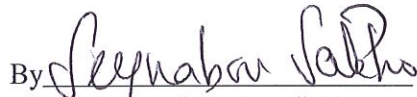
This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Article IV of Annex I to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement from the Recipient within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By 

Yaye Seynabou Sakho

Country Director, Central American Countries
Latin America and the Caribbean

AGREED:

BANCO CENTRAL DE HONDURAS

By 

Authorized Representative

Name WILFREDO CERRATO

Title PRESIDENTE, BANCO CENTRAL

Date AUGUST 23, 2018

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with the "Disbursement Guidelines for Investment Project Financing", dated February 2017

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Article I Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

- (a) "World Bank's Safeguards Policies" means the Operational Policies (OPs) and Bank Procedures (BPs) of the Bank, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams); they can be found at <https://policiesworldbank.org>.
- (b) "ENIGH" means *Encuesta Nacional de Ingresos y Gastos de los Hogares*, the Beneficiary's national survey of household income and expenditure to be jointly designed and implemented by BCH and INE for the period 2019-2020.
- (c) "*Instituto Nacional de Estadística*" or "INE" means the Beneficiary's national institute of statistics established through Decree no. 86-2000 dated June 30, 2000, or any successor thereto, acceptable to the World Bank.
- (d) "Operating Costs" means the reasonable costs of incremental eligible expenditures incurred by the Recipient and implementing agency in the implementation of the Project, based on annual work plans and budgets approved by the World Bank, which expenditures would not have been incurred absent the Project, including the costs of transportation; dissemination events; and *per diem* for Project staff including contracted staff and other participants for purposes of Project implementation, management, and supervision; but in all cases excluding salaries, salary allowances, and salary supplements of the Recipient's civil servants.
- (e) "Operational Manual" means the manual adopted by Recipient, as referred to in Section 2.02(b) of this Annex, as the same may be amended from time to time with the approval of the World Bank.
- (f) "PCU" means Project Coordination Unit under the Recipient's Economic Studies Management Unit. The PCU, through a General Coordinator will serve as liaison for all Project-related queries, and will be responsible for: accounting and financial management of the Project and its co-implementation with INE; preparation and monitoring of the annual operating plan and budget; and Project reporting.

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- (g) “Training” means the costs associated with training and workshop participation of personnel involved in the implementation of the Project, including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation.

Article II

Project Execution

2.01. ***Project Objectives and Description.*** The objective of the Project is to support the production of inclusive and high quality socioeconomic indicators through innovative strategies for collection of household income and expenditure data and improvements to the household survey life cycle. The Project consists of the following parts:

Part 1: Implementing cost-effective and high-quality surveys

Provision of support to all stages of the ENIGH survey through:

- (a) testing of alternative approaches to improve the quality and cost-effectiveness of surveys through a well designed and implemented pilot survey including testing of alternative duration of visits, order and distribution of modules, collection methodologies, and tactics on questions known to result in undercount in similar surveys;
- (b) hiring of a principal consultant who will: (i) visit and evaluate the progress of the Project at least seven times throughout the survey; (ii) support the design and planning of the survey; (iii) lead preliminary quarterly assessments of the survey and examine the results; (iv) collaborate in the design and development of data validation plans both in the collection stage, and in the intermediate and final results of the survey; (v) generate a report that includes technical observations of the entire process to serve as a guide for future similar surveys; (vi) coordinate reports identifying quality and efficiency gains for the ENIGH, including the extent to which these can be replicated in other official surveys, and specific recommendations for further enhancements;
- (c) proper training of enumerators and supervisors, including in the use of computer-assisted personal interviewing (CAPI) techniques and equipment for survey collection and data processing (i.e., automatic data quality checks and monitoring of survey statistics), and in carrying out follow-up interviews during repeated visits. In some geographic areas with limited connectivity, on-field visual inspection and data entry will be maintained;
- (d) hiring of a local telecommunications company(ies) to support access to portable personal computers/tablets with cellular data plans by enumerators, supervisors and/or designated representative of CBH and INE working on the Project; and
- (e) supervision and testing of the quality of data to be carried out by quality control supervisors in the field throughout the period of survey collection, including the creation of computer-coded quality control tests for the ENIGH to help develop the Recipient’s capacity to sustain its life cycle.

Part 2: Supporting inclusion through measurement

Provision of support to the cost of surveying two geographically isolated areas in the ENIGH survey: *Gracias a Dios* and *Islas de la Bahía*, primarily populated by indigenous peoples (IP) and Afro-Hondurans, respectively, including hiring of local translators as needed. Stakeholder consultations with national IP and Afro-Honduran organizations to review the questionnaire and interview strategies will be held prior to the collection of the survey.

Part 3: Supporting a culture of data transparency

Provide support towards: (i) the development of data transparency and dissemination guidelines including components of a Special Data Dissemination Standard (SDDS) assessment, a dissemination timeline and methods to increase access to microdata (e.g., anonymization); (ii) data analysis and tabulation of the survey results; (iii) carrying out a training workshop on data analysis and report writing; (iv) the production of metadata and documentation that meets international standards; (v) a financial audit of the Project; (vi) communications strategy to increase survey response; and (vii) obtaining Statistical Package for the Social Sciences (SPSS) licenses for the Recipient to allow for the installation of a microdata laboratory in a public library to facilitate public access to the ENIGH and other CBH data sources.

2.02. **Project Execution Generally.** (a) The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (iii) this Article II.

(b) The Recipient shall adopt and carry out the Project in accordance with the provisions of the Operational Manual, which sets forth, *inter alia*: (i) the roles and responsibilities of each of BCH and INE in Project implementation; (ii) the staffing requirements for the Project; (iii) the estimated implementation schedule; (iv) the financial management requirements of the Project, including detailed procedures and guidelines on accessing, disbursing and accounting for funds under the Project; (v) procedures for Project monitoring, supervision and evaluation, including the format and content of the Project Reports; (vi) procedures and methodologies for data collection with indigenous peoples and afro-descendant communities; and (vii) the performance monitoring indicators for the Project to be used in its monitoring and evaluation; as the same may be amended from time to time with the prior written approval of the World Bank.

(c) The Recipient shall ensure that the terms of reference for any consultancy required under the Project shall be satisfactory to the Bank following its review thereof; and to that end, such terms of reference shall duly incorporate the requirements of the World Bank’s Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance, including the public disclosure and consultation of the resulting social impact assessments in accordance with the World Bank’s Safeguard Policies.

2.03. **Institutional and Other Arrangements.** For purposes of carrying out the Project, the Recipient shall maintain at all times during Project implementation professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank, to perform all Project-related functions including, *inter alia*, a project administrator and procurement and financial management.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date of this Agreement.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

All goods and consulting services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the "World Bank Procurement Regulations for IPF Borrowers" dated July 2016, revised November 2017 and as of August 2018 ("Procurement Regulations"), and the provisions of the Recipient's procurement plan for the Project ("Procurement Plan") dated May 31, 2018 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

Article III

Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "Disbursement Guidelines for Investment Project Financing", dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

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Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, consulting services, non-consulting services, Training and Operating Costs under the Project	490,677	100%
TOTAL AMOUNT	490,677	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed the equivalent of 20 percent of the Grant proceeds may be made for payments made prior to this date but on or after May 31, 2018, for Eligible Expenditures under Category 1.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2020.

Article IV **Effectiveness; Termination**

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been met, namely that the Operational Manual set forth in Section 2.02(b) of the Annex to this Agreement has been adopted by the Recipient in a manner satisfactory to the World Bank.

4.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V **Recipient's Representative; Addresses**

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the President.

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5.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Banco Central de Honduras
Centro Cívico Gubernamental,
Boulevard Fuerzas Armadas
Tegucigalpa, Honduras

Telephone:
(504)-2262-3702

Email:
Martha.Lainez@bch.hn

5.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Telephone:
1(202) 473-1000

Facsimile:
1 (202) 477-6391

