March 2, 2011

His Excellency William Chong Wong
Secretary
Secretaría de Estado en el Despacho de Finanzas
Tegucigalpa, M.D.C.
Republic of Honduras

Re: Honduras: JSDF Grant for Piloting New Forms of Community-administered Education for Socially Vulnerable Communities Project (Grant No. TF094670)
First Amendment to the Grant Agreement

Dear Sir,

We refer to the Grant Agreement between the International Development Association (the “World Bank”) and Republic of Honduras (the “Recipient”) dated March 26, 2010 and countersigned on April 12, 2010, with respect to the above-captioned Project (“Agreement”). Capitalized terms used in this amendment letter (the “Amendment Letter”) and not defined herein have the meaning ascribed to them in the Agreement.

In accordance with the letter received from your Ministry, dated January 10, 2011, wherein a request is made to amend the Agreement, we are pleased to inform you that the World Bank agrees to your request and consequently proposes to amend the Agreement as follows:

1. The first Paragraph in page 2 of the Agreement is hereby amended to read as follows:

“Thereafter, this Agreement shall become effective upon: (a) receipt by the World Bank of this countersigned copy; (b) the adoption by the Recipient of the Operational Manual referred to in Section 2.03 (a) of the Annex to this Agreement; and (c) the preparation by the Recipient of the Environmental and Social Management Framework for the Project, acceptable to the World Bank; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement by April 15, 2010, unless the World Bank shall have established a later date for such purpose.”

2. Section 1.02 of the Agreement is hereby amended as follows:

(a) The following definitions are hereby deleted (and the existing definitions are consequently renumbered):

   (i) “Resettlement Framework”, and

   (ii) “‘Social and Environmental Assessment’ or ‘SEA’”.

(b) The following definitions are hereby amended to read as follows:
(i) “‘Indigenous Peoples plan’ or ‘IPP’ means any Indigenous Peoples Plan prepared by the Recipient pursuant to the requirements of the IPPF, in a manner acceptable to the World Bank.”

(ii) “‘Sub-grant’ means a grant made out of the proceeds of the Grant to a given Beneficiary to finance goods, consultant’s services, training and Operating Costs, in connection with the implementation of a Sub-project, all under terms and conditions set forth in the Operational Manual.”.

(c) The following definitions are added, placed in alphabetical order, (and the existing definitions are consequently renumbered to keep the alphabetical order) to read as follows:

(i) “‘Indigenous Peoples Planning Framework’ or ‘IPPF’ means the Recipient’s indigenous peoples planning framework for the Project included as part of the ESMF, as such framework may be updated from time to time in agreement with the World Bank, setting forth, inter alia, the guidelines for the preparation of an IPP, the measures for addressing the needs of the indigenous peoples and providing guidelines and procedures for consultation with, and informed participation of, indigenous peoples residing or cultivating land in areas under the Project.”

(ii) “‘Environmental and Social Management Framework’ or ESMF means the Recipient’s framework, acceptable to the World Bank, which sets forth, inter alia: (a) the guidelines for carrying out the Project’s environmental/social screenings/assessments; (b) the procedures to mitigate, prevent and manage environmental and social impacts associated with the carrying out of the Project, as said framework may be amended from time to time with the agreement of the World Bank.”

(iii) “‘Environmental Management Plan’ means the Recipient’s plan, prepared in accordance with the ESMF, acceptable to the World Bank, which plan sets forth, inter alia, the measures and the actions to mitigate any environmental negative impact as a result of the carrying out of the Project, as said plan may be amended from time to time with the agreement of the World Bank.”

(iv) “‘Operating Costs’ means the operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems.”.

3. Part III (b) (i) of Article II, Section 2.01 of the Grant Agreement is hereby amended to read as follows:
“(b)(i) Carrying out of a baseline survey in Selected Communities, at the beginning of the Project and repeating the survey after Project implementation to provide data on the effect of the pilot;”.

4. Article II, Section 2.02 of the Agreement is hereby amended to read in its entirety as follows:

“2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through SE, shall carry out the Project in accordance with: (a) the provisions of 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 (“Anti-Corruption Guidelines”); (c) this Article II; (d) the ESMF; (e) the respective IPP; (f) the respective EMP; and (g) the Operational Manual.”.

5. The first paragraph of Section 2.03 (a) of the Agreement is hereby amended to read in its entirety as follows:

“(a) The Recipient, through SE, shall adopt an operational manual for the Project, satisfactory to the World Bank, (Operational Manual), therein setting forth rules, methods, guidelines, and standard documents for the carrying out of the Project, including the following:”.

6. Section 2.03 (a)(vi) of the Agreement is hereby amended to read in its entirety as follows:

“(vi) the ESMF;”.

7. Section 2.03 (a)(vii) of the Agreement is hereby amended to read in its entirety as follows:

“(vii) the EMPs for the Project;”.

8. Section 2.03 (c) to the Agreement is hereby amended to read in its entirety as follows:

“(c) The Recipient, through the SE, shall, prior to the carrying out of any works under the Project: (i) prepare and furnish to the World Bank, the respective EMP (acceptable to the World Bank) for each said work; and (ii) immediately thereafter implement each EMP in accordance with its terms, and in a manner acceptable to the World Bank.”.

9. Section 2.03 of the Agreement is hereby amended to include two new sub-paragraphs (f) and (g) to read as follows:

“(f) The Recipient shall ensure that Project activities do not involve any Resettlement.

(g) Not later than March 30, 2011, the Recipient shall prepare in a manner acceptable to the World Bank: (i) the corresponding EMPs for the Project; and (ii) the corresponding Indigenous People Plans (for each Selected Community
where indigenous and/or afro-hondurans are present), all in accordance with the ESMF”.

10. Section 3.01 of the Agreement is hereby amended to: (i) modify the description of category (6) of the disbursement table to read “Operating Costs”; and (ii) delete the definition of “Operating Costs”.

11. Section 3.02 of the Agreement is hereby amended to include a new sub-paragraph (c) to read as follows:

“(c) under Category (4) until the corresponding EMPs for the Project, acceptable to the World Bank, have been prepared by the Recipient”.

Please confirm your agreement with the foregoing amendment by signing and dating this letter in the spaces provided below. This Amendment Letter shall be executed in two counterparts, each of which shall be an original. The provisions of this Amendment Letter shall become effective as of the date of countersignature, upon receipt by the World Bank of one fully executed original of this Amendment Letter. Thenceforward, all other provisions of the Agreement, except as amended through this letter shall remain in full force and effect.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ C. Felipe Jaramillo
Director
Central America and Panama
Latin America and the Caribbean Region

AGREED:

REPUBLIC OF HONDURAS

By:  /s/ Evelyn Bautista
Authorized Representative

Name: Evelyn Bautista

Title: Minister of Finance by Law

Date: March 15, 2011