Mr. Wilfredo Rafael Cerrato Rodríguez  
Minister of Finance  
Ministry of Finance  
Ave. Cervantes, Barrio El Jazmín  
Edificio Secretaria de Finanzas  
Tegucigalpa, Honduras  

Excellency:  

Re: MDTF EITI Grant No. TF016493  
Republic of Honduras: Support to the Implementation of the Extractive Industries Transparency Initiative Project  

In response to the request for financial assistance made on behalf of the Republic of Honduras ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by Australia, Belgium, Canada, Denmark, the European Union represented by the European Commission, Finland, France, Germany, Japan, the Netherlands, Norway, Spain, Switzerland, the United Kingdom and the United States ("Donors") under the Multi-Donor Trust Fund for Extractive Industries Transparency Initiative ("EITI") Implementation Support, proposes to extend to the Recipient a grant from the Multi-Donor Trust Fund for EITI Implementation Support in an amount not to exceed three hundred thousand United States Dollars (US$300,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").  

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.  

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.  

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement
shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

J. Humberto López
Director
Central America
Latin America and the Caribbean Region

AGREED:
REPUBLI

OF HONDURAS

By:

Authorized Representative

Name: Wilfredo Ramos Ramirez

Title: Minister of Finance

Date: September 26, 2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(3) “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following terms have the following meanings:

(a) "CSOs" means civil society organizations.

(b) "EITI" means Extractive Industries Transparency Initiative.

(c) "EITI Coordinator" means the Recipient’s EITI Council Chairman appointed by Executive Decree No. PCM 008-2012, dated December 17, 2012.

(d) "EITI Council" means the Recipient’s tripartite entity comprising representatives from Government, mining and oil companies and civil society, established pursuant to the Recipient’s Executive Decree No. PCM 008-2013, dated March 16, 2013, or any successor thereto.

(e) "EITI Organization" means the EITI Council, the EITI Secretariat, and the Technical Committee, or any successor thereto.

(f) "EITI Secretariat" means the office attached to the EITI Council that performs the secretarial functions of the EITI Council and the EITI Coordinator, or any successor thereto.

(g) "EITI Standard" means the requirements established by EITI and referred to in the Grant Agreement for TF071337, dated September 16, 2009, as amended from time to time by the parties thereto.

(h) "Executive Secretary" means the head of the EITI Secretariat.

(i) "INVEST-H" means the Recipient’s *Cuenta del Desafío del Milenio*, a unit under the President’s Office created pursuant to the Recipient’s Law No. 233-2005, dated September 21, 2005, or any successor thereto.

(j) "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of Project implementation, consisting of vehicle operation and maintenance, communication...
and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Project staff and CSOs for travel linked to the implementation of the Project, and salaries of contractual staff for the Project (but excluding consultants’ services and salaries of officials of the Recipient’s civil service.

(k) “Technical Committee” means Mesa Técnica, the Recipient’s technical committee created pursuant to the Recipient’s Executive Decree No. 008-2013, dated February 5th, 2013 (published March 16th, 2013), or any successor thereto.

(l) “Training and Workshops” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants’ services).

(m) “World Bank Safeguard Policies” means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.worldbank.org/opmanual.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to contribute to the enhancement of the Recipient’s governance in the extractive industries sector by supporting the EITI process of promoting transparency and accountability across the extractive industries value chain. The Project consists of the following parts:

Part 1. Capacity Building and Training

Carrying out capacity building activities for the design and management of the EITI procedures, including:

(a) carrying out training for key stakeholders, including, inter alia the EITI Council, CSOs at the national and local levels, the media and the Recipient’s institutions responsible of extractive industries or transparency, to increase their understanding of the EITI procedures;

(b) (1) carrying out workshops to define the scope of the EITI report pursuant to the EITI Standard; and (2) preparing the data templates of the EITI report pursuant to the EITI Standard;
(c) providing academic training on extractive industries to members of the EITI Organization and CSOs; and

(d) carrying out workshops to exchange experiences with other EITI implementing countries in the region.

Part 2. Preparation of the EITI Report

Preparing the EITI Report, pursuant to the EITI Standard, including, *inter alia*:

(a) ensuring the consistency of the information provided by the EITI Council with the EITI Standard;

(b) carrying out the reconciliation of payments made by mining and oil companies to the Recipient and its municipalities, and the payment receipts of the Recipient and its municipalities; and

(c) carrying out progress workshops with the EITI Council.

Part 3. Raising Awareness and Communication

Raising awareness on extractive industries and the EITI Standard, through:

(a) the design and implementation of an outreach strategy on, *inter alia*, the merits of transparency of mining and oil revenues, the EITI process in the Recipient’s territory and the results of the EITI Report;

(b) publishing and disseminating the EITI reports and selected supporting materials in Spanish;

(c) developing the Recipient’s EITI webpage; and

(d) carrying out outreach activities on, *inter alia*, the merits of the EITI process with CSOs in rural areas of the Recipient’s territory.

Part 4. Operational Support

Supporting Project management and the EITI Organization through, *inter alia*:

(a) the provision of technical assistance and equipment to the EITI Secretariat;

(b) the participation of CSOs that are members of the EITI National Council in said council’s meetings; and
(c) the carrying out of workshops by the EITI National Council on the preparation of the EITI report pursuant to the EITI Standard and dissemination of EITI including the participation of CSOs.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through INVEST-H, with the assistance of the EITI Council, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** (a) For purposes of carrying out the project, the Recipient shall operate and maintain INVEST-H, throughout Project implementation, with functions, staffing and responsibilities acceptable to the World Bank.

(b) For purposes of providing general Project oversight and coordination, the Recipient shall ensure, throughout the implementation of the Project, that the EITI Committee is operated and maintained with functions, responsibilities and composition acceptable to the World Bank.

(c) The Recipient shall not use the proceeds of the Grant for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import, to the Recipient’s knowledge or belief, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions.”

2.04. **Safeguards.** The Recipient shall ensure that the terms of reference for any consultancy in respect to Parts 1 and 3 of the Project shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

2.05. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor(s) to visit any part of the Recipient’s territory for purposes related to the Project.

2.06. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall
be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than *six months after the Closing Date*.

2.07. **Financial Management.**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.08. **Procurement.** All goods, works, non-consulting services, and/or consulting services required for the Project and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 and revised on July 2014 (“Procurement Guidelines”), and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 and revised on July 2014 (“Consultant Guidelines”).

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

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such
instructions), to finance 100% of Eligible Expenditures consisting of goods, consultants’ services, Training and Workshops, and Operating Costs inclusive of Taxes.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2015.

**Article IV**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance

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

Ministry of Finance  
Ave. Cervantes, Barrio El Jazmín  
Edificio Secretaría de Finanzas  
Tegucigalpa, Honduras

Telephone: (504) 2222-0122

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

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

Facsimile: 1-202-477-6391