CREDIT NUMBER 5603-HN

Financing Agreement

(Additional Financing for the Social Protection Project)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 19, 2015
FINANCING AGREEMENT

Agreement dated \( \text{Maq\ iq} \), 2015 entered into between REPUBLIC OF HONDURAS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in the amount of twenty five million Dollars (\$25,000,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment; and (b) three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment; and (b) zero percent (0%) per annum.
2.06. The Payment Dates are February 15 and August 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (a) carry out Part A.1 of the Project through MoP; (b) carry out Parts A.2 and A.3 of the Project through SEDIS; (c) carry out Part B of the Project through SEDIS, in close coordination with SEFIN, MoH, and MoE, and with the assistance BANADESA and/or any other pertinent Financial Institution; and (d) cause the Coordinating Authority, to carry out Part C of the Project, all in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following: namely that any BANADESA and/or any pertinent Financial Institution shall have failed to comply with any of its obligations under the BANADESA Agreement and/or the pertinent Financial Institution Agreement related to the implementation of Part B of the Project.

4.02. The Additional Event of Acceleration consists of the following: namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister (Secretario) of SEFIN.

6.02. The Recipient’s Address is:

Secretaría de Estado en el Despacho de Finanzas
Dirección de Crédito Público
Avenida Cervantes, Barrio El Jazmin
Tegucigalpa, M.D.C.
Honduras, C.A.

Facsimile:
(504) 2237-4142

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI) Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Tegucigalpa, Honduras, as of the day and year first above written.

REPUBLIC OF HONDURAS

By: ____________________________
    Authorized Representative

Name: WILFREDA R. GUADALUPE
Title: Secretario de Estado en los Despachos de Finanzas

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: ____________________________
    Authorized Representative

Name: GIORGIO VALENTINI
Title: Representante Legal
      Banco Mundial
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) improve the institutional capacity of the Recipient’s institutions to manage the CCT Program, by strengthening transparent mechanisms and instruments for targeting CCT Program beneficiaries, monitoring compliance with the CCT Program co-responsibilities, and making payments to the CCT Program beneficiaries; (b) provide income support to Eligible Beneficiaries; (c) increase the use of preventive health services and school attendance in grades 1 to 9 among CCT Program beneficiaries in rural areas; and (d) improve the Recipient’s capacity to respond promptly and effectively to an Eligible Emergency.

The Project consists of the following parts:

Part A: Institutional Strengthening of the CCT Program

1. Strengthening of MoP’s institutional capacity to improve the design and operation of the CCT Program through, inter alia: (a) the provision of technical assistance and training for building the institutional capacity of the TCU; (b) the carrying out of a CCT Program beneficiary satisfaction survey; (c) the carrying out of a social audit for the CCT Program; (d) the provision of technical assistance for the carrying out of an impact evaluation of the implementation of the CCT Program; and (e) the design and implementation of a communications campaign.

2. Strengthening of the operational and administrative capacity of SEDIS for the implementation of the CCT Program through, inter alia: (a) the provision of technical assistance and training for building the institutional capacity of the SEDIS; (b) the carrying out of data collection activities to identify Eligible Beneficiaries, as set forth in the Project Operational Manual; (c) the development of an updated management information system; (d) the development and implementation of a web page providing information about the CCT Program; (e) the creation of a unit to attend grievances and complaints; (f) the review and redesign of the institutional and organizational structure of SEDIS to strengthen its operation at the local level; (g) the provision of technical assistance for the design and implementation of a strategy to involve local community organizations in the operation and oversight of the CCT Program; (h) the strengthening of the monitoring and evaluation system for the CCT Program; (i) the review and piloting of basic accounts and/or other financial products of regulated financial institutions as payment mechanisms; (j) the coordination with MoH and MoE for the monitoring and verification of the compliance with Grant Co-responsibilities; (k) the review of the current targeting mechanism for CCT Program beneficiaries; (l) the carrying out of a CCT Program beneficiary satisfaction survey; (m) the carrying out of a social audit for the CCT Program; (n) the carrying out of educational workshops on CCT Program beneficiaries’ rights and duties and the
services provided by the CCT Program to CCT Program beneficiaries and personnel responsible of carrying out the CCT Program; (o) the implementation of the IPP; (p) the design and implementation of modules for financial literacy; and (q) the design and implementation of initiatives to link Eligible Beneficiaries to existing productive inclusion interventions in their communities.

3. Development of an integrated social protection strategy, through, inter alia: (a) the development of a unique registry of beneficiaries of social programs; (b) the carrying out of diagnostic studies, including vulnerability and social safety net assessments and institutional assessments, all under terms of reference acceptable to the Association; (c) the carrying out of: (i) workshops to discuss the results of the diagnostic studies; and (ii) capacity building activities on the use of the unique registry of beneficiaries of social programs at the local level; and (d) the formulation of a social protection policy outlining recommended policy and institutional reform options.

Part B: CCT Program Grants

Provision of Education Grants and/or Health and Nutrition Grants to Eligible Beneficiaries.

Part C: Immediate Response Mechanism

Provision of support to respond to an Eligible Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through SEDIS, shall maintain, throughout the execution of Parts A and B of the Project, key staff in numbers and with experience and functions satisfactory to the Association, for the effective coordination of Parts A and B of the Project.

B. BANADESA Agreement and/or Financial Institution Agreements

1. For purposes of carrying out Part B of the Project, and unless the Association shall otherwise agree, the Recipient, through SEDIS, shall maintain, throughout the implementation of Part B of the Project, the BANADESA Agreement under terms and conditions acceptable to the Association, including, *inter alia*, BANADESA's obligation to: (a) distribute Education Grants and/or Health and Nutrition Grants to Eligible Beneficiaries; and (b) comply with the pertinent obligations set forth in this Schedule, including compliance with the Anti-Corruption Guidelines.

2. If at any time during Project implementation, the Recipient, through SEDIS, decides to replace BANADESA with another Financial Institution, or engage with one or more new Financial Institutions in carrying out Part B of the Project, the Recipient, through SEDIS shall: (a) select said Financial Institution in a manner and in accordance with criteria acceptable to the Association; and (b) enter into a Financial Institution Agreement under terms and conditions acceptable to the Association, including, *inter alia*, the Financial Institution's obligation to: (i) distribute Education Grants and/or Health and Nutrition Grants to Eligible Beneficiaries; and (ii) comply with the pertinent obligations set forth in this Schedule, including compliance with the Anti-Corruption Guidelines.

3. The Recipient, through SEDIS, shall exercise its rights and carry out its obligations under the BANADESA Agreement and the respective Financial Institution Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Notwithstanding Section I.B.2 of this Schedule, and except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive, or fail to enforce the BANADESA Agreement, the respective Financial Institution Agreement or any of their provisions.
C. Project Operational Manual

1. The Recipient shall carry out Parts A and B of the Project, in accordance with the provisions of a manual (the Project Operational Manual), which shall include, *inter alia*: (a) the criteria for identification, registration and selection of Eligible Beneficiaries; (b) the Education Grant Co-responsibilities and the Health and Nutrition Grant Co-responsibilities to be complied with by Eligible Beneficiaries as conditions for the provision of Grants; (c) the mechanisms for verification of compliance with Grants Co-responsibilities; (d) the description of the mechanism for the provision of Grants; (e) the format of: (i) the unaudited interim financial reports referred to in Section II.B.2 of this Schedule; and (ii) the Financial Statements; (f) the terms of reference, functions and responsibilities for the personnel of SEDIS; (g) the detailed procedures for coordination and collaboration among the relevant Recipient’s institutions, and other stakeholders in the carrying out of the Project; (h) the terms of reference for the carrying out the audits under Section II.B.3 of this Schedule; (i) the Project indicators; (j) the disbursement and procurement procedures for Parts A and B of the Project; and (k) the IPP.

2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not, abrogate, amend, suspend, waive or otherwise fail to enforce the Project Operational Manual or any provision thereof.

3. In case of any conflict between the terms of this Agreement and either the Project Operational Manual, the BANADESA Agreement, or any Financial Institution Agreement, the provisions of this Agreement will prevail.

D. Implementation Arrangements for Part C of the Project (Immediate Response Mechanism (IRM Part))

1. In order to ensure the proper implementation of Part C of the Project ("IRM Part"), the Recipient shall take the following measures:

(a) prepare and furnish to the Association for its review and approval, an operations manual ("IRM Operations Manual") which shall set forth detailed implementation arrangements for the IRM Part, including: (i) designation of terms of reference for, and resources to be allocated to, the entity to be responsible for coordinating and implementing the IRM Part ("Coordinating Authority"); (ii) specific activities which may be included in the IRM Part, Eligible Expenditures required therefore ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the IRM Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the IRM Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the IRM Part, consistent with the Association’s policies
on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the IRM Part;

(b) afford the Association a reasonable opportunity to review the proposed IRM Operations Manual;

(c) promptly adopt the IRM Operations Manual for the IRM Part as shall have been approved by the Association;

(d) ensure that the IRM Part is carried out in accordance with the IRM Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operations Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the IRM Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall undertake no activities under the IRM Part (and no activities shall be included in the IRM Part) unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the IRM Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. Safeguards

The Recipient shall carry out the Project, and cause the Project to be carried out in accordance with the IPP.
Section II.  **Project Monitoring, Reporting and Evaluation**

A.  **Project Reports**

1.  The Recipient, through SEDIS, shall, monitor and evaluate the progress of Parts A and B of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth in the Project Operational Manual. Each Project Report shall cover the period of one calendar semester. The Recipient, through SEDIS, shall furnish to the Association said Project Report, not later than forty five days after the end of the period covered by such report.

B.  **Financial Management, Financial Reports and Audits**

1.  The Recipient, through SEDIS shall maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2.  Without limitation on the provisions of Part A of this Section, the Recipient, through SEDIS, shall prepare as part of the Project Reports, interim unaudited financial reports for Parts A and B of the Project covering a calendar semester, in form and substance satisfactory to the Association. The Recipient, through SEDIS, shall furnish to the Association said interim unaudited financial reports not later than forty five days after the end of each calendar semester, in form and substance satisfactory to the Association.

3.  The Recipient, through SEDIS, shall have the Financial Statements for Parts A and B of the Project audited, all in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, or any other period agreed with the Association. The Recipient, through SEDIS shall furnish to the Association said audited Project Financial Statements for each such period not later than six months after the end of such period.

Section III.  **Procurement**

A.  **General**

1.  **Goods and Non-consulting Services.**  All goods and non-consulting services required for Parts A and B of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2.  **Consultants’ Services.**  All consultants’ services required for parts A and B of the Project and to be financed out of the proceeds of the Financing shall be procured
in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the following additional provisions:</td>
</tr>
<tr>
<td>(i) Contracts shall be awarded to the lowest evaluated bid in accordance with the criteria set forth in the bidding documents (acceptable to the Association), and without taking into account, in the evaluation, the financial cost of foreign exchange components.</td>
</tr>
<tr>
<td>(ii) Foreign bidders shall not, as a condition for submitting bids, be required to: (A) be registered in the Recipient’s territory; (B) have a representative in the Recipient’s territory; (C) be associated with suppliers or contractors of the Recipient’s territory; and (D) certify that, in their country of origin, suppliers or contractors of the Recipient’s territory are allowed to participate in competitive bidding procedures under equal conditions with other bidders.</td>
</tr>
<tr>
<td>(iii) Contracts shall not be divided for the sole purpose of reducing contract amounts.</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>
C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least-Cost Based Selection</td>
</tr>
<tr>
<td>(b) Quality-Based Selection</td>
</tr>
<tr>
<td>(c) Selection Based on the Consultants' Qualifications</td>
</tr>
<tr>
<td>(d) Single Source Selection of consulting firms</td>
</tr>
<tr>
<td>(e) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. 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.

E. Procurement of Emergency Expenditures under the IRM Part of the Project

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the IRM Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the IRM Operations Manual.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in [USD])</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Education Grants, Health and Nutrition Grants and Operating Costs under Part B of the Project</td>
<td>20,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Consultants’ Services, non-consulting services, Operating Costs, and Training under Part A.1 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Consultants’ Services, non-consulting services, Operating Costs, and Training under Part A.2 of the Project</td>
<td>4,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, Consultants’ Services, non-consulting services, Operating Costs, and Training under Part A.3 of the Project</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Emergency Expenditures under Part C of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>25,000,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For the purposes of this Section:
   
   (a) the term “Training” means expenditures (other than those for consultants’ services and non-consulting services) for: (i) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by training facilitators; (ii) course fees;
(iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses; and

(b) the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, per diem, supervision costs of locally contracted employees, and reasonable bank transfer fees.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $5,000,000 may be made for payments made prior to this date but on or after January 30, 2015, for Eligible Expenditures under Category (1);

(b) under Category (5), for Emergency Expenditures under Part C of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:

(i) the Recipient has determined that an Eligible Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.D.3(b) of this Schedule;

(iii) the Recipient’s Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.D.2 of this Schedule for the purposes of said activities; and

(iv) the Recipient has adopted the IRM Operations Manual in form, substance and manner acceptable to the Association and the
provisions of the IRM Operations Manual remain or have been
updated in accordance with the provisions of Section I.D.1(c) of
this Schedule so as to be appropriate for the inclusion and
implementation of said activities under the IRM Part.

2. The Closing Date is December 31, 2017.

Section V. Other Undertakings

1. Without limitation to the provisions of Section II.B.3 of this Schedule, and
pursuant to terms of reference previously agreed with the Association, including
inter alia, the scope of the Compliance Reviews to be conducted and furnished to
the Association, and as further specified in the Project Operational Manual, the
Recipient shall: (a) not later than one month after the Effective Date, hire
independent auditors, with experience and qualifications acceptable to the
Association, and under terms of reference acceptable to the Association, for
purposes of carrying out Compliance Reviews of the CCT Program, each of which
shall: (i) be carried out every six (6) months; (ii) review, based on a representative
sample, that CCT Program beneficiaries receiving payments are registered in the
CCT Program beneficiary’s registry; and (iii) that information related to
compliance with CCT Program co-responsibilities is accurately recorded; and (b)
not later than 90 days after the end of the period covered by each such Compliance
Review, prepare and furnish to the Association, a report of such scope and in such
detail as the Association shall reasonably request concerning the result of the
pertinent Compliance Review.

2. Without limitation to the provisions of Section II.B.3 of this Schedule and Section
4.09 of the General Conditions, and upon the Association’s request the Recipient
shall: (a) cause the independent auditor selected under Section 4.09(b)(i) of the
General Conditions, to perform a procurement and financial management audit of
the records and documentation for the contract aimed at the carrying out of data
collection activities to identify CCT Program beneficiaries under Part A.2(b) of
the Project including, inter alia, the records and documentation pertaining to the
hiring and payment of sub-suppliers and subcontractors, which shall cover the
period set forth in the Project Operational Manual, all under terms of reference
satisfactory to the Association and in accordance with auditing principles
acceptable to the Association (the Contract Audit); (b) within a period set forth in
the Project Operational Manual, furnish or cause to be furnished to the Association
the Contract Audit report in form and substance acceptable to the Association; and
(c) at all times during the implementation of Part A.2(b) of the Project, furnish or
cause to be furnished to the Association and to the auditors performing the Contract
Audit, such other information concerning the records and documentation for Part
A.2(b) of the Project as the Association or the auditors may from time to time
reasonably request.
3. The Recipient and the Association hereby agree to amend the Original Financing Agreement and the Additional Financing Agreement as set forth in Schedule 4 to this Agreement.
## SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing August 15, 2020 to and including February 15, 2030.</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing August 15, 2030 to and including February 15, 2040.</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
SCHEDULE 4

Amendment to the Original Financing Agreement and the Additional Financing Agreement

I. The Recipient and the Association hereby agree to amend the Original Financing Agreement and the Additional Financing Agreement as follows:

1. Schedule 1 of the Original Financing Agreement and the Additional Financing Agreement is hereby amended to read in its entirety as set forth in Schedule 1 to this Agreement.

2. Sections I, II, and III of Schedule 2 to the Original Financing Agreement and the Additional Financing Agreement are hereby amended to read in their entirety as set forth in Sections I, II, and III of Schedule 2 to this Agreement.

3. Section IV.B.2 of Schedule 2 of the Original Financing Agreement and the Additional Financing Agreement is hereby amended to read as follows:

“The Closing Date is December 31, 2017.”

4. Section V of Schedule 2 to the Original Financing Agreement and the Additional Financing Agreement, is hereby amended to read in its entirety as follows:

“Section V. Other Undertakings

1. Without limitation to the provisions of Section II.B.3 of this Schedule, and pursuant to terms of reference previously agreed with the Association, including inter alia, the scope of the Compliance Reviews to be conducted and furnished to the Association, and as further specified in the Project Operational Manual, the Recipient shall: (a) not later than one month after the Effective Date, hire independent auditors, with experience and qualifications acceptable to the Association, and under terms of reference acceptable to the Association, for purposes of carrying out Compliance Reviews of the CCT Program, each of which shall: (i) be carried out every six (6) months; and (ii) review, based on a representative sample, that CCT Program beneficiaries receiving payments are registered in the CCT Program beneficiary’s registry; and (iii) that information related to compliance with CCT Program co-responsibilities is
accurately recorded; and (b) not later than 90 days after the end of the period covered by each such Compliance Review, prepare and furnish to the Association, a report of such scope and in such detail as the Association shall reasonably request concerning the result of the pertinent Compliance Review.

2. Without limitation to the provisions of Section II.B.3 of this Schedule and Section 4.09 of the General Conditions, and upon the Association’s request the Recipient shall: (i) cause the independent auditor selected under Section 4.09(b)(i) of the General Conditions, to perform a procurement and financial management audit of the records and documentation for the contract aimed at the carrying out of data collection activities to identify CCT Program beneficiaries under Part 2(b) of the Project including, inter alia, the records and documentation pertaining to the hiring and payment of sub-suppliers and subcontractors, which shall cover the period set forth in the Project Operational Manual, all under terms of reference satisfactory to the Association and in accordance with auditing principles acceptable to the Association (the Contract Audit); (ii) within a period set forth in the Project Operational Manual, furnish or cause to be furnished to the Association the Contract Audit report in form and substance acceptable to the Association; and (iii) at all times during the implementation of Part A.2(b) of the Project, furnish or cause to be furnished to the Association and to the auditors performing the Contract Audit, such other information concerning the records and documentation for Part A.2(b) of the Project as the Association or the auditors may from time to time reasonably request.”

6. The “BANADESA Agreement” and “Compliance Review” definitions are hereby included in the Appendix of the Original Financing Agreement and the Additional Financing Agreement to read in their entirety as set forth in the “BANADESA Agreement” and “Compliance Review” definitions respectively in the Appendix to this Agreement.

II. The Recipient and the Association hereby agree to amend the Original Financing Agreement as follows:

1. Sections IV.B.1 (b) of Schedule 2 to the Original Financing Agreement is hereby amended to read in its entirety as follows:

"1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

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

(b) under Category (5), for Emergency Expenditures under Part C of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:

(i) the Recipient has determined that an Eligible Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section 1.D.3(b) of this Schedule;

(iii) the Recipient’s Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section 1.D.2 of this Schedule for the purposes of said activities; and
(iv) the Recipient has adopted the IRM Operations Manual in form, substance and manner acceptable to the Association and the provisions of the IRM Operations Manual remain or have been updated in accordance with the provisions of Section I.D.1(c) of this Schedule so as to be appropriate for the inclusion and implementation of said activities under the IRM Part."
APPENDIX

Section I. Definitions


4. "BANADESA Agreement" means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, entered into between the Recipient, through SEDIS, and BANADESA dated August 26, 2014.

5. "Basis Adjustment" means the Association’s standard basis adjustment for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

6. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

7. "CCT Program" means Programa Presidencial de Salud, Educación y Nutrición Bono 10.000, the Recipient’s presidential conditional cash transfer program on health, education and nutrition, which principal objective is to create new opportunities for extreme poor families, created by the Recipient Executive Decree No. 010-2010, dated April 13, 2010 (published in the Recipient’s Official Gazette on May 14, 2010), as the same may be amended from time to time with the agreement of the Association in writing.

8. "Compliance Review" means the review performed by independent auditors and under Terms of Reference, both acceptable to the Association, based on the application of agreed-upon procedures on a representative sample of Grant transactions, as set forth in Section V.1 of Schedule 2 to this Agreement.

10. "Contract Audit" means the audit set forth in Section V.2(a) of Schedule 2 to this Agreement.

11. "Coordinating Authority" means the entity or entities designated by the Recipient in the IRM Operations Manual and approved by the Association pursuant to Section I.D.1(a) of Schedule 2 to this Agreement, to be responsible for coordinating the IRM Part of the Project.

12. "Education Grant" means a conditional cash transfer, in an amount calculated as set forth in the Project Operational Manual, made out of the proceeds of the Financing under Category (1) to an Eligible Beneficiary who complies with the Education Grant Co-responsibilities, in accordance with the criteria and procedures set forth in the Project Operational Manual.

13. "Education Grant Co-responsibilities" means the Eligible Beneficiary's co-
    responsibilities included in the Project Operational Manual, including that children from 1st to 6th grade (primary level) be enrolled in school and attend classes.

14. "Eligible Beneficiary" means any individual living in the Recipient's rural areas of the Recipient's departments set forth in the Operational Manual, who meets the eligibility criteria set forth in the Project Operational Manual to benefit from an Education Grant and/or a Health and Nutrition Grant, and who has been selected through public and transparent mechanism, set forth in the Project Operational Manual.

15. "Eligible Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

16. "Emergency Expenditure" means any of the Eligible Expenditures set forth in the IRM Operations Manual in accordance with the provisions of Section I.D.1 (a) of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.

17. "Financial Institution" means a financial institution acceptable to the Association and selected pursuant to Section I.B.2(a) of Schedule 2 to this Agreement.

18. "Financial Institution Agreement" means an agreement referred to in Section I.B.2(b) of Schedule 2 to this Agreement, entered into between the Recipient, through SEDIS, and a Financial Institution.
19. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

20. "Grant" means an Education Grant and/or a Health and Nutrition Grant (as the case may be) (as hereinafter defined).

21. "Grant Co-responsibilities" means the Education Grant Co-responsibilities and/or the Health and Nutrition Grant Co-responsibilities (as the case may be) (as hereinafter defined).

22. "Health and Nutrition Grant" means a conditional cash transfer, in an amount calculated as set forth in the Project Operational Manual, made out of the proceeds of the Financing under Category (1) to an Eligible Beneficiary who complies with the Health and Nutrition Grant Co-responsibilities, in accordance with the criteria and procedures set forth in the Project Operational Manual.

23. "Health and Nutrition Grant Co-responsibilities" means the Eligible Beneficiary’s co-responsibilities set forth in the Project Operational Manual, including that: (a) children between 0 and 59 months and pregnant mothers attend preventive health controls; and (b) pregnant women complete their pre-natal check-ups.

24. "Immediate Response Mechanism Operations Manual" and "IRM Operations Manual" each means the operations manual referred to in Section 1.D.1(a) of Schedule 2 of this Agreement, to be adopted by the Recipient for the IRM Part of the Project in accordance with the provisions of said Section.


26. "IRM Part of the Project" and "IRM Part" each mean Part C of the Project.

27. "MoE" means Secretaría de Estado en el Despacho de Educación, the Recipient’s Ministry of Education, or any successor thereto acceptable to the Association.

28. "MoH" means Secretaría de Estado en el Despacho de Salud, the Recipient’s Ministry of Health, or any successor thereto acceptable to the Association.


31. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.


33. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated February 6, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

34. "Project Operational Manual" means the Recipient’s manual for the implementation of the Project, updated on February 18, 2015 for purposes of this Financing, satisfactory to the Association, as the same may be amended from time to time by agreement between the Recipient and the Association.

35. "SEDIS" means Secretaría de Desarrollo e Inclusión Social, the Recipient’s Ministry of Development and Social Inclusion, or any successor thereto acceptable to the Association.

36. "SEFIN" means Secretaría de Estado en el Despacho de Finanzas, the Recipient’s Ministry of Finance, or any successor thereto acceptable to the Association.

37. "SSIS" means Subsecretaría de Integración Social, the Recipient’s Subsecretariat of Social Integration within SEDIS, or any successor thereto acceptable to the Association.

38. "TCU" means the Recipient’s technical coordination unit within MoP, referred to in Section I.A.1 of Schedule 2 to this Agreement, in effect until March 25, 2014.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

   "Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the
Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).