March 22, 2013

His Excellency
Wilfredo Cerrato
Minister of Finance
Ministry of Finance
Avenida Cervantes, Barrio El Jazmin
Tegucigalpa, Honduras

Re: IDA Credit 4964-HO - Additional Financing and Restructuring for the Nutrition and Social Protection Project

Dear Excellency,

I refer to the Financing Agreement ("Agreement") between the International Development Association ("World Bank"), and the Republic of Honduras (the "Recipient") for the above-referenced project, dated August 23, 2011. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of IDA Credit 4964-HO ("Financing"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

This letter is the First Restatement of the Disbursement Letter dated August 23, 2011, for the above referenced project, restating Section II (vii) to increase DA Ceiling for SOLSS from US$600,000 to US$900,000 to revise DAs IDs and to correct Category 2 description previously referred as Category 3. This restatement is consistent with the project restructuring signed on March 19, 2013. All other provisions and attachments of the Disbursement Letter dated August 23, 2011, except as amended, shall remain in force and effect.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Credit is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Credit:

- Reimbursement
- Advances
- Direct Payment
(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Credit Agreement. Any changes to this date will be notified by the World Bank.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in Schedule 2, section IV (B) of the Financing Agreement.

II. Withdrawal of Credit Proceeds

(i) Authorized Signatures (subsection 3.1).
A letter should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: C. Felipe Jaramillo, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents, to the address indicated below:

Banco Mundial
Setor Comercial Norte
Quadra 02, Lote A
Edificio Corporate Financial Center
7º andar
70712-900, Brasilia, D.F.
Brazil
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Borrower to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Borrower has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Borrower with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.
(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens"); and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for Direct Payment and Reimbursement is US$300,000 for Category 1 and US$600,000 for Category 2.

(vi) Advances (sections 5 and 6) to MOP UAP for Category 1. (DA-E)

- Type of Designated Account (subsection 5.3): Segregated
- Currency of Designated Account (subsection 5.4): US Dollars
- Financial Institution at which the Designated Account Will Be Opened (subsection 5.5): Banco Central de Honduras
- Ceiling (subsection 6.1): US$300,000

(vii) Advances (sections 5 and 6) to SOLSS PIU for Category 2. (DA-F)

- Type of Designated Account (subsection 5.3): Segregated
- Currency of Designated Account (subsection 5.4): US Dollars
- Financial Institution at which the Designated Account Will Be Opened (subsection 5.5): Banco Central de Honduras
- Ceiling (subsection 6.1): US$900,000

III. Reporting on Use of Credit Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- For requests for Reimbursement:
  - Summary Statements with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made under contracts for:
> Goods and Consultant Services contracts with firms costing US$100,000 equivalent per contract or more;
> Individual consultants services and non-consulting services costing US$40,000 equivalent or more;
> Operating Costs and Training costing US$20,000 or more;
> Statement of Expenditure for payments, that do not exceed the thresholds established above.

- **For reporting eligible expenditures paid from the Designated Account DA-E and DA-F:**
  - Summary Statements with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made under contracts for:
    - Goods and Consultant Services contracts with firms costing US$100,000 equivalent per contract or more;
    - Individual consultants services and non-consulting services costing US$40,000 equivalent or more;
    - Operating Costs and Training costing US$20,000 or more;
  - Statement of Expenditure for payments, that do not exceed the thresholds established above; and,
  - Designated Account Activity Statement with a copy of the Designated Account Bank Statement.

- **For requests for Direct Payment:** records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Quarterly

**IV. Other Disbursement Instructions**

Retroactive financing will be available up to an amount of USD$600,000 equivalent for eligible expenditures under Category 1 incurred and paid on or after May 3, 2011, but in no case more than one year before the date of signature of the Financing Agreement.

Disbursement for Category 1 will run parallel to disbursements from the same category in the original financing – IDA Credit 4097-HO. Disbursements for Category 2 are not expected to commence until after the funds in the same category have been fully disbursed under the original financing but no later than January 1, 2012.

All Summary Sheets, SOEs and other supporting documentation will be maintained for post-review and audit purposes for up to twenty four [24] months after the final withdrawal from the credit account or eighteen [18] months after the project closing date, whichever is later.
V. Other Important Information


If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact the World Bank Loan Department by sending an email to loa-lcr@worldbank.org and naming the project and loan number in the subject line.

Yours sincerely,

Patricia Hoyes
Senior Finance Officer
World Bank Loan Department
Cc:

Maria Antonieta de Bográn, Presidential Designate, Secretary of the Presidency

Hilda Hernández, Minister, Ministry of Social Development

Roxana Araujo, Ministry, Ministry of Health

Felícito Ávila Ordoñez, Minister, Ministry of Labor and Social Security

Evelyn Bautista, Vice- Minister, Ministry of Finance

Marcela Aguilar, Portfolio Analyst, Ministry of Finance