Financing Agreement

(Additional Financing for the Rural Infrastructure Project)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 12, 2013
FINANCING AGREEMENT

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

WHEREAS the Original Financing Agreement, the Association made a credit (Credit No 4099-HO) to the Recipient in an amount equivalent to thirty two million Special Drawing Rights (SDR 32,000,000) (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 thirteen million three hundred thousand Special Drawing Rights (SDR 13,300,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 May 15 and November 15 in each year.

2.07. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause: (a) FHIS to carry out Parts A through E of the Project with the assistance of: (i) the Participating Sector Agencies; (ii) the Eligible Mancomunidades; (iii) the Eligible Municipalities; (iv) the Electricity Providers; and (v) the MFIs; and (b) the Coordinating Authority, to carry out Part F 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. (a) The Additional Events of Suspension consist of the following:

(i) FHIS shall have failed to perform any of its obligations under the FHIS Subsidiary Agreement.

(ii) An Eligible Mancomunidad or an Eligible Municipality shall have failed to perform any of its obligations under its respective Mancomunidad Framework Agreement.

(b) Notwithstanding the rights contained in Section 6.02 of the General Conditions, it is understood that if any of the events specified in paragraph (a) (ii) of this Section shall have occurred, the Association may, by notice to the Recipient, choose to suspend in whole or in part only the right of the Recipient to make withdrawals from the Credit
Account for expenditures in respect of the concerned Eligible Mancomunidad.

4.02. The Additional Event of Acceleration consists of the following, namely that any of the events specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty days after notice of the event has been given by the Association to the Recipient.

ARTICLE V—EFFECTIVENESS; TERMINATION

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

(a) the existing FHIS Subsidiary Agreement has been amended on terms and in a manner acceptable to the Association;

(b) the existing Participation Agreements have been amended on terms and in a manner acceptable to the Association; and

(c) FHIS has updated the existing Operational Manual in a manner acceptable to the Association.

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

5.03. Without limitation 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 (18) months after the Association's approval of the Credit which expire on December 19, 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 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

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 Tegucigalpa, Honduras, as of the day and year first above written.

REPUBLIC OF HONDURAS

By

[Signature]

Authorized Representative

Name: [Name]

Title: [Title]

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: [Name]

Title: [Title]
SCHEDULE 1

Project Description

The objectives of the Project are: (a) to improve the access, quality and sustainability of infrastructure services (roads, water, sanitation and electricity) for the rural poor in the Recipient’s territory; (b) to develop capacities and an enabling environment within the Recipient for locally-driven infrastructure service provision and planning; and (c) to improve the Recipient's capacity to respond promptly and effectively to an Eligible Emergency.

The Project consists of the following parts:

Part A: Participatory Local Planning for Integrated Infrastructure Service Delivery

1. Preparing rural infrastructure diagnostics in each Eligible Mancomunidad.
2. Reviewing existing local development plans in Eligible Mancomunidades.
3. Expanding and/or complementing the existing local development plans referred to above with infrastructure projects through a participatory process.
4. Establishing mechanisms and procedures for approaching the infrastructure issues in an integrated manner among the sectors and localities.
5. Providing follow-up support and monitoring of the overall planning process in each Eligible Mancomunidad.

Part B: Infrastructure Service Delivery

1. Carrying out feasibility studies, developing technical designs, and providing goods, works, services and training related to rural infrastructure services in transport, water and sanitation, and electricity as needed under the RIAPs for:

   (a) (i) upgrading (rehabilitation and spot improvement) of rural road networks under the Eligible Municipalities’ responsibility; (ii) establishing sustainable maintenance arrangements through the implementation of rural maintenance micro-enterprise pilots; and (iii) improving selected urban streets in a limited number of Eligible Municipalities;

   (b) (i) rehabilitating, expanding and/or constructing new water and sanitation systems and facilities in rural communities; (ii) developing and implementing other rural sanitation solutions; and (iii) developing and
implementing a water and sanitation operation and maintenance pilot sub-project; and

(c) (i) expanding the Recipient's national power grid to rural communities; and (ii) implementing off-grid electrification pilots in Eligible Mancomunidades using renewable energy sources, including wind/solar hybrid installations.

2. Implementing off-grid electrification pilots in sites specified in the Operational Manual which are outside of Eligible Mancomunidades, using renewable energy sources.

3. Carrying out a solar photovoltaic program, consisting of the commercial dissemination and installation of photovoltaic systems, by, inter alia, providing:

(a) funds to accredited dealers of SHS, to ensure that poor households, businesses and public facilities located in the sites agreed to with the Association, can afford to buy such systems; and

(b) funds and technical assistance to accredited dealers of SHS, to ensure that larger scale sales of photovoltaic systems to poor households, businesses and public facilities are achieved within the Recipient's territory.

4. Providing technical assistance and training to local service providers in the water, electricity and transport sectors to strengthen their capacity in infrastructure service provision, operation and maintenance, and monitoring.

5. Provision of support to FHIS to carry out the implementation of the Environmental Remediation Action Plan.

Part C: Micro-Finance Services for SHS Subprograms

1. Support to the MFI's to maximize the development impact of the SHS Subprograms, through the provision of:

(a) commercially priced loans to MFI's (through Micro-Finance Credit Agreements) to on-lend to Micro-Finance Beneficiaries (through Micro-Finance Beneficiary Agreements) to support the following instruments/activities: electricity connections, the installation of photovoltaic systems, the purchase of batteries and accessories for charging in centralized solar stations and for other related business purposes (with the exclusion of the instruments/activities listed on a list set forth in the Operational Manual); and
(b) Institutional development matching grants to MFI's (through Micro-Finance Matching Grant Agreements) to support provision of consultants’ services, training and operating costs to improve their financial management systems and new product development and piloting.

2. Carrying out of market studies to demonstrate the scale and variety of credit demand by Micro-Finance Beneficiaries under Part C.1 (a) above.

3. Carrying out of supervision and evaluation exercises to measure Micro-Finance Beneficiary satisfaction under Part C.1 (a) above.

Part D: Local Capacity Building and Policy Development Technical Assistance

Strengthening capacity within the Recipient at the national and local level to plan and implement decentralized, integrated rural infrastructure programs, using the territorial approach, including provision of consulting services, training, goods and other technical assistance to strengthen FHIS, sectoral agencies, UTIs, Eligible Municipalities and Eligible Mancomunidades, but excluding any off-grid electrification related activities supported under Part C of the Project described in Schedule 2 to the GEF Trust Fund Grant Agreement.

Part E: Project Management, Monitoring and Evaluation

Providing technical assistance, equipment, training and incremental operational costs as necessary to operate and strengthen FHIS to enable it to effectively monitor and evaluate the implementation of previous Parts A through E of the Project, including audit services of said Parts of the Project, and support for the monitoring of the use of funds on-lent to MFI's.

Part F: IRM Component

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

Project Execution

Section I. Implementation Arrangements

A. Operational Manual and Institutional Arrangements

1. The Recipient shall cause FHIS to update the Operational Manual, (in a manner satisfactory to the Association), and thereafter carry out Parts A through E of the Project in accordance with said Operational Manual, which namely shall set forth rules and procedures for the carrying out of said Parts of the Project, such manual to including, inter alia:

   (a) the procedures for the carrying out, monitoring and evaluation of said Parts of the Project (including the procurement, financial and environmental and social requirements thereof);

   (b) the criteria for the approval, implementation, monitoring and evaluation of Subprojects and SHS Subprograms including without limitation: (i) the criteria and procedures for each type of Subproject and SHS Subprogram, depending on their respective scope and size; and (ii) the technical, social and economic criteria approved by FHIS for the evaluation of such Subprojects and SHS Subprograms;

   (c) the criteria for Project financing eligibility of Mancomunidades, RIAPs, and Subprojects, including without limitation: (i) a list of investments that cannot be financed under said Parts of the Project; (ii) investment site screening criteria; and (iii) the procedures required for a participatory process during the preparation of RIAPs;

   (d) a model Mancomunidad Framework Agreement;

   (e) the criteria for Project financing eligibility of Electricity Providers and SHS Subprograms; and

   (f) the IPPF, the Resettlement Policy Framework, the Environmental and Social Management Framework, the procedures to safeguard cultural property, the Performance Indicators and the Environmental Remediation Action Plan.

2. The Operational Manual may be amended by FHIS from time to time with the prior approval of the Association. 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.
3. The Recipient shall cause FHIS, until the completion of Parts A through E of the Project, to: (a) maintain key staff for said Parts of the Project, including without limitation, a Project coordinator, two procurement specialists, a financial management specialist, an electricity sector specialist, a road sector specialist, an environmental specialist, a monitoring and supervision specialist, a renewable energy specialist, a part time social specialist and a water and sanitation specialist, all with experience and qualifications that shall be at all times acceptable to the Association; and (b) agree with the Association with respect to the replacement of key staff of FHIS prior to any such replacement.

B. FHIS Subsidiary Agreement

1. Without limitations to the provisions of Section 3.01 (b) of the Original Financing Agreement, and for purposes of carrying out Parts A through E of the Project, the Recipient shall amend the FHIS Subsidiary Agreement, under terms and conditions and in a manner satisfactory to the Association, which shall include, inter alia: (a) the obligation of the Recipient to transfer to FHIS the credit proceeds allocated to said Parts of the Project; and (b) the obligation of FHIS to carry out said Parts of the Project in accordance with the pertinent provisions of this Agreement.

2. The Recipient shall exercise its rights and carry out its obligations under the FHIS Subsidiary Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Recipient shall not change, assign, amend, abrogate, waive, terminate or fail to enforce the FHIS Subsidiary Agreement or any provision thereof.

C. Participation Agreements

1. (a) the Recipient shall cause FHIS to enter into a Participation Agreement with each Participating Sector Agency, under terms and conditions satisfactory to the Association, such agreement to provide inter alia, for:

   (i) coordination mechanisms ensuring consistent approaches and complementarity between activities under Parts A through E of the Project and activities implemented by such Participating Sector Agency;

   (ii) assistance by such Participating Sector Agency to FHIS on sector specific technical issues, including, inter alia, Subproject evaluation, screening criteria, preparation of technical specifications, and review of technical designs;
(iii) provision by such Participating Sector Agency of technical assistance and training to FHIS, UTIs and small-scale infrastructure service providers for the design, implementation and the monitoring of the infrastructure systems included in the RIAPs; and

(iv) provision of technical assistance by consultants hired by FHIS under Part D of the Project and goods to such Participating Sector Agency to enable it to fulfill its obligations under paragraphs (i), (ii) and (iii) above.

(b) The Recipient shall cause FHIS to: (i) exercise its respective rights and carry out its obligations under each Participation Agreement in such a manner as to protect the interests of the Recipient, FHIS and the Association and to accomplish the purposes of the Credit; and, except as the Association shall otherwise agree, the Recipient shall cause FHIS not to amend, assign, abrogate, waive, terminate or fail to enforce the respective Participation Agreement or any provision thereof.

2. Without limitation to the provisions of Section 3.01 of the Original Agreement and paragraph (1) above, the Recipient shall cause FHIS to amend the Participation Agreements entered into with ENEE, CONASA, SANAA, and SERNA, on terms and conditions and in a manner satisfactory to the Association.

D. Subprojects

1. (a) The Recipient shall cause FHIS, before commencing the implementation of any Subproject, to enter into a Mancomunidad Framework Agreement, on terms and conditions substantially similar to those of the model form contained in the Operational Manual, with the respective Eligible Mancomunidad and Eligible Municipalities to provide for:

(i) the transfer to such Eligible Mancomunidad of the funds required to partially finance the implementation of Subprojects, except that the funds required for works estimated to cost more than $250,000 per contract and funds required for services provided by consulting firms shall be retained by FHIS so that the procurement of such works and consultants' services shall be carried out by FHIS instead of the Eligible Mancomunidad and the works shall then be supervised by FHIS and transferred when completed to the respective Eligible Mancomunidad;

(ii) the obligation of such Eligible Mancomunidad to contribute in cash or in kind at least five (5) percent of the cost of works and
goods for Subprojects under Part B.1 being financed in part with proceeds of the Credit, as specified in the Operational Manual;

(iii) the obligation of such Eligible *Mancomunidad* and relevant Eligible Municipalities to comply with the pertinent obligations under this Agreement and the Operational Manual in respect of RIAPs and Subprojects, including the obligation to undertake any action required from such Eligible *Mancomunidad* and/or relevant Eligible Municipality, as the case may be, to comply with the provision of the IPPF, the Resettlement Policy Framework and the Environmental and Social Management Framework;

(iv) the obligation of such Eligible *Mancomunidad* to provide FHIS with the information necessary for it to comply with the audit requirements set forth in Section II.B of Schedule 2 of this Agreement;

(v) the respective roles and responsibilities of FHIS and such Eligible *Mancomunidad* in the procurement of goods, works and services required for Subprojects;

(vi) the obligation of such Eligible *Mancomunidad* to implement the relevant RIAP;

(vii) the obligation of any relevant Eligible Municipality to operate and maintain, as applicable, the investments financed under Subprojects; and

(viii) the obligation of such Eligible *Mancomunidad* to maintain, during Project implementation, an inter-municipal technical unit (UTI) with duties and responsibilities as set forth in the Operational Manual and staffed with personnel with qualifications and experience satisfactory to the Association, including technical and administrative staff.

(b) The Recipient shall cause FHIS to exercise its rights and carry out its obligations under each *Mancomunidad* Framework Agreement in such a manner as to protect the interests of the Recipient, FHIS and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Recipient shall cause FHIS, not to amend, assign, abrogate, waive, terminate or fail to enforce the respective *Mancomunidad* Framework Agreement or any provision thereof.
2. Without limitation to the provisions of paragraph (1) above, prior to the transfer of part of the proceeds of the Credit to an Eligible Mancomunidad for purposes of the carrying out of a given Subproject, the Recipient shall cause FHIS to ensure that said Eligible Mancomunidad has: (i) its UTI properly staffed as provided in paragraph (1)(a)(viii) of this Section; and (ii) the corresponding financial management arrangements established and operational in a manner acceptable to the Association.

3. Without limitation to the provisions of paragraph (1) above, prior to the carrying out of any Subproject to be financed with the proceeds of the Credit in a given Eligible Mancomunidad that has already entered into a Mancomunidad Framework Agreement, the Recipient shall cause FHIS to amend the corresponding Mancomunidad Framework Agreement, on terms and conditions and in a manner satisfactory to the Association, so as to include, inter alia, the Eligible Municipalities as a party to the Mancomunidad Framework Agreement.

E. Other Implementation Agreements

1. For purposes of carrying out Part B.3 of the Project, the Recipient shall cause FHIS to:

(a) (i) make available to each Electricity Provider, through an agreement, satisfactory to the Association (the Electricity Provider Subsidy Agreement), the required amounts from the Credit to subsidize the carrying out of SHS Subprograms under Part B.3 of the Project by such Electricity Provider;

(ii) ensure that each Electricity Provider installs, operates and maintains equipment under Part B.3 of the Project, under terms and conditions set forth in the Operational Manual, in accordance with the IPPF, the Resettlement Policy Framework, as applicable, and the Environmental and Social Management Framework and environmental standards and procedures that comply with local law and ensure proper recycling or disposal of batteries and solar cells; and

(iii) without limitation to the provisions of paragraph (i) above, prior to making available the required amounts from the Credit to subsidize the carrying out of SHS Subprograms under Part B.3 of the Project to an Electricity Provider that has already entered into an Electricity Provider Subsidy Agreement, amend the corresponding Electricity Provider Subsidy Agreement on terms and conditions and in a manner satisfactory to the Association;
(b) (i) on-lend to each MFIs, a portion of the proceeds of the Credit required to carry out Part C.1 (a) of the Project under an agreement (Micro-Finance Credit Agreement) to be entered into between FHIS and each MFI on terms and conditions which shall have been approved by the Association, for the purpose of on-lending, through another agreement, satisfactory to the Association (a Micro-Finance Beneficiary Agreement), by the MFI to Micro-Finance Beneficiaries; and

(ii) without limitation to the provisions of paragraph (i) above, prior to on-lending part of the proceeds of the Credit to any MFI that has already entered into a Micro-Finance Credit Agreement, amend the corresponding Micro-Finance Credit Agreement on terms and conditions and in a manner satisfactory to the Association.

2. The Recipient shall cause FHIS to: (a) exercise its rights and carry out its obligations under each Electricity Provider Subsidy Agreement and Micro-Finance Credit Agreement, in such a manner as to protect the interests of the Recipient, FHIS and the Association and accomplish the purposes of the Credit; and (b) except as the Association shall otherwise agree, the Recipient shall cause FHIS not to amend, abrogate, assign, waive, terminate or fail to enforce any Electricity Provider Subsidy Agreement or any Micro-Finance Credit Agreement or any provision thereof.

F. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

G. Safeguards

1. The Recipient shall, and shall cause FHIS, each Eligible Mancomunidad and each Eligible Municipality to carry out the pertinent Parts of the Project under their responsibility (including Subprojects) in accordance with the EMSF, the IPPF and the Resettlement Policy Framework:

2. Without limitation of the provisions of paragraph 1 above, the Recipient shall, and shall cause FHIS, to:

(a) (i) prepare and furnish to the Association any needed environmental management plan, in accordance with the provisions of the ESMF and acceptable to the Association; and (ii) immediately thereafter, implement each said environmental management plan in accordance with its terms, and in a manner acceptable to the Association;
(b) (i) prepare and furnish to the Association any needed indigenous peoples plan, in accordance with the provisions of the IPPF and acceptable to the Association; and (ii) immediately thereafter, implement each said indigenous peoples plan in accordance with its terms, and in a manner acceptable to the Association; and

(c) (i) 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 (ii) immediately thereafter, implement each said resettlement plan in accordance with its terms, and in a manner acceptable to the Association.

3. Without limitation to the provisions of this Section, the Recipient shall cause FHIS to carry out the Environmental Remediation Action Plan, on terms and conditions and in a manner satisfactory to the Association.

4. With respect to any consultancy under Parts A.3, B.1 and D of the Project, including with respect to the assistance to be provided to Eligible \textit{Mancomunidades}, the Recipient shall, and shall cause FHIS, to ensure that the terms of reference for said activities 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.

H. \textbf{Implementation Arrangements for Part F of the Project (Immediate Response Mechanism)}

1. In order to ensure the proper implementation of Part F 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 (as amended by the Association) 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 shall cause FHIS to 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 Performance 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.

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 on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of each Project Report, an interim unaudited financial report 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**

1. **Goods, Works and Non-consulting Services.**

   (a) All goods, works and non-consulting services required for Parts A through E 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 services (other than consultant services) under this Section:

      (i) Contracts shall be awarded to the lowest evaluated bid in accordance with the criteria set forth in the bidding documents (acceptable to the Association), 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; and (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 through E 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, 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 methods, other than International Competitive Bidding,
may be used for goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; (c) Direct Contracting; (d) Community Participation procedures which have been found acceptable to the Association.

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 methods, other than Quality and Cost-based Selection, may be used for consultants’ services for those contracts specified in the Procurement Plan: (a) Quality-Based Selection Method; (b) Fixed Price Selection Method; (c) Least Cost Selection Method; (d) Single Source Selection Method; and (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for selection of Individual Consultants.

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.
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 Credit 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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services, goods, Training, and Operating Costs under Part A of the Project</td>
<td>600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works, consultants’ services, Training, goods, and Operating Costs under Parts B.1, B.3 (a), B.4 and B.5 of the Project</td>
<td>10,600,000</td>
<td>100% except for those costs covered by the counterpart contribution cited in Section I.D.1 (a) (ii) of Schedule 2 of this Agreement.</td>
</tr>
<tr>
<td>(3) Sub-loans and Operating Costs under Part C.1 (a) of the Project</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Consultants’ services, Training, and goods under Part D of the Project</td>
<td>600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Consultants’ Services, Training, and Operating Costs under Part E of the Project</td>
<td>1,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Emergency Expenditures under Part F of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>13,300,000</td>
<td></td>
</tr>
</tbody>
</table>
3. For purposes of this Section:

(a) the term "Sub-loans" means amounts for goods, works and consultants’ services for Part C.1 (a) of the Project, financed through the chain of agreements referred to in Section I.E.1(b) of Schedule 2 to this Agreement;

(b) the term "Training" means: (i) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consulting training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph; and

(c) the term "Operating Costs" means the incremental expenses incurred on account of the implementation of Parts A through E of the Project, including office equipment and supplies, vehicle operation and maintenance, environmental licensing fees (excluding any fine), communication and insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs, and salaries of locally contracted employees (none of which would have been incurred absent said Parts of the Project).

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) through (5) may be made for payments made prior to this date but on or after May 1, 2013; or (ii) an aggregate amount not to exceed 40% of the amount allocated to Category (6) may be made for payments made prior to this date but on or after May 7, 2013, for Eligible Expenditures under Category (6); or

(b) under Category (6), for Emergency Expenditures under Part F 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.H.1(a) (vi) of this Schedule;

(iii) the Recipient’s Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.H.1(a)(i) 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.H.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 June 30, 2016.

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 May 15 and Nov 15:</td>
<td></td>
</tr>
<tr>
<td>commencing Nov 15, 2018 to and including May 15, 2028</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing Nov 15, 2028 to and including May 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

Amendments to the Original Financing Agreement

A. 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 through E of the Project when applicable.

2. Section 1.02 is hereby amended as follows:

   (a) The definitions of “AMHON”, “Community Beneficiary”, “Community Beneficiary Agreement”, “ERSAPS”, “Fondo Vial”, “IHAH”, “SEDP”, “SEGI” and “SOPTRAVI” (including all references to these terms in the Original Financing Agreement) are hereby deleted.

   (b) The definition of “Conceptual Framework for Social and Environmental Management” is hereby amended (and all references to the term “Conceptual Framework for Social and Environmental Management” in the Original Financing Agreement are hereby replaced by the term “Environmental and Social Management Framework”) to read in its entirety as follows:

   """Environmental and Social Management Framework" means the Recipient’s framework for the management of social and environmental aspects of Parts A through E of the Project dated May 17, 2005, and updated on April 29, 2013 for purposes of the Additional Financing, setting forth: (i) the modalities for environmental screening; (ii) the measures to protect forests and natural habitats; (iii) the procedures/actions for the preparation and implementation of environmental management plans under said Parts of the Project, as said framework may be amended from time to time with the prior approval of the Association.

   (c) The definition of “IPDF” is hereby amended (and all references to the term “IPDF” in the Original Financing Agreement are hereby replaced by the term “IPPF”) to read in its entirety as follows:

   """Indigenous Peoples Policy Framework” or “IPPF” means the Borrower’s framework dated May 17, 2005 and updated on April 22, 2013 for purposes of the Additional Financing, acceptable to the Association, setting forth procedures for preparation for indigenous peoples plans, measures for addressing the needs of the Indigenous Peoples, and providing guidelines and procedures for consultation with, and informed participation of, Indigenous Peoples as may be amended from time to time with the prior approval of the Association;""
(d) The definitions of "Resettlement Policy Framework" and "Participating Sector Agency" are hereby amended to read in its entirety as follows:

(i) ""Resettlement Policy Framework" means the Borrower's resettlement policy framework for the Project, dated May 17, 2005, and updated on April 24, 2013 for purposes of the Additional Financing, acceptable to the Association, as the same may be amended from time to time with the prior approval of the Association;"

(ii) ""Participating Sector Agency" means SANAA, ENEE, SERNA and CONASA, and/or any other agency in addition to or in substitution of these agencies that the Borrower and the Association deem necessary to carry out the Parts A through E of the Project;"

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

(i) ""Additional Financing" means the credit made by the Association to the Borrower in support of the Project in accordance with the terms set forth in the Additional Financing Agreement;"

(ii) ""Additional Financing Agreement" means the agreement between the Borrower and the Association dated August 12, 2013 for purposes of providing the Additional Financing for the Project;"

(iii) ""Coordinating Authority" means the entity or entities designated by the Borrower in the IRM Operations Manual and approved by the Association pursuant to Section I.H.1 (a) (i) of Schedule 2 of the Additional Financing Agreement to be responsible for coordinating the IRM Part of the Project;"

(iv) ""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;"

(v) ""Eligible Municipality" means each of the Borrower's Municipalities that are part of an Eligible Mancomunidad;"
(vi) "Environmental Remediation Action Plan" means Recipient’s plan, acceptable to the Association and included in the Operational Manual which, *inter alia*, sets forth: (i) the findings and recommendations of the Recipient’s environmental assessment of selected Subprojects; (ii) the scope and nature of potential environmental impacts; (iii) the budget for remedial actions where necessary; (iv) the measures for additional monitoring of Subprojects; (v) the environmental remediation measures applicable to Subprojects which shall include, *inter alia*, the provision of goods, minor works and consultants’ services institutional arrangements for implementing the remedial actions; and (vi) describes institutional arrangements for implementing the remedial actions.

(vii) ""Indigenous Peoples" means, a distinct, vulnerable, social and cultural group of people possessing the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language, often different form the official language of the country or region;"

(viii) ""IRM” means immediate response mechanism;”

(ix) ""IRM Operations Manual” means the Recipient’s manual referred to in Section I.H.1 (a) of Schedule 2 of this Agreement to be adopted by the Recipient for the IRM Part of the Project according to the provisions of said Section, as such manual may be amended from time to time with the prior written consent of the Association.”

(x) ""IRM Part” means Part F of the Project;”

(f) Section 3.01 (a) is hereby amended to read in its entirety as follows:

"3.01. (a) The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause: (i) FHIS to carry out Parts A through E of the Project with the assistance of: (A) the Participating Sector Agencies; (B) the Eligible *Mancomunidades*; (C) the Eligible Municipalities; (D) the Electricity Providers; and (E) the MFIs; and (ii) the Coordinating Authority, to carry out Part F of the
Project all in accordance with the provisions of Article IV of the General Conditions."

(g) Section 3.03 (a) (i) is hereby amended to read in its entirety as follows:

“(i) the transfer to such of the funds required to finance the implementation of Eligible Mancomunidad Subprojects, except that the funds required for works estimated to cost more than $250,000 per contract and funds required for services provided by consulting firms shall be retained by FHIS so that the procurement of such works and consultants’ services shall be carried out by FHIS and the works shall then be supervised by FHIS and transferred when completed to the respective Eligible Mancomunidad;”

(h) Section 3.05 (c) is hereby amended to read in its entirety as follows:

“(c) Without limitation to the provisions in paragraphs (a) and (b) above, the Recipient shall ensure that procurement of works estimated to cost more than $250,000 equivalent per contract and procurement of services provided by consulting firms is carried out by FHIS.”

(i) Section 3.06 (a)(vi) is hereby amended to read in its entirety as follows:

“(vi) the IPPF, the Resettlement Policy Framework, the Environmental and Social Management Framework, the procedures to safeguard cultural property, the Performance Indicators and the Environmental Remediation Action Plan.”

(j) Section 3.07 (a) is hereby deleted and left deliberately blank.

(k) Section 3.08 is hereby amended and replaced in its entirety by the provisions of Section G of Schedule 2 to this Agreement.

(l) Sections 5.01 (a) (ii) is hereby amended to read in its entirety as follows:

“(ii) An Eligible Mancomunidad or an Eligible Municipality shall have failed to perform any of its obligations under its respective Mancomunidad Framework Agreement.”

(m) Schedule 2 is hereby amended and replaced in its entirety by Schedule 1 to this Agreement.
(n) The Project closing date is extended and therefore the last sentence of Schedule 2 is hereby amended to read in its entirety as follows:

“The project is expected to be completed by June 30, 2016.”
APPENDIX

Section I. Definitions


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

5. “Electricity Provider” means an entity selected in accordance with the criteria set forth in the Operational Manual to carry out SHS Subprograms in the sites proposed by the Recipient and approved by the Association.

6. “Electricity Provider Subsidy Agreement” means any of the agreements referred to in Section Section I.E.1(a)(i) of Schedule 2 to this Agreement, as the same may be amended from time to time, including as set forth in Section I.E.1(a)(iii) of Schedule 2 to this Agreement.

7. “Electricity Subproject” means a set of activities or investments covered by Part B.1 (c) of the Project which is eligible for financing in accordance with the criteria set forth in the Operational Manual.

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

9. “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.

10. “Eligible Mancomunidad” means each of the Recipient’s Mancomunidades of CHORTI, CRA (Consejo Regional Ambiental), GUISAYOTE, MAMCEPAZ, MAMNO, MAMBOCAURE and any other Mancomunidad as may be proposed by the Recipient and agreed to by the Association.
11. "Eligible Municipality" means each of the Municipalities in an Eligible Mancomunidad.

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


14. "Environmental Remediation Action Plan" means the Recipient’s plan, acceptable to the Association and included in the Operational Manual which, inter alia, sets forth: (i) the findings and recommendations of the Recipient’s environmental assessment of selected Subprojects; (ii) the scope and nature of potential environmental impacts; (iii) the budget for remedial actions where necessary; (iv) the measures for additional monitoring of Subprojects; (v) the environmental remediation measures applicable to Subprojects which shall include, inter alia, the provision of goods, minor works and consultants’ services; and (vi) the institutional arrangements for implementing the remedial actions.

15. "Environmental and Social Management Framework" or “ESMF” means the Recipient’s framework for the management of social and environmental aspects of Parts A through E of the Project dated May 17, 2005, and updated on April 29, 2013 for purposes of this Financing, setting forth: (i) the modalities for environmental screening; (ii) the measures to protect forests and natural habitats; (iii) the procedures/actions for the preparation and implementation of environmental management plans under said Parts of the Project, as said framework may be amended from time to time with the prior approval of the Association.

16. "FHIS" means Fondo Hondureño de Inversión Social, the Recipient’s Social Investment Fund established pursuant to the Recipient’s Decree No. 12-90 of February 22, 1990, as said Decree may have been amended to the date of this Agreement, and governed by the regulations set forth in the Recipient’s Decree No. 261-91 of April 2, 1991, as said regulations may have been amended to the date of this Agreement.

17. "FHIS Subsidiary Agreement” means the agreement entered into between the Recipient and FHIS pursuant to Section 3.01 (b) of the Original Financing Agreement, as amended for purposes of this Financing pursuant to 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.

19. "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.

20. "Indigenous Peoples" means, a distinct, vulnerable, social and cultural group of people possessing the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture and (d) an indigenous language, often different from the official language of the country or region.

21. “Indigenous Peoples Policy Framework” or “IPPF” means the Recipient’s framework dated May 17, 2005 and updated on April 22, 2013 for purposes of this Financing, acceptable to the Association, setting forth procedures for preparation for indigenous peoples plans, measures for addressing the needs of the Indigenous Peoples, and providing guidelines and procedures for consultation with, and informed participation of, Indigenous Peoples as said framework may be amended from time to time with the prior approval of the Association.

22. “IRM” means immediate response mechanism.

23. “IRM Operations Manual” means the Recipient’s manual referred to in Section I.H.1 (a) of Schedule 2 of this Agreement to be adopted by the Recipient for the IRM Part of the Project according to the provisions of said Section, as such manual may be amended from time to time with the prior written consent of the Association.


25. “Mancomunidad” means an association of Municipalities established and recognized pursuant to the Municipality Law.

26. “Mancomunidad Framework Agreement” means any of the agreements referred to in Section I.D.1 of Schedule 2 to this Agreement, as the same may be amended from time to time, including as set forth in Section I.D.3 of Schedule 2 to this Agreement.
27. "MFI" means a micro-finance institution accredited following criteria provided for in the Operational Manual, to make loans to Micro-Finance Beneficiaries.

28. "Micro-Finance Beneficiary" means any household or business located in a rural area which benefits from an SHS Subprogram pursuant to the criteria set forth in the Operational Manual.

29. "Micro-Finance Beneficiary Agreement" means any of the agreements referred to in Section I.E.1(b)(i) of Schedule 2 to this Agreement.

30. "Micro-Finance Credit Agreement" means any of the agreements referred to in Section I.E.1(b)(i) of Schedule 2 to this Agreement, as the same may be amended from time to time, including as set forth in Section I.E.1(ii) of Schedule 2 to this Agreement.

31. "Micro-Finance Matching Grant Agreements" means any of the agreements, referred to in Section 3.04 (a) (iii) of the Original Financing Agreement.

32. "Municipality" means an entity established pursuant to the Municipality Law.

33. "Municipality Law" means the Recipient's Ley de Municipalidades, established by the Recipient's Decree No. 134-90 of November 19, 1990, as said Decree may have been amended to the date of this Agreement, and including the regulations adopted pursuant to the Recipient’s Accord No. 18-93 of February, 29, 1993, as said regulations may have been amended to the date of this Agreement.

34. "Operational Manual" means the FHIS manual for the implementation of Parts A through E of the Project, as updated for purposes of the Financing pursuant to Section I.A.1 of Schedule 2 to this Agreement, acceptable to the Association, as said manual may be amended from time to time with the agreement of the Association.

35. "Original Credit" means the credit amount referred to in the whereas clause referred to in this Agreement.


37. "Original Project" means the Project described in the Original Financing Agreement as amended pursuant to Section V of Schedule 2 to this Agreement.

38. "Participating Sector Agency" means SANAA, ENEE, SERNA and CONASA, and/or any other agency in addition to or in substitution of these agencies that the Recipient and the Association deem necessary to carry out Parts A through E of the Project.
39. "Participation Agreement" means any of the agreements referred to in Section I.C.1 (a) of Schedule 2 to this Agreement, as the same may be amended from time to time, including as set forth in Section I.C.2 of Schedule 2 to this Agreement.

40. "Performance Indicators" means the indicators for the monitoring and evaluation of Parts A through E of the Project, set forth in the Operational Manual.


42. "Procurement Plan" means the Recipient's procurement plan for the Project dated May 3, 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 provision of said paragraphs.

43. "Resettlement Policy Framework" means the Recipient’s resettlement policy framework for the Project, dated May 17, 2005, and updated for purposes of this Financing on April 24, 2013, acceptable to the Association, as the same may be amended from time to time with the prior approval of the Association.

44. "Road Sector Subproject" means a set of activities or investments covered by Part B.1 (a) of the Project which is eligible for financing in accordance with the criteria set forth in the Operational Manual.

45. "Rural Infrastructure Action Plan" or "RIAP" means a framework plan to support the development of an Eligible Mancomunidad which: (i) is based on strategic development plans prepared by Municipalities; (ii) integrates rural infrastructure investments; (iii) is prepared by a Mancomunidad following the participatory procedures set forth in the Operational Manual; and (iv) is favorably endorsed by FHIS based on the eligibility criteria set forth in the Operational Manual.

46. "Safeguard Policies" means the Association’s operational policies and procedures set forth in the Association’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldAssociation.org/opmanual.

47. "SANAA" means Servicio Autónomo Nacional de Acueductos y Alcantarillados, the Recipient’s national autonomous service for aqueducts and sewerage created by the Recipient’s Legislative Decree No. 91 of April 26, 1961, as it may have been amended to the date of this Agreement.

49. “SHS” means solar home systems.

50. “SHS Subprogram” means a set of activities or investments covered by Part B.3 of the Project which is eligible for financing in accordance with the criteria set forth in the Operational Manual.

51. “Subprojects” means collectively Road Sector Subprojects, Water and Sanitation Subprojects, and Electricity Subprojects.

52. “UTI” means unidad técnica inter-municipal, any of the inter-municipal technical units referred to in Section I.D.1(a)(viii) of Schedule 2 to this Agreement.


54. “Water and Sanitation Subproject” means a set of activities or investments covered by Part B.1 (b) of the Project which is eligible for financing in accordance with the criteria set forth in the Operational Manual.

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.”

4. 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”.

5. 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).”

6. 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”.

7. 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).