Financing Agreement

(Safer Municipalities Project)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated DECEMBER 18, 2012
FINANCING AGREEMENT

AGREEMENT dated DECEMBER 18, 2014, entered into between the REPUBLIC OF HONDURAS ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 an amount equivalent to nine million eight hundred thousand Special Drawing Rights (SDR9,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are April 15 and October 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 United States Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (a) cause Parts I through III of the Project to be carried out by FHIS, with the participation of the Selected Municipalities, and with the overall coordination and participation of SEDS; and (b) carry out Part IV of the Project with the participation of the Coordinating Authority, 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 Events of Suspension consist of the following:

(a) FHIS’ Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the Recipient and/or FHIS to comply with any of their respective obligations under this Agreement or the Subsidiary Agreement, respectively.

(b) FHIS shall have failed to comply with any of its pertinent obligations under the Subsidiary Agreement.

(c) Any of the Selected Municipalities shall have failed to comply with any of its pertinent obligations under the respective Municipality Agreement.

4.02. The Additional Events of Acceleration consist of the following:

(a) Any event specified in paragraphs (b) and (c) of 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.
(b) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreement has been executed on behalf of the Recipient, through SEFIN and SEDS, and FHIS.

5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient, through SEFIN and SEDS, and FHIS and is legally binding upon the Recipient, through SEFIN and SEDS, and FHIS in accordance with its terms.

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than eighteen (18) months after the Association's approval of the Credit which expire on June 13, 2014.

5.04. 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 Finanzas  
Avenida Cervantes, Barrio El Jazmin  
Frente a Edificio de Quinchón León

Facsimile: (504) 237-4142

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 the District of Columbia, U.S.A., as of the day and year first above written.

REPUBLIC OF HONDURAS

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to support the Recipient to: (a) improve the capacity of national and local authorities in violence prevention; (b) address risk factors of crime and violence in Selected Municipalities; and (c) improve its capacity to respond promptly and effectively to an Eligible Emergency.

The Project consists of the following parts:

Part I: Institutional Strengthening of National-level Violence Prevention

1. Strengthening of SEDS’s institutional capacity to guide, coordinate and oversee violence prevention activities in Selected Municipalities, through, inter alia: (a) the systematization of good practices on violence prevention; (b) the assessment of violence prevention services available at the national level that may be offered in the Selected Municipalities; (c) the provision of training for the SEDS’ staff to provide support to Selected Municipalities during the preparation and implementation of the Violence Prevention Component of the Municipal Coexistence and Citizen Security Plans; (d) the development of guidelines and protocols for the preparation of the Violence Prevention Component of the Municipal Coexistence and Citizen Security Plans; and (e) the development of a monitoring and evaluation system for the implementation of the Violence Prevention Component of the Municipal Coexistence and Citizen Security Plans.

2. Strengthening the capacity of SEDS and Selected Municipalities to collect and process violence data for evidence-based policymaking, through, inter alia: (a) the provision of technical assistance and acquisition of equipment to enhance the National Violence Observatory’s capacity to validate crime and violence data; (b) the design and implementation of victimization, attitude and social cohesion surveys; and (c) the creation and strengthening of municipal crime and violence observatories in Selected Municipalities.

Part II: Integrated Crime and Violence Prevention at Municipal and Community Level

1. Improvement of Selected Municipalities’ capacity to plan and manage violence prevention activities, through, inter alia: (a) the provision of technical assistance and training to Selected Municipalities’ personnel and members of violence prevention committees, to prepare the Violence Prevention Component of the Municipal Coexistence and Citizen Security Plans, including Municipal Subprojects; (b) the establishment of municipal level complaint handling mechanisms; and (c) the development and implementation of communication and outreach activities to promote community participation.
2. Promoting collective efficacy, through, *inter alia*, the design and implementation of community participation related activities, including those related to the identification, prioritization, implementation and supervision of Municipal Subprojects.

3. Provision of Grants to Selected Municipalities for the carrying out of Municipal Subprojects.

**Part III: Project Administration and Monitoring and Evaluation**

1. Supporting Project Management, through, *inter alia*: (a) the provision of training and workshops; and (b) the carrying out of the fiduciary aspects of the Project, including audits.

2. Supporting Project monitoring and evaluation, through, *inter alia*: (a) the establishment of systems and capacities for monitoring Project activities; and (b) the carrying out of Project impact evaluation activities.

**Part IV: Immediate Response Mechanism**

Provision of support to respond to an Eligible Emergency.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of the overall coordination of Parts I through III of the Project, the Recipient, through SEDS, shall maintain, throughout Project implementation, adequate staff in numbers and with the qualifications acceptable to the Association, and detailed in the Operational Manual.

2. (a) The Recipient shall cause FHIS to operate and maintain during the Project implementation, a Project implementation unit ("PIU"), with functions, staffing (including but not limited to a Project coordinator, a procurement specialist, a financial management specialist, a social violence prevention specialist, an urban infrastructure and situational prevention specialist, and a monitoring and evaluation specialist), and responsibilities satisfactory to the Association, and set forth in the Operational Manual.

(b) The Recipient undertakes that, unless the Association may otherwise agree, the PIU personnel shall only be hired based on professional criteria and shall only be replaced for reasons related to performance.

B. Subsidiary Agreement

1. To facilitate the carrying out of Parts I through III of the Project, the Recipient shall make the proceeds of the Financing available to FHIS under a subsidiary agreement ("Subsidiary Agreement") between the Recipient, through SEFIN and SEDS, and FHIS, under terms and conditions approved by the Association, and adequate to protect the interests of the Recipient and those of the Association, which shall include, inter alia:

(a) The obligation of the Recipient, through SEFIN, to take or permit to be taken all actions to enable FHIS to comply with its respective obligations under the Subsidiary Agreement.

(b) The obligation of the Recipient, through SEDS, to:

(i) participate in the carrying out of Parts I through III of the Project, including through: (A) the overall coordination of said Parts of the Project; (B) the assistance to, and supervision of, the data gathering and analysis under Part 1.2 of the Project; and (C)
the certification of Violence Prevention Components, including potential Municipal Subprojects:

(ii) provide guidance to FHIS in the planning and implementation of Parts I through III of the Project and in the development of systems and tools for monitoring Project implementation;

(iii) define the guidelines and criteria for the preparation by the Selected Municipalities of the Violence Prevention Component of their Municipal Coexistence and Citizen Security Plans;

(iv) assist Selected Municipalities, together with FHIS, in the preparation and/or update of its respective Violence Prevention Component of the Municipal Coexistence and Citizen Security Plans, including potential Municipal Subprojects, in accordance to the guidelines and criteria referred to in (iii) above, and as set forth in the Operational Manual;

(v) to promote a successful implementation of Parts I and II of the Project, facilitate the dialogue on violence prevention among the relevant Recipient's authorities, including the organization of inter-ministerial meetings; and

(vi) take or permit to be taken all actions to enable FHIS to comply with its respective obligations under the Subsidiary Agreement.

(c) The obligation of FHIS to:

(i) carry out Parts I through III of the Project, under the overall coordination of SEDS, in accordance with the provisions of the Anti-Corruption Guidelines and the pertinent provisions of this Agreement as applicable to FHIS;

(ii) provide promptly as needed, any additional resources within its control required for the purpose of implementing Parts I through III of the Project;

(iii) procure the goods, works, consultants' services and non-consulting services to be financed out of the Credit (other than those to be financed under Municipal Subprojects) in accordance with the provisions of this Agreement;

(iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with the Project Indicators, the
progress of Parts I through III of the Project and the achievement of their objectives;

(v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to Parts I through III of the Project; (B) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and (C) make such financial statements publicly available in a timely fashion and in a manner acceptable to the Association;

(vi) enable the Recipient and the Association to inspect Parts I through III of the Project, their operation and relevant records and documents;

(vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing;

(viii) enter into Municipality Agreements;

(ix) assist Selected Municipalities, together with SEDS, in the preparation and/or updating of the respective Violence Prevention Component of their Municipal Coexistence and Citizen Security Plans, including potential Municipal Subprojects, in accordance to the guidelines and criteria developed by SEDS, and as set forth in the Operational Manual;

(x) after the certification of SEDS, evaluate and approve Municipal Subprojects, in accordance with the criteria and procedures set forth in the Operational Manual;

(xi) ensure that each Selected Municipality carries out Municipal Subprojects in accordance with the applicable provisions of this Agreement, the applicable Municipality Agreement, the Operational Manual and the Anti-Corruption Guidelines;

(xii) prior to the carrying out of any activity under Part 1.2 of the Project, enter into a memorandum of understanding (the MOU) with UNAH and the Recipient, through SEDS, under terms and conditions acceptable to the Association and detailed in the
Operational Manual, including the obligation of UNAH to participate in the carrying out of Part 1.2 of the Project in accordance with the provisions of this Agreement;

(xiii) take, and/or cause to be taken, all necessary actions to enable the Recipient to comply with its obligations under this Agreement as applicable to FHIS; and

(xiv) promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Parts I through III of the Project (including with respect to the implementation of Municipal Subprojects), the accomplishment of the purposes of the Credit, or the performance of its obligations under the Subsidiary Agreement.

(d) The right of the Recipient, through SEFIN and SEDS, to suspend or terminate the right of FHIS to use the proceeds of the Credit, or obtain refund of all or any part of the amount of the Credit then withdrawn, upon FHIS's failure to perform any of its obligations under the Subsidiary Agreement.

2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

C. Municipality Agreements

1. Prior to the carrying out of any activity under Part II of the Project, including the carrying out of Municipal Subprojects, the Recipient, through SEDS, shall, and cause FHIS to, enter into an agreement ("Municipality Agreement") with each Selected Municipality, under terms and conditions satisfactory to the Association, as set forth in the Operational Manual, including, inter alia:

(a) The obligation of the Recipient, through SEDS, to:

(i) assist the Selected Municipality, together with FHIS, in the preparation and/or updating of the Violence Prevention Component of its Municipal Coexistence and Citizen Security Plan, including potential Municipal Subprojects; and
(ii) take or permit to be taken all actions to enable FHIS and the Selected Municipality to comply with their respective obligations under the Municipality Agreement.

(b) The obligation of FHIS to:

(i) assist the Selected Municipality, together with SEDS, in the preparation and/or updating of the Violence Prevention Component of its Municipal Coexistence and Citizen Security Plan, including potential Municipal Subprojects;

(ii) upon approval of any given Municipal Subproject, promptly transfer part of the proceeds of the Credit (on a grant basis (the Grant)) to the Selected Municipality to finance said Municipal Subproject; and

(iii) take or permit to be taken all actions to enable the Selected Municipality to comply with its respective obligations under the Municipality Agreement.

(c) The obligation of the corresponding Selected Municipality to:

(i) participate in the implementation of Part II of the Project, in accordance with the applicable provisions of the provisions of this Agreement, the Operational Manual and the Anti-Corruption Guidelines;

(ii) prepare and/or update the Violence Prevention Component of its Municipal Coexistence and Citizen Security Plan, based on a comprehensive and participatory community diagnosis;

(iii) after the corresponding certification of SEDS, prepare and thereafter submit to FHIS for approval, Municipal Subprojects;

(iv) carry out Municipal Subprojects, in accordance with the applicable provisions of the provisions of this Agreement, the Operational Manual and the Anti-Corruption Guidelines;

(v) provide, promptly as needed, the pertinent resources for the carrying out of Part II of the Project;

(vi) once the pertinent Municipal Subproject has been carried out in a manner acceptable to the Association, operate and maintain the investments supported under said Municipal Subproject, with due diligence and efficiency, and in conformity with appropriate
administrative, technical, financial, economic, environmental and social standards and practices, and the applicable provisions of this Agreement;

(vii) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the pertinent Municipal Agreement or any provision thereof, unless previously agreed by the Association; and

(viii) take, and/or cause to be taken, all necessary actions to enable the Recipient and/or FHIS to comply with their respective obligations under this Agreement and/or the Subsidiary Agreement and/or the Municipality Agreement (as the case may be).

(d) The right of FHIS to suspend or terminate the right of the Selected Municipality to use the proceeds of the Credit, or obtain refund of all or any part of the amount of the Credit then withdrawn, upon the Selected Municipality’s failure to perform any of its obligations under the Municipality Agreement.

2. The Recipient, through SEDS, shall, and cause FHIS to, exercise its rights and carry out its obligations under the Municipality Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall, and shall cause FHIS, not to amend, assign, abrogate, suspend, terminate, waive or fail to enforce any Municipality Agreement or any provision thereof.

3. In case of any conflict among the terms of the Subsidiary Agreement, any Municipality Agreement and this Agreement, the provisions of this Agreement shall prevail.

D. Anti-corruption Guidelines

The Recipient shall, and shall cause FHIS and the Selected Municipalities to, ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Recipient shall, and cause FHIS and the Selected Municipalities to, ensure that Parts I through III of the Project are carried out in accordance with the Environmental Management Framework, the Resettlement Policy Framework, and the Indigenous Peoples Planning Framework.
2. Without limitation to the provisions of paragraph (1) of this Section, prior to the carrying out of any works under Parts I through III of the Project, the Recipient shall, and/or shall cause FHIS and the Selected Municipalities to: (a) prepare and furnish to the Association any needed resettlement plan, in accordance with the provisions of the Resettlement Policy Framework, and acceptable to the Association; and (b) immediately thereafter, implement each resettlement plan in accordance with its terms, and in a manner acceptable to the Association.

3. Without limitation to the provisions of paragraph (1) of this Section, prior to the carrying out of any works/activities under Parts I through III of the Project, the Recipient shall, and/or shall cause FHIS and the Selected Municipalities to: (a) carry out an environmental/social screening and/or an environmental/social assessment (as the case may be) of the pertinent works/activities; (b) prepare and furnish to the Recipient any needed environmental/social management plan, acceptable to the Association, for each said work/activity, all in accordance with the provisions of the Environmental Management Framework; and (c) immediately thereafter, implement each environmental/social management plan in accordance with its terms, and in a manner acceptable to the Association.

4. Without limitation to the provisions of paragraph (1) of this Section, the Recipient shall, and/or shall cause FHIS and the Selected Municipalities to: (a) prepare and furnish to the Association any needed indigenous peoples plan, in accordance with the provisions of the Indigenous Peoples Planning Framework, and acceptable to the Association; and (b) immediately thereafter, implement each indigenous peoples plan in accordance with its terms, and in a manner acceptable to the Association.

5. With respect to any consultancy under Part II.1 of the Project, including the assistance to be provided to the Selected Municipalities to prepare the Violence Prevention Component of the Municipal Coexistence and Citizen Security Plans, the Recipient shall, and shall cause FHIS and the Selected Municipalities to, ensure that the terms of reference for any consultancy in respect of any Project activities under said Part of the Project shall be satisfactory to the Association following its review thereof, and, to that end, such terms of reference shall duly incorporate the requirements of the applicable Safeguard Policies, then in force, as applied to the advice conveyed through such technical assistance.

F. Operational Manual

1. The Recipient shall carry out Parts I through III of the Project, and cause said Parts of the Project to be carried out, in accordance with the provisions of a manual satisfactory to the Association (the Operational Manual), which shall include, inter alia, the following provisions: (a) the Project financial management, disbursement and procurement procedures; (b) the detail procedures for coordination and collaboration among FHIS, SEDS and the
Selected Municipalities for the implementation of Parts I through III of the Project; (c) the list of Selected Municipalities and the criteria and procedures for the selection of new Selected Municipalities; (d) the eligibility criteria and detailed procedures for the selection, approval, and implementation of Municipal Subprojects, including the procedures required for a participatory process during the preparation of said Municipal Subprojects; (e) the Project Indicators and the procedures for the monitoring and evaluation of the Project; (f) the Environmental Management Framework; (g) the Resettlement Policy Framework; and (h) the Indigenous Peoples Planning Framework.

2. In the case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

G. Implementation Arrangements for Part IV of the Project (Immediate Response Mechanism)

1. In order to ensure the proper implementation of Part IV 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

(c) 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress 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 the Project Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five days after the end of the period covered by such report.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months prior to the Closing Date.
B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation to the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for the Project covering the relevant calendar semester, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited 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. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General


(a) All goods, works and non-consulting services required for Parts I through III 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 1 of the Procurement Guidelines, and with the provisions of this Section.

(b) Without any limitations to any other provisions set forth in this Section or in the Procurement Guidelines, the following shall expressly govern the procurement of goods, works, and non-consulting services under this Section:

(i) Contracts shall be awarded to the lowest evaluated bid in accordance with criteria set forth in the bidding documents, and without taking into account, in the evaluation, the financial cost of foreign exchange components.

(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; or

(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.

(iii) Contracts shall not be divided for the sole purpose of reducing contract amounts.

2. Consultants’ Services

(a) All consultants’ services required for Parts I through III 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.

(b) Without limitation to any other provisions set forth in this Section or the Consultant Guidelines, the following shall expressly govern the procurement of consultants’ services under this Section:

(i) foreign consultants shall be permitted to participate in the selection process even if there is availability of consultants of the Recipient’s territory for the services being procured; and

(ii) foreign consultants shall not be required to be registered with associations of the Recipient’s territory or to be associated with consulting firms of the Recipient’s territory as a condition for participating in any selection process.

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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the 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, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works 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</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 Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Quality-based Selection</td>
</tr>
<tr>
<td>(d) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(e) Single-source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines</td>
</tr>
<tr>
<td>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 SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services, Operating Costs and Training for Parts I and III of the Project</td>
<td>2,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services, Operating Costs and Training required under Part II of the Project</td>
<td>7,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Emergency Expenditures under Part IV of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>9,800,000</td>
<td></td>
</tr>
</tbody>
</table>
3. For the purposes of this table:

(a) the term "Training" means expenditures (other than for consultants’ services and non-consulting services), solely as required for Parts I through III of the Project, incurred for: (a) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training; (b) course fees; (c) training/workshop facility and equipment rentals; (d) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph; (e) scholarships and fellowships for training courses to be provided in the Recipient’s territory or abroad; and (f) study tours and internships in the Recipient’s territory or abroad; and

(b) the term “Operating Costs” means the reasonable and incremental expenses incurred on account of Project implementation, which would not have been incurred absent the Project, for the maintenance and leasing of vehicles and equipment, for fuel, office supplies and other consumables, vehicle and equipment insurance, office rent, internet connection and communications costs, utilities and travel, transportation and accommodations.

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: (i) an aggregate amount not to exceed 20% of the amount allocated to Categories (1) may be made for payments made prior to this date but on or after September 1, 2012 for Eligible Expenditures under Categories (1); or (ii) an aggregate amount not to exceed 40% of the amount allocated to Category (3) may be made for payments made prior to this date but on or after September 1, 2012, for Eligible Expenditures under Category (3); or

(b) under Category (3), for Emergency Expenditures under Part IV 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.G.3 (b) of this Schedule;

(iii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.G.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.G.1 of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the IRM Part.

2. The Closing Date is August 31, 2018.
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 April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing April 15, 2018 to and including October 15, 2027</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing April 15, 2028 to and including October 15, 2037</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.
APPENDIX

Section I. Definitions


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


4. “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.G.1 (a) of Schedule 2 to this Agreement, to be responsible for coordinating the IRM Part of the Project.

5. “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.

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

7. “Environmental Management Framework” means the Recipient’s framework dated, acceptable to the Association, dated October 23, 2012, and included in the Operational Manual, which sets forth the guidelines for the preparation and implementation of environmental assessments and the respective environmental management plans and the necessary procedures/actions to be undertaken by the Recipient, FHIS and/or the Selected Municipalities to avoid, minimize or mitigate any potential negative environmental impact under Municipal Subprojects.

8. “FHIS” means Fondo Hondureño de Inversión Social, the Recipient’s Social Investment Fund established pursuant to the FHIS Legislation.

9. “FHIS Legislation” means the Recipient’s Decree No. 12-90 of February 22, 1990, and governed by the regulations set forth in the Recipient’s Decree No. 261-91 of April 2, 1991, as said Decree and regulations have been amended to the date of this Agreement.
10. “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.

11. “Grant” means a grant made out of the proceeds of the Financing by FHIS to a Selected Municipality to partially finance the cost of a Municipal Subproject in accordance with a formula set forth in the Operational Manual.

12. “Indigenous Peoples” means a social group of people with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from the national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence oriented production.


15. “IRM Operations Manual” means the Recipient’s manual for the IRM Part that will set forth inter alia, the actions to be taken by the Recipient when a crisis or emergency occurs and referred to in Section I.G.1 (a) of Schedule 2 to this Agreement, as such manual may be amended from time to time with the prior written consent of the Association.

16. “IRM Part” means Part IV of the Project.

17. “MOU” means Memorando de Entendimiento, the memorandum of understanding referred to in Section I.B.1 (c) (xii) of Schedule 2 to this Agreement, as the same may be amended from time to time.

18. “Municipal Subproject” means a specific set of investments and/or activities included in the Violence Prevention Component of the Municipal Coexistence and Citizen Security Plan of any given Selected Municipality (to be carried out by said Selected Municipality, in accordance with terms and conditions specified in the pertinent Municipality Agreement and the Operational Manual), which may consist of investments and/or activities related to, inter alia: social
prevention (e.g. training in parenting styles, counseling and referrals to women who are victims of violence, supervised after-school programs involving sports, music and arts that also include life-skills, and job-training programs for youth); situational prevention (e.g. construction of small-scale community infrastructure that reduces the opportunities for committing crimes or creates safe community spaces, the construction and/or rehabilitation of spaces to delivery violence prevention services); access to basic services (e.g. urban upgrading interventions, including small diameter water and sewer connections for the provision of basic water and sanitation services); and alternative conflict resolution (e.g. expansion of networks of and training to municipal mediators with an emphasis on women and youth), all selected in accordance with the criteria and procedures set forth in the Operational Manual.

19. “Municipal Coexistence and Citizen Security Plan” means Plan Municipal de Convivencia y Seguridad Ciudadana, the citizen security plan prepared by a Selected Municipality in coordination with the its coexistence and citizen security council, through consultations with key stakeholders, and certified by SEDS, which includes the following four components: (i) violence prevention (Violence Prevention Component); (ii) crime control; (iii) community participation; and (iv) governance.

20. “Municipality Agreement” means any of the agreements referred to in Section I.C.1 of Schedule 2 to this Agreement, as the same may be amended from time to time, with the agreement of the Association.


22. “National Violence Observatory” means Observatorio de la Violencia en Honduras, the Recipient’s violence observatory administered by UNAH.

23. “Operational Manual” means the manual referred to in Section I.F.1 of Schedule 2 to this Agreement, as said manual may be updated and/or amended from time to time with the agreement of the Association.

24. “PIU” means the project implementation unit referred to in Section I.A.2 (a) of Schedule 2 to this Agreement.


27. "Procurement Plan" means the Recipient's procurement plan for the Project, dated October 30, 2012 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.

28. "Resettlement" means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

29. "Resettlement Policy Framework" means the Recipient's framework dated October 23, 2012, acceptable to the Association which sets forth, inter alia, the principles and objectives governing the preparation and implementation of Resettlement plans, and a description of the process for preparing and approving said plans.


32. "SEFIN" means Secretaría de Estado en el Despacho de Finanzas, the Recipient's Ministry of Finance.

33. "Selected Municipality" means any of the following Municipalities: La Ceiba, Choloma, and El Progreso, and/or any other Municipality selected to participate in Parts I through III of the Project, all in accordance with the criteria and procedures set forth in the Operational Manual.

34. "Subsidiary Agreement" means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association.

35. "UNAH" means Universidad Nacional Autónoma de Honduras, the Recipient's autonomous national university.

36. "Violence Prevention Component" means the violence prevention component of any given Municipal Coexistence and Citizen Security Plan, prepared by a
Selected Municipality following the criteria and participatory procedures set forth in the Operational Manual to support violence prevention in said Selected Municipality, which includes a list of potential Municipal Subprojects, and is certified by the Recipient, through SEDS.

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."

(E) 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".

(F) The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

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

(G) 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".
(H) 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).