His Excellency
Wilfredo Cerrato
Secretario de Estado en el Despacho de Finanzas
Secretaría de Finanzas
Tegucigalpa, Honduras

Re: HONDURAS: Additional Financing for the Rural Competitiveness Project
IDA 6046-HN
Additional Instructions: Disbursement Letter

Excellency,

I refer to the Financing Agreement (“Agreement”) between the Republic of Honduras (the “Recipient”) and the International Development Association (the “Association”) for the above-referenced Project, dated November 4, 2017. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of IDA Credit 6046-HN (“Financing”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached Disbursement Guidelines for Investment Project Financing, dated February 2017, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Financing is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Financing:

- Reimbursement
- Advances

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the Association.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) specified in the Financing Agreement.
II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the Association at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
Attention: Maryanne Sharp, Interim Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed Applications for withdrawal, together with supporting documents, through the World Bank’s Client Connection, web-based portal, following the instructions for electronic delivery. In the case the Recipient does not have internet access, the World Bank may permit the delivery of Applications for withdrawal, together with supporting documents, in accordance with subsection 3.3, to the following address:

Banco Mundial
SCN Quadra 02, Lote A
Ed. Corporate Financial Center, 7º Andar
70712-900 Brasilia, D.F. - Brazil
Attention: Loan Operations

(iii) Electronic Delivery (subsection 3.4). The Association may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Association’s Client Connection, web-based portal. The option to deliver Applications to the Association by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials (“SIDC”) from the Association for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the Association agrees, the Association will provide the Recipient with SIDC for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of SIDC to Process Applications. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Secure Identification Credentials”) provided in Attachment 3; and (b) to cause such official to abide by those terms and conditions.
(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications is US$500,000 for Reimbursements.

(vi) Advances (sections 5 and 6) to INVEST-H.

- **Type of Designated Account (subsection 5.3):** Segregated.
- **Currency of Designated Account (subsection 5.4):** US Dollars.
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Banco Central de Honduras.
- **Ceiling (subsection 6.1):** Variable ceiling, based on a expenditures forecast for a six-month period

III. Reporting on Use of Financing Proceeds

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each Application for withdrawal as set out below:

- **For requests for Reimbursement and for reporting eligible expenditures paid from the Designated Account:**
  - Forecast for six months to cover Project execution and sub-projects investments, applicable when requesting advances to the Designated Account;
  - Statement of Expenditures in the form attached (Attachment 4) for all expenditures financed under Category 1;
  - Customized Statement of Expenditures in the form attached (Attachment 5) for sub-projects expenditures financed under Category 2; and
  - A reconciliation of the Designated Account, in the form attached (Attachment 6), with a copy of the bank statement, applicable only when reporting eligible expenditures paid from the Designated Account.

(ii) **Frequency of Reporting Eligible Expenditures paid from the Designated Account (subsection 6.3):** Quarterly.

IV. Other Important Information


From the Client Connection website, you will be able to prepare and deliver Applications, monitor the near real-time status of the Financing, and retrieve related policy,
financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Association by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Maria Virginia Hormazabal, Finance Officer, at mhormazabal@worldbank.org placing the Financing number and name in the subject line.

Yours sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Giorgio Valentini - LCCHN
Country Manager
Latin America and the Caribbean Region

Attachments

1. *Disbursement Guidelines for Investment Project Financing*, February 2017
2. Authorized Signature Sample Letter
3. Terms and Conditions of Use of Secure Identification Credentials
4. Statement of Expenditures
5. Customized Statement of Expenditures
6. Sample Designated Account Activity Statement