Wilfredo Cerrato  
Minister  
Ministry of Finance  
Avenida Cervantes, Barrio El Jazmín  
Frente a Edificio de Quinchón León  
Tegucigalpa, M.D.C., Honduras  

Re: Republic of Honduras: SPF Grant No. TF016069  
Regional Approach to Municipal Citizen Security in Central America’s Northern Triangle Project  

Excellency,  

In response to the request for financial assistance made on behalf of the Republic of Honduras ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the State and Peace Building Fund ("SPF") proposes to extend to the Recipient a grant from the SPF in an amount not to exceed one million five hundred thousand United States Dollars (US$1,500,000) ("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 Part 1 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 Part 1 of 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. This Agreement shall become effective upon receipt by the World Bank of: (i) a countersigned copy of this Agreement; (ii) evidence, acceptable to the World Bank, that the Subsidiary Agreement has been executed; and (iii) an opinion or opinions satisfactory to the World Bank of counsel satisfactory to the World Bank showing that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and UNDP, and that it is legally binding upon the Recipient and UNDP in accordance with its terms. Upon compliance with the above mentioned conditions, the World Bank will send a notice of effectiveness to the Recipient.
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 within 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 BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By [Signature]
C. Felipe Jaramillo
Director
Central America
Latin America and the Caribbean Region

AGREED:

REPUBLIC OF HONDURAS

By: [Signature]
Authorized Representative
Name: [Name]
Title: [Minister of Finance]
Date: February 20, 2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(3) “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
Article I
Standard Conditions; Definitions


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 terms shall have the meanings ascribed below:

(a) "Beneficiary Countries" means collectively the Recipient, the Republic of Guatemala and the Republic of El Salvador.

(b) "Directorate of Forensic Medicine" means Dirección de Medicina Forense, the Recipient's directorate, within its Public Ministry, responsible for forensic medicine practice, in accordance with the provisions of Chapter V, Title III of the Recipient's Decree No.228-93 (Ley de Ministerio Público), as the same has been amended to the date of this Agreement.

(c) "ICT" means information communications technology.

(d) "JECS" means Jóvenes Emprendedores en Ciudades Seguras, the Republic of El Salvador's pilot initiative to address youth employability and social inclusion in gang-dominated communities by combining a territorial approach of municipal plans with the individual-level services of a youth employability interventions and strengthening partnerships with the private sector.

(e) "Municipality Agreement" means any of the agreements referred to in Section 2.03 (b) (ii) G of this Agreement, as the same may be amended from time to time, with the agreement of the World Bank.

(f) "PREPAZ" means Dirección General de Prevención Social de la Violencia y Cultura de Paz, the Republic of El Salvador's General Directorate of Social Violence Prevention and Peace Culture, within its Ministry of Justice and Public Security, or any other successor thereto, acceptable to the World Bank.

(g) "Prevention Cabinet" means the Republic of El Salvador's cabinet comprised of key line ministries and local authorities aim at discussing and implementing violence prevention policy and programs in its territory.

(h) "Resettlement" means the impact of an involuntary taking of land, 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)
prevention management materials, including guidelines for designing, managing, and monitoring of violence prevention aspects of municipal citizen security plans; (iii) the elaboration of violence prevention training modules and thematic guidance notes including mediation and conflict resolution, restorative justice, and crime prevention through environmental design; and (iv) the provision of technical assistance for greater inter-ministerial coordination on violence prevention public policy.

(b) Strengthening of the performance of criminal justice institutions in Selected Honduran Municipalities through, *inter alia:* (i) the carrying out of training activities on a community policing approach for local police personnel, prosecutors, judges, and municipal officials; (ii) the acquisition of office equipment for a model community police station; (iii) the provision of technical assistance to municipal and community leaders to secure facilities and resources necessary for the model community police station to function effectively; and (iv) the design and implementation of ICT-based platforms to facilitate reporting of victimization incidents, improve performance of security and justice actors and disseminate progress on citizen security and justice indicators.

(c) Improvement of data driven and evidence based municipal strategies through, *inter alia,* the provision of equipment for the collection and analysis of crime scene data, including hardware, software and global positioning system (GPS) equipment for the police and the Directorate of Forensic Medicine working in Selected Honduran Municipalities.

(d) Promotion of knowledge exchange activities to support effective citizen security models among Beneficiary Countries, including Selected Municipalities, through, *inter alia:* (i) the carrying out of workshops to share the challenges and achievements of Part I of the Project; and (ii) the support for the participation of the Recipient’s national and municipal authorities in regional events on crime and violence prevention.

(e) Provision of support for the management of this Part I of the Project through, *inter alia:* (i) the provision of training and workshops; and (ii) the carrying out of the fiduciary aspects of this Part 1 of the Project, including audits.

**Part 2: Strengthened Integrated Approaches to Citizen Security and Employability for at-risk Youth in El Salvador**

(a) Provision of support to PREPAZ for the implementation of the Republic of El Salvador’s violence prevention policy through, *inter alia:* (i) the carrying out of workshops and technical assistance that will bring PREPAZ staff and Prevention Cabinet members to develop joint violence prevention strategies; (ii) the provision of technical assistance to national and local authorities in aligning municipal-level interventions with the Republic of El Salvador’s violence prevention strategy; and (iii) the provision of technical assistance to the Prevention Cabinet in promoting employment and income generating opportunities for youth-at-risk in the territory of the Republic of El Salvador.

(b) Provision of support for the implementation of JECS in Selected Salvadorian Municipalities through, *inter alia:* (i) the implementation of integrated models of community social services on youth violence prevention, with emphasis on educational, family, and employment opportunities for gang-involved youth; (ii) the creation of case-management services to connect youth with social services offered by government; and
(e) Provision of support for the management of this Part 3 of the Project through, *inter alia*:

(i) the provision of training and workshops; and (ii) the carrying out of the fiduciary aspects of this Part 3 of the Project, including audits.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through SEDS, shall, and shall cause UNDP to, carry out Part 1 of the Project, all in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 ("Anti-Corruption Guidelines"); (c) this Article II; and (d) the Subsidiary Agreement.

2.03. **Institutional and Other Arrangements.** For purposes of carrying out Part 1 of the Project, the Recipient, through SEDS, shall:

(a) Designate staff with qualifications and experience acceptable to the World Bank, who shall act under terms of reference acceptable to the World Bank, to assist with the overall implementation, management, coordination and supervision of Part 1 of the Project.

(b) Make the proceeds of the Grant available to UNDP under a subsidiary agreement ("Subsidiary Agreement") between the Recipient, through SEDS, and UNDP, under terms and conditions acceptable to the World Bank, which shall include, *inter alia*:

(i) The obligation of the Recipient, through SEDS, to take or permit to be taken all actions to enable UNDP to comply with its respective obligations under the Subsidiary Agreement.

(ii) The obligation of UNDP to:

A. carry out Part 1 of the Project in accordance with the provisions of the Anti-Corruption Guidelines and the pertinent provisions of this Agreement;

B. procure the goods, works, consultants' services and non-consulting services to be financed out of the Grant in accordance with the provisions of this Agreement;

C. maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with the Project Indicators, the progress of Part 1 of the Project and the achievement of their objectives;

D. (I) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to Part 1 of the Project; (II) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; and (III) make such financial statements publicly available in a timely fashion and in a manner acceptable to the World Bank;
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.

2.06. **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 Part 1 of the Project are prepared and furnished to the World Bank not later than one month 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. Each such 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 World Bank not later than six months after the end of such period.

2.07. **Procurement.** All goods, non-consulting services, and/or consulting services required for Part 1 of the Project and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in 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 ("Procurement Guidelines"), and the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011 ("Consultant Guidelines").

2.08. Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the World Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may 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 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:
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 its Minister of Finance.

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

Ministerio de Finanzas  
Avenida Cervantes, Barrio El Jazmín  
Frente a Edificio de Quinchón León  
Tegucigalpa, M.D.C., Honduras

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

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

Facsimile: 1-202-477-6391