Mr. Wilfredo Cerrato Rodríguez  
Secretario de Estado en el Despacho de Finanzas  
Secretaría de Finanzas  
Avenida Cervantes, Barrio El Jazmín  
Edificio SEFIN  
Tegucigalpa, M.D.C.  
Honduras

Re: HONDURAS: Project Preparation Grant for Honduras Sustainable Rural Energy Services Project (SCF-SREP Grant TF012866)

Dear Sir,

I am writing on behalf of the International Development Association (the Association) to indicate the Association’s agreement, as administrator of grant funds provided by the multi-donor trust fund for Scaling up Renewable Energy in Low Income Countries (SREP), under the Strategic Climate Fund (SCF), to make a grant in an amount not exceeding three hundred thousand United States Dollars US$300,000 (the Grant) to the Republic of Honduras (the Recipient).

The Grant is made in response to the Recipient’s request for financial assistance and for the purposes and on the terms and conditions set forth in the Annex to this Letter Agreement. The Recipient hereby confirms its request that the Association carry out the activities described in paragraph 1 of the Annex to this Letter Agreement, and represents that it is authorized to contract the Grant for the said purposes and on the said terms and conditions.

Please note that it is the Association’s policy to make publicly available this Letter Agreement and any information related thereto, after this Letter Agreement has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this Letter Agreement, confirms its consent to such disclosure.
Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by the Association of the copy of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

C. Felipe Sarmiento
Director
Central America
Latin America and the Caribbean Region

AGreed:

REPUBLIC OF HONDURAS

By: [Signature]
Authorized Representative
Name: [Signature]
Title: Minister of Finance
Date: November 02, 2012
Purposes, Terms and Conditions of the Grant

1. The purpose of the Grant is to assist in the preparation of the Sustainable Rural Energy Services Project which has as main objectives of: (i) improving the regulatory framework for rural electrification using off-grid renewable energy technologies; (ii) increasing the electrification coverage in rural and periurban areas of the Recipient using off-grid renewable energy technologies; and (iii) promoting the use of advanced biomass cookstoves (the Project). The activities (the Activities) for which the Grant is given are as follows:

(a) Design of business models to promote renewable energy for rural electrification in rural and periurban areas of the Recipient.
(b) Carrying out of an assessment to identify the Recipient’s needs for new policy, regulations, and institutional strengthening for off-grid electrification and small scale renewable energy technologies.
(c) Development of a master plan for the electrification of the Recipient’s rural areas.
(d) Design of a national biomass cookstove program for the Recipient.
(e) Carrying out of workshops with relevant stakeholders to: (i) consult and discuss the results of the studies carried out under the Activities, including the incorporation of gender perspective to said studies; and (ii) build consensus on the Project’s design and implementation arrangements.

2. The Grant shall be used to finance consultant fees, media and workshops costs, and travel expenses required for the Activities. For the purpose of this section the term “workshops” means expenditures associated with workshops conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of participants.

3. The Association shall carry out the Activities on behalf of the Recipient pursuant to this Letter Agreement and in accordance to the Work Plan. For the purpose of this section the term “Work Plan” means the program agreed between the Recipient and the Association, dated September 13, 2012 setting forth, inter alia, the time table for the implementation of the Activities, as the same may be revised from time to time with the agreement of the Association and the Recipient.

4. The Recipient shall cooperate with the Association to the extent necessary to permit the Association to carry out the Activities promptly and effectively, and to evaluate the results of the Activities. The Recipient shall indemnify the Association against any costs or liabilities incurred by the Association as a result of claims against the Association in connection with the Activities, except those resulting from the gross negligence or willful misconduct of its staff or external consultants.

5. The Association shall carry out the Activities pursuant to this Letter Agreement only to the extent that the Grant funds required for such Activities are available to the Association from the Donor.

6. The Activities shall be completed by not later than June 30, 2014, or such later date as the Association may establish by notice to the Recipient (the Closing Date). Except in special circumstances, no proceeds of the Grant shall be used to fund Activities after Association approval of financing for the Project, and the Closing Date shall not be extended beyond the Effectiveness Date of the Project. After the Closing Date, the Association may at any time cancel the remaining balance of the Grant.
7. The engagement and supervision of the consultants (the Consultants) and the carrying out of Workshops required to assist in the carrying out of the Activities shall be the responsibility solely of the Association and shall be done according to the Association's applicable procedures.

8. The Recipient may at any time request the Association in writing to terminate the Activities. Whether or not the Recipient has made such a request, the Association may at any time suspend or, after consultation with the Recipient, terminate the right of the Recipient to receive Grant funds for the Activities if any of the following events has occurred and is continuing: (a) the Recipient has failed to perform any of its obligations under this Letter Agreement; or (b) the right of the Recipient, or any other entity to which the International Bank for Reconstruction and Development (IBRD) has made a loan with the guarantee of the Recipient, to make withdrawals under any loan agreement with the IBRD or any development credit, grant or financing agreement with the Association has been suspended. The Association may also terminate the right of the Recipient to receive Grant funds if: (a) the Association has decided, at any time after consultation with the Recipient, to withdraw its support to the Project; or (b) the Recipient has withdrawn its request for the Association's assistance in the financing of the Project.

9. The Association is not an agent of, or trustee for, the Recipient and shall not have any fiduciary relationship with the Recipient. The Recipient shall have no right to any portion of the Grant that is not expended by the Association pursuant to this Letter Agreement.