CREDIT NUMBER 4098-HO

Development Credit Agreement

(Judicial Branch Modernization Project)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 16, 2005
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 16, 2005, between REPUBLIC OF HONDURAS (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

WHEREAS (B) the Association has received from the Borrower a letter (Oficio No. 448/05) dated May 18, 2005 informing the Bank of the approval of the plan (Plan de Modernización del Poder Judicial 2004-2009) for the modernization of the Borrower’s Judicial Branch (as hereinafter defined) for 2004-2009 (the Plan) approved by the Borrower’s Supreme Court of Justice on May 17, 2005; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:
“Section 5.08. Treatment of Taxes

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “ADR” means alternate dispute resolution mechanisms;

(b) “AOP” means an annual operating plan referred to in Section 3.07 of this Agreement;

(c) “CAFTA” means Central American Free Trade Agreement, signed by the Borrower on May 28, 2004 and ratified by the Borrower’s legislative branch on March 3, 2005;

(d) “Conciliation and Arbitration Law” means Ley de Conciliación y Arbitraje, the Borrower’s Decree No. 161-2000, dated October 17, 2000 published in the Borrower’s Official Gazette No. 29404 dated February 14, 2001;

(e) “Constitution” means Constitución Política de Honduras, the Borrower’s Constitution dated January 11, 1982, as amended to the date of this Agreement;

(f) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(g) “Fiscal Year” means the Borrower’s Fiscal Year commencing January 1 and ending December 31 of the same calendar year;
(h) “Judicial Branch” means *Poder Judicial*, the Borrower’s judicial branch of government responsible for administering and delivering judicial services in the Borrower’s territory, pursuant to the provisions of Chapter XII of the Borrower’s Constitution, as amended to the date of this Agreement;

(i) “Implementation Letter” means the letter of even date herewith, from the Borrower to the Association, containing the Monitoring Indicators (as hereinafter defined);

(j) “Indigenous Peoples” means the indigenous and Afro-descendent (Garifuna) communities recognized as such by Articles 172, 173 and 346 of the Borrower’s Constitution, as amended to the date of this Agreement;

(k) “IPDP” means the Borrower’s action plan for improving access to justice for Indigenous Peoples under Part C of the Project, as set forth in the Borrower’s document published by the Judicial Branch on its website on May 27, 2005;

(l) “MOF” means *Secretaría de Estado en el Despacho de Finanzas*, the Borrower’s Ministry of Finance, and its successor or successors thereto;

(m) “Monitoring Indicators” means the indicators to be used in monitoring and evaluating the implementation of the Project, as set forth in the Implementation Letter;

(n) “NGO” means a non governmental organization established and operating under the laws of the Borrower that has been selected by the Judicial Branch to enter into partnership arrangements with SCJ to carry out any of the activities under Part C.4 of the Project;

(o) “Operational Manual” means the manual referred to in Section 3.05 (a) of this Agreement;

(p) “PCU” means *Unidad Técnica de Reforma del Poder Judicial* the Project coordination unit established and operating within SCJ, pursuant to the provisions of Resolution (Acta) No. 31 issued by SCJ dated September 29, 2004 and referred to Section 3.06 of this Agreement;
(q) “Procurement Plan” means Plan General de Adquisiciones, the Borrower’s procurement plan, dated May 16, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(r) “Project Preparation Advance” means the project preparation advance extended by the Association to the Borrower pursuant to the letter agreement signed by the Association and the Borrower on March 15, 2004;

(s) “Project Year” means each twelve month period during Project implementation starting from the day after the Effective Date and ending twelve calendar months thereafter, and each subsequent twelve month period thereafter until completion of the Project;

(t) “SCJ” means Corte Suprema de Justicia, the Borrower’s highest ranking court established and operating pursuant to Article 303 of the Borrower’s Constitution and any of its successor or successors thereto;

(u) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement; and

(v) “Subsidiary Agreement” means Convenio Subsidiario, the agreement between MOF and SCJ referred to in Section 3.01 (b) of this Agreement, and such terms includes all schedules and agreements supplemental to the Subsidiary Agreement;

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to ten million Special Drawing Rights (SDR10,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project and to be financed out of the proceeds of the Credit.
(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account, in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be September 30, 2010 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.
Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 2015 and ending March 15, 2025. Each installment shall be five percent (5%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The President of SCJ, and any person or persons whom he or she shall designate in writing, is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III
Execution of the Project

Section 3.01 (a) The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through SCJ, with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, auditing, architectural, environmental, and social equity standards, on the part both of the Borrower and SCJ, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project, all with due regard to the provisions of the Plan.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall:

(i) carry out the Project, through SCJ, in accordance with the provisions of the Implementation Letter and the Operational Manual;

(ii) enter into an agreement (the Subsidiary Agreement), through MOF, with SCJ which shall include provisions, which shall have been approved by the Association, including, *inter alia*: MOF’s obligation to take all necessary action to delegate the execution of the Project to SCJ and promptly transfer to SCJ on an annual basis, through budgetary transfers, the proceeds of the Credit, in an amount sufficient to carry out Project activities in each Project Year; and SCJ’s obligations to use the proceeds of the...
Credit in accordance with the provisions of the Plan, the Implementation Letter and the Operational Manual; and

(iii) exercise its rights and comply with its obligations, through MOF, under the Subsidiary Agreement, in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Project. Except as the Association may otherwise agree, the Borrower, through MOF, or SCJ, as the case may be, shall not amend or fail to enforce the Subsidiary Agreement or any provision thereof. The Borrower shall promptly inform the Association of any condition which interferes or threatens to interfere with the performance of the Borrower, through MOF or SCJ, as the case may be, of any of their respective obligations under such agreement or any provision thereof. In case of any conflict between the terms of the Subsidiary Agreement and those of this Agreement, the terms of this Agreement will prevail.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the works, goods and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower, through SCJ, shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than twelve (12) months after the date of the preceding Procurement Plan, for the Association’s approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower, through SCJ, shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of Project’s objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower shall carry out the civil works financed under the Project in sites, buildings and physical infrastructure owned by and legally titled to the Judicial Branch (at the time of initiating the procurement procedure as set forth in the
provisions of Schedule 3 to this Agreement), and which shall not require the acquisition or occupation of new land, buildings or infrastructure, and therefore, shall not cause the involuntary resettlement of owners, tenants or occupants of such land, buildings or infrastructure.

Section 3.05. Except as the Borrower and the Association shall otherwise agree:

(a) the Borrower shall, through SCJ, carry out the Project in accordance with the terms of a manual, satisfactory to the Association (the Operational Manual). The Operational Manual shall include provisions detailing procedures, guidelines and standard documents for the carrying out of the Project, including, *inter alia*, the following:

(i) (A) implementation of the Project including standard contractual terms for the procurement of works, goods and consultants’ services financed under the Project; and

(B) guidelines for the carrying out of training programs;

(ii) procedures for the monitoring and evaluation of Project implementation, including guidelines to conduct annual progress reviews as set forth in Section 3.08 of this Agreement;

(iii) procedures and timetable to carry out the IPDP, (including implementing agency, budget, public consultations and monitoring and evaluation criteria);

(iv) procedures to ensure timely information to the public and the media pertaining to the objectives and implementation of the Project;

(v) terms of the environmental impact assessment to be carried out by SCJ and submitted to the Association, prior to obtaining the Association’s no-objection of any new construction of civil works financed under the Credit;

(vi) detailed technical, administrative and control procedures pertaining to the adequate and efficient use of vehicles financed under the Credit; and
(vii) institutional arrangements established by SCJ to ensure effective inter-institutional and donor coordination throughout Project implementation, including terms of reference of the PCU.

(b) Except as the Association and the Borrower may otherwise agree, the Borrower, through SCJ, shall: (i) maintain the Operational Manual throughout Project implementation; and (ii) not amend, waive, or fail to enforce the Operational Manual, or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

Section 3.06. For the purposes of carrying out the Project, the Borrower, through SCJ, shall maintain, at all times, until the completion of the Project, with qualifications, functions and responsibilities satisfactory to the Association a project coordination unit (PCU) which shall be responsible, inter alia, for: day-to-day Project implementation, including procurement, disbursement, financial management, auditing and reporting, monitoring and evaluation, as well as, interagency and donor coordination.

Section 3.07. For the purposes of carrying out the Project, the Borrower, through SCJ, shall:

(a) prepare in accordance with guidelines detailed in the Operational Manual by not later than June 30 in each Project Year, starting on June 30, 2006, and submit to the Association an annual operating plan (AOP) satisfactory to the Association, including a description of activities proposed for the upcoming Project Year, a budget, a financial plan (detailing the amount of counterpart funds to be provided in such year), the update of the Procurement Plan as set forth in Section 3.02 (b) of this Agreement; and a training plan;

(b) review with the Association said AOP, within two weeks following the submission of said plan; and

(c) thereafter, take all measures required to ensure the efficient completion and achievement of said AOP, based on the views of the Association.

Section 3.08. Without limitation upon the provisions of Section 9.06 of the General Conditions, the Borrower, through SCJ, shall during the execution of the Project:
(a) maintain policies and procedures adequate to enable the PCU to monitor and evaluate on an ongoing basis (in accordance with the Monitoring Indicators) the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare and furnish to the Association, by not later than March 30 in each Fiscal Year, a report, in a format satisfactory to the Association, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, which reports shall include: (i) a detailed description of Project activities completed during the period preceding the date of said report; and (ii) a detailed progress report, including lessons learned during Project implementation, identifying any issue that may delay Project implementation and setting out the measures recommended to solve such issue and ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Association, by May 31 in each Fiscal Year, starting on May 31, 2006 and until the completion of the Project, the reports referred to in paragraph (b) of this Section, to, inter alia: (i) evaluate progress achieved in the implementation of the Judicial Branch Modernization Plan, including an assessment of the need to adjust, update or amend such plan; (ii) assess the timeliness and adequacy of Credit funds transferred from MOF to SCJ pursuant to the provisions of the Subsidiary Agreement; (iii) exchange views on progress achieved in the implementation of the AOP, during the previous year, and proposed activities for the upcoming year; (iv) identify any issue that may delay or impede the implementation of the IPDP, and propose any solutions to resolve such issues; (v) review the quality and efficacy of Project activities; (vi) evaluate the quality and impact of the training and knowledge sharing programs (including study tours for judicial staff), financed under the Project with a view to ensure wide dissemination of lessons learned and good practices; and (vii) seek the views of civil society organizations and relevant donor agencies active in the judicial sector in Honduras, with regard to the implementation of the Judicial Branch Modernization Plan and ensure effective Project coordination; and

(d) after each of the preceding reviews, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the Association’s views on the matter.
Section 3.09. The Borrower shall, through SCJ, carry out the IPDP pursuant to terms of reference, procedures and timetable satisfactory to the Association as set forth in the Operational Manual.
ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through the PCU, shall establish and thereafter maintain throughout Project implementation, a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower, through the PCU, shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each Fiscal Year (or other period agreed to by the Association), commencing with the Fiscal Year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower, through the PCU, shall:
(i) retain, until at least one year after the Association has received the audit report for, or covering, the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Association’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each Fiscal Year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in Section 3.08 of this Agreement, the Borrower, through the PCU, shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:
(a) The Borrower, or any authority having jurisdiction, shall have taken any action concerning the Judicial Branch that would materially and adversely affect, in the opinion of the Association, the ability of SCJ to carry out the Judicial Branch Modernization Plan; and

(b) an extraordinary situation shall have arisen which shall make it improbable that the Borrower, through MOF, or SCJ will be able to carry out any of their respective obligations under the Subsidiary Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that any of the events detailed in paragraph (a) of Section 5.01 of this Agreement shall occur and continue for a period of sixty (60) days after notice thereof shall have been given the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the financial management system referred to in Section 4.01 (a) of this Agreement shall have been established and become operational, in a manner satisfactory to the Association;

(b) the Operational Manual shall have been adopted by SCJ and approved by the Association; and

(c) the Subsidiary Agreement shall have been executed on behalf of the Borrower and SCJ.

Section 6.02. The following is specified as an additional matter within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely that the Subsidiary Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and SCJ, and the Subsidiary Agreement is legally binding on the Borrower and SCJ in accordance with its terms.
Section 6.03. The date February 14, 2006 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

_Secretaría de Estado en el Despacho de Finanzas_
_Dirección de Crédito Público_
_Avenida Cervantes, Barrio El Jazmín_
_Tegucigalpa, M.D.C._
_Honduras, C.A._

_Cable address: HACIENDA_  
_Facsimile: (504) 237-4142_
_Tegucigalpa_

_With copy to:_

_Supreme Court of Justice_
_Palacio de Justicia_
_Centro Cívico Gubernamental_
_Colonia Miraflores Sur_
_Intersección Boulevard República de Kuwait y Boulevard de las Fuerzas Armadas_
_Tegucigalpa, M.D.C., Francisco Morazan, Honduras, C.A._
For the Association:

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

<table>
<thead>
<tr>
<th>Cable address:</th>
<th>Telex:</th>
<th>Facsimile:</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEVAS</td>
<td>248423 (MCI) or</td>
<td>(202) 477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145 (MCI)</td>
<td></td>
</tr>
</tbody>
</table>
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Tegucigalpa, Honduras, as of the day and year first above written.

REPUBLIC OF HONDURAS

By /s/ William Chong Wong
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jane Armitage
Acting Regional Vice President
Latin American and the Caribbean Region

Honorary Witness:
By/s/ Vilma Morales
President of the Supreme Court of Justice
SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works under Parts A.1 (c), B.1 (a) (iii), B.2 (b) (iv) and C.1 (b) of the Project</td>
<td>1,525,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Parts A, B, and C of the Project, excluding audits; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) under Part D of the Project, including audits</td>
<td>860,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods (including vehicles)</td>
<td>3,480,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Training</td>
<td>1,360,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operating costs</td>
<td>67,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated costs</td>
<td>265,000</td>
<td></td>
</tr>
<tr>
<td>(7) Refunding of Project Preparation Advance</td>
<td>1,053,000</td>
<td>Amount due pursuant to Section 2.02 (c) of this Agreement.</td>
</tr>
</tbody>
</table>

TOTAL 10,000,000
2. For the purposes of this Schedule:

(a) the term “Training” means reasonable expenditures (other than consultants’ services) incurred by SCJ for: (i) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals and other expenditures related to the organization of training events; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph; and

(b) the term “Operating costs” means the incremental expenses incurred by PCU (none of which would have been incurred absent the Project) on account of Project implementation and supervision, including: (i) office equipment and supplies; (ii) communication and insurance costs; (iii) office administration costs and utilities; (iv) in-country travel, per diem and supervision costs; and (v) fees of locally contracted consultant personnel (excluding government staff).

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement; and

(b) in respect of payments made for expenditures under Category (1) set forth in the table in paragraph 1 of this Schedule, in respect of new civil works, unless the Association has been furnished with documentary evidence, satisfactory to the Association, confirming that: (i) an environmental assessment pursuant to the provisions of the Association’s policy (OP 4.01) has been conducted; and (ii) mitigation measures have been developed, in the event that adverse impacts are identified by said assessment, including, inter alia, the new sites have been selected pursuant to adequate site screening criteria and environmental construction guidelines have been developed (bidding documents for contractors shall include specific clauses for environmental requirement of works), all satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts works, goods and consultants’ services, training, and operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.
SCHEDULE 2

Description of the Project

The objective of the Project is to strengthen the institutional capacity of the SCI to implement the Judicial Branch Modernization Plan (the Plan), by improving the efficiency of judicial services, enhancing judicial transparency and accountability and promoting an equitable access to justice, especially for the most disadvantaged groups.

Part A: Improvement of the Efficiency of Judicial Services

Strengthening of the operational capabilities of the Judicial Branch to more efficiently process cases, issue judgments and review appeals, through the carrying out of a program of actions detailed in the Plan, including, *inter alia*, the following:

1. The development and implementation of streamlined judicial processes, through:

   (a) the design and implementation of model systems aimed at modernizing the organizational and functional capabilities of the courts;

   (b) the design and installation of automated information systems aimed at improving the quality of: (i) judicial management; (ii) the courts’ enforcement functions; and (iii) the registration systems for court appointed experts; and

   (c) the upgrading and rehabilitation of selected existing courts buildings and infrastructure.

2. The improvement of the courts’ capacity to program and monitor the utilization and management of resources, through:

   (a) the development of administrative procedures to improve the quality of court operations;

   (b) the development and installation of an integrated automated system to support the administration, financial and human resource management functions of the courts; and

   (c) the development and implementation of a series of public information activities aimed at integrating a service orientation approach in the delivery of judicial services.
Part B: Enhancing Judicial Accountability and Transparency

The development of standards aimed at enhancing the accountability and transparency of the Judicial Branch, through the carrying out of a program of actions detailed in the Plan, including, *inter alia*, the following:

1. The creation of career paths for judicial and administrative personnel, through:

   (a) the development and implementation of: (i) criteria for hiring, selection and promotion of the human resource management capabilities; (ii) a system for performance and ethical behavior evaluation; and (iii) strengthening of the human resources management capabilities of the SCJ, through the expansion of existing SCJ’s buildings;

   (b) the development and implementation of organizational, curricular, and institutional models for the provision of entry level and in-service training for judicial and court administrative personnel;

   (c) the design and space implementation of capacity building programs in specialized areas in, *inter alia*: (i) legal and technical aspects pertaining to the implementation of CAFTA; (ii) enhancing awareness of gender, cultural and social diversity among judicial and court personnel; and (iii) promotion of attitudinal change among Judicial Branch personnel;

   (d) the development and implementation of e-learning programs; and

   (e) the establishment of partnership arrangements with academic institutions for the provision of judicial training.

2. The strengthening of the openness and transparency of the Judicial Branch, through:

   (a) the implementation of procedural and practical mechanisms aimed at monitoring and auditing institutional performance of courts; and

   (b) the implementation of institutional mechanisms aimed at improving the disclosure of judicial information to the public-at-large, including *inter alia*: (i) the development of a disclosure policy; (ii) the development of e-justice programs; (iii) the dissemination of information on administrative and judicial operations and procurement procedures and decisions; (iv) the construction, equipping and furbishing of public information centers and kiosks; and (v) the issuance of public reports to disseminate the results of internal corruption cases.
Part C: Promoting Equitable Access to Justice

Expanding access to justice services for the Honduran society at-large, especially the disadvantaged segments of the population, through the carrying out of a program of actions detailed in the Plan, including, \textit{inter alia}, the following:

1. The development and piloting of efficient and peaceful conflict resolution mechanisms, including:

   (a) the effective implementation of the Conciliation and Arbitration Law and the promotion of ADR with a view to expanding their practical application, taking into account the needs of the business community;

   (b) the revision of existing administrative and operational mandates of the first instance courts (\textit{Juzgados de Paz}) in selected municipalities, including the use of ADR, and the rehabilitation of existing buildings for such courts;

   (c) the development of new operational and procedural guidelines for the delivery of judicial services, including revised judicial functions and competencies for the courts, and the identification of concrete proposals to promote the extra-judicial resolution of non-contentious cases; and

   (d) the design and implementation of a mobile court pilot program, through the provision of technical assistance and the acquisition of vehicles (buses) especially adapted to the needs of said program.

2. The development and piloting of a program of activities aimed at promoting a greater awareness of the special needs of disadvantaged groups, including, \textit{inter alia}:

   (a) the promotion of an equitable access to justice for women, through the provision of technical assistance, training and logistical support and the acquisition of vehicles (minivan or four-wheel drive) for family and domestic violence courts and the provision of justice services for low income female users of civil courts;

   (b) the incorporation of a youth focus in the administration of justice, through the carrying out of technical studies and legal research on youth and violence;

   (c) the development and implementation of actions and programs detailed in the IPDP with a view to incorporating the needs of Indigenous Peoples in the provision of judicial services; and

   (d) the development and implementation of a program of activities to improve the efficiency and adequacy of judicial services required by small businesses.

3. The development and implementation of capacity building programs for public defenders in civil jurisdictions.
4. The development and implementation of outreach programs to enhance awareness of citizens’ legal rights and responsibilities, through the establishment of partnership arrangements between the Judicial Branch and NGOs.

**Part D: Project Coordination, Monitoring and Evaluation**

1. Improving the Project coordination, management and monitoring and evaluation capabilities of the PCU, through:

(a) the strengthening of the technical, coordination, financial management, technical and procurement capabilities of the PCU staff, through the provision of technical assistance, training, operational costs and the acquisition of vehicles (minivan or four wheel drive) to conduct field work and monitor the implementation of pilot activities financed under the Project;

(b) the development and implementation of benchmarks to monitor and evaluate Project implementation and performance;

(c) the carrying out of studies on judicial reform priority topics;

(d) the publication of annual progress reports detailing Project achievements;

and

(e) the development of knowledge sharing programs for judicial and court staff to review good practices on judicial reform aimed at building institutional capacity, facilitating institutional change, and promoting partnerships with other judiciaries.

2. The carrying out of Project audits.

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The Project is expected to be completed by March 31, 2010.
SCHEDULE 3

Procurement

Section I. General

A. 1. All works, goods (including vehicles) and services (other than consultants services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

2. Without any limitations to any other provisions set forth in this Schedule or in the Procurement Guidelines, the following shall expressly govern the procurement of works, goods (including vehicles) and services (other than consultants services) referred to in Part A of this Section:

   (a) 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.

   (b) Foreign bidders shall not, as a condition for submitting bids, be required to:

      (i) be registered in the Borrower’s territory;

      (ii) have a representative in the Borrower’s territory;

      (iii) be associated with suppliers or contractors of the Borrower’s territory; and

      (iv) certify that, in their country of origin, suppliers or contractors of the Borrower’s territory are allowed to participate in competitive bidding procedures under equal conditions with other bidders.

   (c) Contracts shall not be divided for the sole purpose of reducing contract amounts.
B. 1. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

2. Without limitation to any other provisions set forth in this Schedule or the Consultant Guidelines, the following shall expressly govern the procurement of consultants’ services referred to in Section II of this Schedule:

   (a) Foreign consultants shall be permitted to participate in the selection process even if there is availability of consultants of the Borrower’s territory for the services being procured; and

   (b) Foreign consultants shall not be required to be registered with associations of the Borrower’s territory or to be associated with consulting firms of the Borrower’s territory as a condition for participating in any selection process.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Works, Goods (including Vehicles) and services (other than Consultants Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. (a) Works estimated to cost less than $1,500,000 equivalent per contract; and (b) goods estimated to cost less than $150,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding.
2. **Shopping.** (a) Works estimated to cost less that $150,000 per contract; and (b) goods estimated to cost less than $50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. **Direct Contracting.** Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $100,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Least-cost Selection.** Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.
Section IV. 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.
SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

   (c) for the purposes of this Schedule, the term “Authorized Allocation” means an amount of $800,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $250,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,600,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify; and

(ii) prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or
(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Special Account minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.