Financing Agreement

(Additional Financing for the Social Protection Project)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 30, 2013
FINANCING AGREEMENT

AGREEMENT dated 26 August 2013 entered into between REPUBLIC OF HONDURAS (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

WHEREAS by the Original Financing Agreement, the Association made a credit (Credit No. 4774-HN) to the Recipient in an amount equivalent to twenty six million five hundred thousand Special Drawing Rights (SDR 26,500,000) (the Original Credit) to assist in the financing of the Original Project on terms and conditions set forth in the Original Financing Agreement.

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 eight million two hundred thousand Special Drawing Rights (SDR 8,200,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (the “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2.04 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, under the overall coordination of the MoP, the Recipient shall: (a) carry out Parts A.1 and A.3 of the Project, through MoP; (b) cause PRAF to carry out: (i) Part A.2 of the Project, pursuant to the provisions of the Subsidiary Agreement; and (ii) Part B of the Project, in close coordination with SEFIN, MoH, and MoE, and with the assistance of the pertinent Financial Institution, pursuant to the provisions of the Subsidiary Agreement and the corresponding Financial Institution Agreement; and (c) cause the Coordinating Authority, to carry out Part C of the Project, 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) PRAF shall have failed to comply with any of its obligations under the Subsidiary Agreement.

(b) PRAF shall have failed to comply with any of its obligations under the pertinent Financial Institution Agreement related to the implementation of Part B of the Project.

(c) Any Financial Institution shall have failed to comply with any of its obligations under the pertinent Financial Institution Agreement related to the implementation of Part B of the Project.

(d) The PRAF’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of PRAF to perform any of its obligations under the Subsidiary Agreement and/or under any Financial Institution Agreement.

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

(a) Any of the events specified in paragraph (a), (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 (d) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Subsidiary Agreement has been amended on terms and conditions acceptable to the Association; and

(b) the Financial Institution Agreement has been amended in a manner acceptable to the Association.
5.02. The Additional Legal Matter consists of the following, namely, that the amendment to the Subsidiary Agreement has been duly authorized or ratified by the Recipient and PRAF, and is legally binding upon the Recipient and PRAF in accordance with its terms.

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date 90 days after the date of this Agreement, but in no case later than 18 months after the Association’s approval of the Credit which expire on February 6, 2015.

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 of Finance.

6.02. The Recipient’s Address is:

Secretaría de Estado en el Despacho de Finanzas
Dirección General de Crédito Público
Avenida Cervantes
Tegucigalpa, M.D.C.
Honduras, C.A.

Facsimile:

(504) 2237-4142
(504) 2238-6995

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, United States of America, as of the day and year first above written.

REPUBLIC OF HONDURAS

By [Signature] Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By [Signature] Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) improve the institutional capacity of the Recipient’s institutions to manage the CCT Program, by strengthening transparent mechanisms and instruments for targeting Program beneficiaries, monitoring compliance with Program co-responsibilities, and making payments to Program beneficiaries; (b) provide income support to Eligible Beneficiaries; (c) increase the use of preventive health services and school attendance in grades 1 to 6 among Program beneficiaries in rural areas; and (d) improve the Recipient’s capacity to respond promptly and effectively to an Eligible Emergency.

The Project consists of the following parts:

Part A: Institutional Strengthening of the CCT Program

1. Strengthening of MoP’s institutional capacity to improve the design and operation of the Program, through, *inter alia*: (a) the provision of technical assistance and training for building the institutional capacity of the Technical Coordination Unit; (b) the review of the current targeting mechanism for Program beneficiaries; (c) the carrying out of a Program beneficiary satisfaction survey; (d) the carrying out of a social audit for the Program; (e) the provision of technical assistance for the carrying out of an impact evaluation of the implementation of the Program; and (f) the design and implementation of a communications campaign.

2. Strengthening of the operational and administrative capacity of PRAF for the implementation of the Program, through, *inter alia*: (a) the carrying out of data collection activities to identify Program beneficiaries; (b) the development of an updated management information system; (c) the development and implementation of a web page providing information about the Program; (d) the creation of a unit to attend grievances and complaints; (e) the review and redesign of the institutional and organizational structure of PRAF to strengthen its operation at the local level; (f) the provision of technical assistance for the design and implementation of a strategy to involve local community organizations in the operation and oversight of the Program; (g) the strengthening of the monitoring and evaluation system for the Program; (h) the review and piloting of alternative payment mechanisms; and (i) the coordination with MoH and MoE for the monitoring and verification of the compliance with Grant Co-responsibilities.
3. Development of an integrated social protection strategy, through, *inter alia*: (a) the development of a unique registry of beneficiaries of social programs; (b) the carrying out of diagnostic studies, including vulnerability and social safety net assessments and institutional assessments, all under terms of reference acceptable to the Association; (c) the carrying out of: (i) workshops to discuss the results of the diagnostic studies; and (ii) capacity building activities on the use of the unique registry of beneficiaries of social programs at the local level; and (d) the formulation of a social protection policy outlining recommended policy and institutional reform options.

**Part B: CCT Program Grants**

Provision of Education Grants and/or Health and Nutrition Grants to Eligible Beneficiaries.

**Part C: Immediate Response Mechanism**

Provision of support to respond to an Eligible Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Pursuant to this Agreement, all the Recipient’s obligations referred to in Section I and V of Schedule 2 to the Original Financing Agreement shall apply to the execution of Parts A and B the Project.

2. Without limitation upon the provisions of paragraph 1 of this Section, the Recipient, through PRAF, shall amend the Subsidiary Agreement, in a manner satisfactory to the Association.

3. Without limitation upon the provisions of paragraph 1 of this Section, prior to making any Grant payments, the Recipient, through PRAF, shall amend the Financial Institution Agreement, in a manner satisfactory to the Association.

4. Without limitation upon the provisions of paragraph 1 of this Section, the Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

B. Implementation Arrangements for Part C of the Project (Immediate Response Mechanism (IRM Part))

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

(e) 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, through MoP, shall, and cause PRAF to, monitor and evaluate the progress of Parts A and B 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 indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester. The Recipient, through MoP, shall cause PRAF to furnish to the Association consolidated Project Reports (including the Project Reports prepared by MoP and PRAF with respect to the Parts of the Project under their respective responsibility), 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 after the Closing Date.

B.  Financial Management, Financial Reports and Audits

1.  The Recipient, through MoP, shall maintain, and shall cause PRAF to maintain, a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2.  Without limitation on the provisions of Part A of this Section, the Recipient, through MoP, shall, and shall cause PRAF to, prepare as part of the Project Reports, interim unaudited financial reports for Parts A and B of the Project covering a calendar semester, in form and substance satisfactory to the Association. The Recipient, through MoP, shall cause PRAF to furnish to the Association consolidated interim unaudited financial reports (including the interim unaudited financial reports prepared by MoP and PRAF with respect to the Parts of the Project under their respective responsibility) not later than forty five days after the end of each calendar semester, in form and substance satisfactory to the Association.

3.  The Recipient, through MoP, shall, and shall cause PRAF to, have the Financial Statements for Parts A and B of the Project audited, respectively, all 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 Recipient, through MoP, shall cause
PRAF to furnish to the Association consolidated audited Project Financial Statements for each such period not later than six months after the end of such period.

Section III.  Procurement

A.  General

1. Goods and Non-consulting Services

   (a) All goods, works and non-consulting services required for Parts A and B 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 I 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 A and B 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods 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, subject to the modifications set forth in Section III, A. 1 (b) of this Schedule</td>
</tr>
</tbody>
</table>
(b) Shopping
(c) Direct Contracting

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 Based Selection</td>
</tr>
<tr>
<td>(b) Quality-Based Selection</td>
</tr>
<tr>
<td>(c) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d) Single Source Selection of consulting firms</td>
</tr>
<tr>
<td>(e) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines 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) Education Grants, Health and Nutrition Grants and Operating Costs under Part B of the Project</td>
<td>6,570,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Consultants’ Services, non-consulting services, Operating Costs, and Training under Part A.1 of the Project</td>
<td>230,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Consultants’ Services, non-consulting services, Operating Costs, and Training under Part A.2 of the Project</td>
<td>1,300,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
3. For the purposes of this Section:

(a) the term “Training” means expenditures (other than those for consultants’ services and non-consulting services) for: (i) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses; and

(b) the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, *per diem*, supervision costs of locally contracted employees, and reasonable bank transfer fees.

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 an aggregate amount not to exceed 40% of the amount allocated to Category (5) may be made for payments prior to this date but on or after July 1st, 2013, for Emergency Expenditures under Category (5); and
under Category (5), for Emergency Expenditures under Part C 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 1.B.3(b) of this Schedule;

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

2. The Closing Date is December 31, 2015.

Section V. Other Undertakings

1. The Recipient and the Association hereby agree to amend the Original Financing Agreement as set forth in Schedule 4 to this Agreement.
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 October 15, 2018 to and including April 15, 2028</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing October 15, 2028 to and including April 15, 2038</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.
SCHEDULE 4

Amendment to the Original Financing Agreement

The Recipient and the Association hereby agree to amend the Original Financing Agreement as follows:

1. All references to the term “Project” shall be read as referring to Parts A and B of the Project when applicable.

2. Section 3.01 is hereby amended to read in its entirety as set forth in Section 3.01 of this Agreement.

3. Schedule 1 is hereby amended to read in its entirety as set forth in Schedule 1 to this Agreement.

4. Section IV.B.2 of Schedule 2 is hereby amended to read as follows:

“The Closing Date is December 31, 2015.”

5. The Appendix is hereby amended as follows:

(a) The following definitions are added and placed in alphabetical order to read as follows:

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

(ii) “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.”

(iii) “Emergency Expenditure” means any of the Eligible Expenditures set forth in the IRM Operations Manual in accordance with the provisions of Section I.B.1 (a) of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.”
(iv) ""Immediate Response Mechanism Operations Manual" and "IRM Operations Manual" each means the operations manual referred to in Section 1.B of Schedule 2 of this Agreement, to be adopted by the Recipient for the IRM Part of the Project in accordance with the provisions of said Section."

(v) ""IRM Part of the Project" and "IRM Part" each mean Part C of the Project."

(b) The following definitions are amended to read in their entirety as follows:

(i) ""Anti-corruption Guidelines" means 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.”

(ii) ""IPP" means Plan Especial para las Comunidades Indígenas y Afro Honduras para la Correcta Aplicación del Bono 10,000, the Recipient’s Indigenous Peoples and Afro Honduran Communities Plan, dated May 6, 2010, and updated on October 11, 2012, acceptable to the Association, as the same may be amended from time to time with the prior approval of the Association.”
APPENDIX

Section I.  Definitions


3.  “CCT Program” or “Program” means Programa Presidencial de Salud, Educación y Nutrición Bono 10.000, the Recipient’s presidential conditional cash transfer program on health, education and nutrition, which principal objective is to create new opportunities for extreme poor families, created by the Recipient Executive Decree No. 010-2010, dated April 13, 2010 (published in the Recipient’s Official Gazette on May 14, 2010), as the same may be amended from time to time with the agreement of the Association in writing.

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


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

7.  “Education Grant” means a conditional cash transfer made out of the proceeds of the Financing under Category (1) to an Eligible Beneficiary who complies with the Education Grant Co-responsibilities, in accordance with the criteria and procedures set forth in the Project Operational Manual.

8.  “Education Grant Co-responsibilities” means the Eligible Beneficiary’s co-responsibilities included in the Project Operational Manual, including that
children from 1st to 6th grade (primary level) be enrolled in school and attend classes.

9. "Eligible Beneficiary" means any individual living in the Recipient's rural areas who meets the eligibility criteria set forth in the Project Operational Manual to benefit from an Education Grant and/or a Health and Nutrition Grant, and who has been selected through public and transparent mechanism, all set forth in the Project Operational Manual.

10. "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.

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

12. "Financial Institution" means BANADESA and/or any other financial institution, acceptable to the Association.

13. "Financial Institution Agreement" means the agreement between PRAF and BANADESA dated May 19, 2010, acceptable to the Association, and/or any other agreement to be entered into between PRAF and a Financial Institution pursuant to Section I.B.2 of Schedule 2 to the Original Financing Agreement.

14. "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.

15. "Grant" means an Education Grant and/or a Health and Nutrition Grant (as the case may be) (as hereinafter defined).

16. "Grant Co-responsibilities" means the Education Grant Co-responsibilities and/or the Health and Nutrition Grant Co-responsibilities (as the case may be) (as hereinafter defined).

17. "Health and Nutrition Grant" means a conditional cash transfer made out of the proceeds of the Financing under Category (1) to an Eligible Beneficiary who complies with the Health and Nutrition Grant Co-responsibilities, in accordance with the criteria and procedures set forth in the Project Operational Manual.
18. "Health and Nutrition Grant Co-responsibilities" means the Eligible Beneficiary’s co-responsibilities set forth in the Project Operational Manual, including that: (a) children between 0 and 59 months and pregnant mothers attend preventive health controls; and (b) pregnant women complete their pre-natal check-ups.

19. "Immediate Response Mechanism Operations Manual" and "IRM Operations Manual" each means the operations manual referred to in Section I.B.1(a) of Schedule 2 of this Agreement, to be adopted by the Recipient for the IRM Part of the Project in accordance with the provisions of said Section.

20. "IRM Part of the Project" and "IRM Part" each mean Part C of the Project.


25. "Original Project" means the Project described in Schedule 1 of the Original Financing Agreement.


29. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated July 2, 2013 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

30. “Project Operational Manual” means the Recipient’s manual for the implementation of the Project, updated on July 2, 2013 for purposes of this Financing, satisfactory to the Association, as the same may be amended from time to time by agreement between the Recipient and the Association.

31. “SEFIN” means Secretaría de Estado en el Despacho de Finanzas, the Recipient’s Ministry of Finance.

32. “Subsidiary Agreement” means the agreement entered into between the Recipient and PRAF, dated October 26, 2010, as amended pursuant to Section I.A.2 of Schedule 2 to this Agreement.

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.”

2. Paragraph 28 of Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. 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).”

4. 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”.

5. 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).