Re: HONDURAS: GPOBA- National Output- National OBA Facility for Water and Sanitation Services Project (TF Grant Numbers TF058263, TF058264 and TF058265) Fourth Amendment to GPOBA Grant Agreement

Dear Sirs:

We refer to the Global Partnership on Output-based Aid ("GPOBA") Grant Agreement dated June 19, 2007, as amended on July 26, 2007, November 7, 2007 and March 11, 2010, among Fondo Hondureño de Inversión Social (the "Recipient" or "FHIS"), the Republic of Honduras (the "Member Country") and the International Bank for Reconstruction and Development (the "Bank"), acting as administrator of the GPOBA, for purposes of financing the National Output-based Aid Facility for Water and Sanitation Services Project (the "Grant Agreement"). Please note that capitalized terms used in this letter ("Amendment Letter") and not defined herein have the meaning ascribed to them in the Grant Agreement.

We also refer to the additional contribution of one hundred and fifty thousand United States Dollars (USD150,000) agreed by the donors to supplement the financing of Part 3 of the Project. From the total additional contribution, fifty thousand dollars (USD50,000) will be financed by the International Finance Corporation (TF058264-IFC), fifty thousand dollars (USD50,000) will be financed by the Government of Netherlands Ministry of Development Cooperation (TF058263-DGIS), and fifty thousand dollars (USD 50,000) will be financed by the Department for International Development (TF058265-DFID).

Accordingly, and in response to the Member Country’s letter no. CP-DEM-937/201, dated November 18, 2011 and the Recipient’s letter no. DE-UPEG-NO-340-2011, dated November 30, 2011, requesting: (a) an extension of the Project’s Closing Date; and (b) additional funds to finance the implementation of activities under Part 3 of the Project, we are pleased to inform you that the Bank hereby agrees to amend the Grant Agreement as follows:
1. Section 1.01 of the Grant Agreement is hereby amended to read as follows:

"1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010 ("Standard Conditions"), constitute an integral part of this Grant Agreement."

2. Section 3.01 of the Grant Agreement is hereby amended to read as follows:

"3.01. The Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Grant Agreement, a grant in an amount equal to four million five hundred ninety thousand Dollars (USD4,590,000) ("Grant") to assist in financing the Project. From the total Grant amount, one million five hundred thirty thousand Dollars (USD1,530,000) will be financed by the International Finance Corporation (TF058264-IFC), one million five hundred thirty thousand Dollars (USD1,530,000) will be financed by the Government of Netherlands Ministry of Development Cooperation (TF058263-DGIS) and the remaining one million five hundred thirty thousand Dollars (USD1,530,000) will be financed by the Department for International Development (TF058265-DFID)."

3. A new Section 3.03 is hereby included in the Grant Agreement to read as follows:

"3.03. The Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the Bank's payment obligations in connection with this Grant 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. Accordingly, in the event that any donor cancels or fails to pay any contributions under the trust fund to the Bank for any reason, or that as a result of currency exchange variations the amount of funds available in the trust fund is insufficient for the purposes of the Grant, the Recipient shall bear the risk of such funding shortfall and the Bank shall not have any liability whatsoever to the Recipient or to any third parties in respect of any expenditures or liabilities incurred by the Recipient or any third parties in connection with this Grant Agreement which exceed the amount of funds made available to the Bank by the donors for the purposes of the Grant."

4. A new Section I.D is included in Schedule 2 of the Grant Agreement to read as follows:

"D. Anti-Corruption

The Member Country and the Recipient shall ensure that the Project is carried out in accordance with the provisions of 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")."

5. Section III.A.1 and Section III.A.2 of Schedule 2 of the Grant Agreement are hereby amended to read as follows:

"1. Procurement and Consultant Guidelines. All goods, works non-consulting-services and consultants' 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:

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

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

6. The table set forth in Section IV.A.2 of Schedule 2 of the Grant Agreement is hereby amended to read as set forth in the Annex to this Amendment Letter.

7. Section IV.B.2 of Schedule 2 of the Grant Agreement is hereby amended to read as follows:

“2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2012.”

8. The definition of “Standard Conditions” included in Section I of the Appendix to the Grant Agreement is hereby deleted.

Please confirm your agreement with the foregoing amendment by signing and dating this letter in the spaces provided below. This Amendment Letter shall be executed in three counterparts, each of which shall be an original. All other provisions of the Grant Agreement, except as amended through this letter shall remain in full force and effect.

The provisions set forth in this Amendment Letter shall become effective as of the date of the last countersignature upon receipt by the Bank of: (a) one fully executed original of this Amendment Letter; and (b) evidence satisfactory to the Bank that the Operational Manual (as defined in the Grant Agreement) has been amended in accordance with the provisions of this Amendment Letter. Upon compliance with the above mentioned conditions, the Bank will send a notice of effectiveness to the Recipient.
Please also note that the approved Restructuring Paper dated December 8, 2011 will be disclosed on the Bank’s external website.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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

AGREED:

REPUBLIC OF HONDURAS
By: [Signature]
Authorized Representative
Name: William Chong Wong
Title: Minister of Finance
Date: February 3, 2012

FONDO HONDURENO DE INVERSION SOCIAL
By: [Signature]
Authorized Representative
Name: Miguel Edgardo
Title: Minister
Date: February 13, 2012
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant (TF 058263-DGIS) Allocated (expressed in USD)</th>
<th>Amount of the Grant (TF 058265-DFID) Allocated (expressed in USD)</th>
<th>Amount of the Grant (TF 058264-IFC) Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) GPOBA Subsidy for water and sanitation connections under Part 1 of the Project</td>
<td>1,333,333</td>
<td>1,333,333</td>
<td>1,333,333</td>
<td>100% excluding the portion covered by the counterpart contribution cited in Section I.B.1(a) of Schedule 2 of this Grant Agreement</td>
</tr>
<tr>
<td>(2) Consultants’ services and Operating Costs under Parts 2 and 3 of the Project</td>
<td>196,667</td>
<td>196,667</td>
<td>196,667</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,530,000</td>
<td>1,530,000</td>
<td>1,530,000</td>
<td></td>
</tr>
</tbody>
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