

Public Disclosure Authorized

**CONFORMED COPY**

**CREDIT NUMBER 4641-HN**

# **Financing Agreement**

**(Second Land Administration Project)**

**between**

**REPUBLIC OF HONDURAS**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

Public Disclosure Authorized

**Dated August 23, 2011**

**CREDIT NUMBER 4641-HN**

**FINANCING AGREEMENT**

AGREEMENT dated August 23, 2011, entered into between REPUBLIC OF HONDURAS (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty million five hundred thousand Special Drawing Rights (SDR 20,500,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are June 15 and December 15 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is United States Dollars.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall cause the Project to be carried out by the IP with the assistance of the Co-executing Agencies and Selected Municipalities, in accordance with the provisions of Article IV of the General Conditions and the Operational Manual.
- 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) The Property Law has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the IP to perform any of its obligations under the Subsidiary Agreement.
  - (b) An extraordinary situation shall have arisen which shall make it improbable that the Program will be carried out.
  - (c) Key personnel in the IP shall have been removed or replaced so as to affect materially and adversely, in the opinion of the Association, the implementation of the Project.
  - (d) Any party to the Subsidiary Agreement shall have failed to comply with any of its obligations under the Subsidiary Agreement.
  - (e) Any Co-executing Agency shall have failed to comply with any of its obligations under its respective Co-execution Agreement, adversely affecting the Project in the opinion of the Association.

- (f) Any Selected Municipality shall have failed to comply with any of its obligations under the respective Participation Agreement, adversely affecting the Project in the opinion of the Association.

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

- (a) Any event specified in paragraphs (b), (c), (d), (e), or (f) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.
- (b) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

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

- (a) The Subsidiary Agreement has been executed on behalf of the Recipient and the IP.
- (b) The Co-execution Agreements have been executed by the respective parties thereto.

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

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than eighteen (18) months after the Association's approval of the Credit which expire on December 28, 2012.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is its Minister (*Secretario*) of SEFIN.

6.02. The Recipient's Address is:

Secretaría de Estado en el Despacho de Finanzas  
Dirección de Crédito Público  
Avenida Cervantes, Barrio El Jazmín  
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:	Telex:	Facsimile:
INDEVAS	248423 (MCI)	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 /s/ Marlon Tabora

Authorized Representative

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By /s/ Laura Frigenti

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to provide the population in the Project Area with improved, decentralized land administration services, including better access to, and more accurate information on, property records and transactions.

The Project constitutes the second phase of the Program, and consists of the following parts:

#### **Part 1: Policy and Institutional Strengthening**

- (a) Supporting the Recipient to consolidate its land policy and strategy to enhance the governance of land administration, including:
  - (i) consolidation of its land policy and strategy, through:
    - (A) workshops and technical assistance on issues within the general framework of land policy and territorial planning; and
    - (B) the preparation of a policy and master plan for the development of the Recipient's national cadastral system;
  - (ii) strengthening of the transparency of Program implementation by conducting at least two social audits of relevant Project activities;
  - (iii) development of the normative and procedural framework for Municipalities to become associated centers of the IP for cadastre, registry and property Regularization purposes; and
  - (iv) development of standard documents for notary protocols related to property registry procedures, and through a consultation process, the fostering of an agreement on a proposal to increase access to notary services with the objective of promoting a culture of registry.
- (b) Strengthening the institutional capacity for land administration in the Recipient's territory, including:
  - (i) strengthening of the IP, through:

- (A) improvement of its administrative and operational capacity by providing equipment, software and technical assistance to facilitate the implementation of the IP's organizational development plan and to integrate the Program's activities into the IP;
  - (B) continuation of the modernization of regional property registries to support Regularization processes, including:
    - (I) implementation of SURE in at least five new registries with high transaction volumes; and
    - (II) carrying out of small rehabilitation works in the IP and selected registries (excluding new constructions and additions to existing structures);
  - (C) strengthening of three operational units of the IP: the DGR, DGCG and the DGRP;
  - (D) carrying out of capacity building for alternative conflict resolution mechanisms for cadastral surveying and establishing inter-municipal limits; and
  - (E) strengthening of the information-technology unit in the IP to operate SURE and its interaction with the other SINAP subsystems;
- (ii) carrying out of capacity building for Selected Municipalities to allow them to function effectively as associated centers of the IP and to implement urban titling activities, territorial planning, including zoning and updating of municipal limits;
  - (iii) carrying out of capacity building for INA, focused on rural titling and collective titling of Indigenous Peoples' Lands, including supporting the Inter-Sectoral Commission for Protecting Land Rights of Garífuna and Miskito Communities (established by the Recipient's Presidential Accord No. 035-2001) and building capacity in INA for alternative conflict resolution;
  - (iv) carrying out of capacity building for ICF, including technical assistance and technology transfer to ensure that it plays an active role in SINAP implementation;

- (v) carrying out of capacity building for SEPLAN, AMHON and Selected Municipalities to promote gradual incorporation of territorial planning norms into RENOT, including the establishment of at least one departmental council of territorial planning in the Project Area;
- (vi) consolidation of SINAP, building on the progress made during the first phase of the Program, by supporting the IP, the Co-executing Agencies and the Selected Municipalities to gradually strengthen their capacity to operate SINAP and to develop mechanisms to ensure its sustainability; and
- (vii) improvement of the wireless network (*Red Metropolitana Inalámbrica*) established in the Recipient's Municipality of Tegucigalpa during the first phase of the Program to facilitate data transmission and inter-agency communications and to ensure connectivity of SINAP.

**Part 2: Cadastral Surveying and Land Regularization**

- (a) Carrying out geo-referenced cadastral surveying in the Project Area, identifying the legal status of each property and incorporating the properties in SURE, including:
  - (i) preparatory activities such as declaration of zone under cadastral process (“*zona a catastrar*”) by the DGCG, taking of aerial photography and preparation of digital ortho-photos and purchasing of satellite imagery of the Project Area;
  - (ii) surveying, validation and incorporation in SURE of at least 390,000 urban and rural parcels in the Project Area; and
  - (iii) geo-referenced surveying of the administrative limits of at least ten Selected Municipalities.
- (b) Carrying out the Legalization, titling and registration under Folio Real of at least 90,000 parcels in the Project Area, including:
  - (i) the provision of new titles for approximately 50,000 families through the various options provided under the Property Law and in close collaboration with INA, the Selected Municipalities and/or the ICF, as the case may be; and
  - (ii) the Legalization of approximately 40,000 parcels with an existing property registry to transfer them into the Folio Real through a coordinated effort between the three main directorates

of the IP: the DGR, the DGCG and the DGRP, to carry out an investigation comparing geographical with legal data.

**Part 3: Demarcation of Protected Areas**

- (a) (i) Carrying out the delimitation and demarcation of the Buffer Zone of at least four Protected Areas in the Project Area, including the incorporation of the cadastral information and its link to the ordinances and norms that establish land use into SURE and RENOT, respectively; and
- (ii) carrying out specific activities under the Project's communication strategy referred to in Part 5 (a) (v) of the Project for community outreach to raise awareness among residents in and around the area of the Buffer Zones demarcated under the Project on the land use designation.
- (b) Supporting the implementation of the EMP and the Process Framework.

**Part 4: Strengthening of Miskito People's Land Rights**

- (a) (i) Carrying out participatory delimitation, demarcation, collective titling, and registration of Indigenous Peoples' Lands in the Recipient's department of Gracias a Dios, based on culturally accepted practices and with a focus on at least 25 Participating Miskito Communities; and
- (ii) providing capacity building and organizational support to Participating Miskito Communities to establish alternative conflict resolution mechanisms during the process of delimitation, demarcation, titling and registration, with the support of the Project's communication strategy referred to in Part 5 (a) (v) of the Project.
- (b) Providing technical assistance and capacity building for Participating Miskito Communities, including:
  - (i) territorial planning and resource natural management; and
  - (ii) education to increase legal awareness and help improve organizational capacity in relation to land tenure.

**Part 5: Project Management and Monitoring and Evaluation**

- (a) Supporting Project management, including:

- (i) training and workshops;
  - (ii) technical assistance;
  - (iii) the carrying out of the fiduciary aspects of the Project, including the financial management, audits and procurement;
  - (iv) the establishment of the Steering Committee; and
  - (v) the oversight of the implementation of a communication and a gender strategy for the Project.
- (b) Supporting Project monitoring and evaluation, including:
- (i) the Recipient's integrated financial administration system (SIAFI), which will record the Project's physical and financial progress;
  - (ii) the semi-annual Project progress reports measuring periodically Project Indicators based on agreed methodologies;
  - (iii) baseline surveys for the third phase of the Program;
  - (iv) a mid-term review report; and
  - (v) a final Project impact evaluation and implementation completion report.

## SCHEDULE 2

### Project Execution

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Recipient shall establish and maintain throughout Project implementation:
  - (a) A steering committee (“Steering Committee”) chaired by the Executive Secretary of the IP and comprised of representatives of each of the Co-executing Agencies and SEFIN, with functions and responsibilities acceptable to the Association, including:
    - (i) providing policy and operational guidance for the Project; and
    - (ii) promoting overall inter-institutional collaboration, including monitoring the execution of the Co-execution Agreements and the Participation Agreements.
  - (b) A technical committee (the “Technical Committee”), which shall include representatives of the respective Co-executing Agencies and shall meet on a quarterly basis to discuss issues related to the implementation of the Project.
2.
  - (a) The Recipient shall cause the IP to maintain, during Project implementation, a Project coordination unit (“PCU”), with functions, staffing and responsibilities satisfactory to the Association and set forth in the Operational Manual, including but not limited to, a national coordinator, a procurement officer, a financial officer, a monitoring and evaluation officer, a communications officer, a social specialist, and an environmental specialist.
  - (b) The Recipient undertakes that, unless the Association may otherwise agree, the PCU personnel shall only be hired based on professional criteria and shall only be replaced for reasons related to performance.
  - (c) Without limitation to the provisions of paragraph (a) above, if an additional environmental expert and/or an additional social expert for the Project in the PCU become necessary, the Recipient shall cause the IP to hire such expert or experts, under terms and conditions satisfactory to the Association.
3. The Recipient shall cause the IP to organize special meetings with representatives of the IP, INA, ICF, the Selected Municipalities, MASTA, and

the Participating Miskito Communities on an annual basis to identify lessons learned, address any implementation issues and reconfirm broad support for the Project from MASTA and Participating Miskito Communities.

**B. Subsidiary Agreement**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the IP under a subsidiary agreement (the “Subsidiary Agreement”) between the Recipient and IP, under terms and conditions approved by the Association which shall include:

- (a) The provision to the IP of the funds, facilities and other resources required to enable it to carry out the Project, including the transfer of the proceeds of the Credit on a grant basis.
- (b) The obligation of the IP to:
  - (i) carry out the Project in accordance with the provisions of this Agreement, the Anti-Corruption Guidelines applicable to recipients of Credit proceeds other than the Recipient, and in accordance with the Operational Manual;
  - (ii) provide, as promptly as needed, the resources required for purposes of implementing the Project;
  - (iii) procure the goods, works and services to be financed out of the Financing in accordance with the provisions of this Agreement;
  - (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with the Project Indicators, the progress of the Project and the achievement of its objective;
  - (v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; and  
(B) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, promptly furnish the statements as so audited to the Recipient and the Association, and make such audited financial statements publicly available in a

timely fashion and in a manner acceptable to the Association;

- (vi) enable the Recipient and the Association to inspect the Project, its operation and any relevant records and documents;
- (vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing;
- (viii) maintain the PCU throughout Project implementation, as provided in Section I.A.2 (a) of Schedule 2 to this Agreement;
- (ix) enter into Co-execution Agreements and Participation Agreements, as provided in Section I.C.1 of Schedule 2 to this Agreement;
- (x) as needed, enter into MOUs with advisory agencies (“Advisory Agencies”), under terms and conditions acceptable to the Association, for purposes of facilitating the implementation of the Project; and
- (xi) to take, and/or cause to be taken, all necessary actions to enable the Recipient to comply with its obligations under this Agreement.

- (c) The right of the Recipient to suspend or terminate the right of the IP to benefit from the proceeds of the subsidiary financing, or to obtain a refund of any part of the amount of the subsidiary financing then withdrawn, upon the IP’s failure to perform any of its obligations under the Subsidiary Agreement.

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

**C. Co-execution and Participation Agreements**

1. (a) The Recipient shall cause the IP to enter into an agreement (“Co-execution Agreement”) under terms and conditions satisfactory to the Association, for each of Parts 1 through 4 of the Project with the applicable Co-executing Agencies detailing their respective roles in the implementation of the Project, all as set forth in the Operational Manual.

- (b) Except as the Association shall otherwise agree, the Recipient shall cause the IP not to amend, assign, abrogate, suspend, terminate, waive or fail to enforce any Co-execution Agreement or any provision thereof.
- 2.
- (a) The Recipient shall cause the IP to, prior to carrying out any activity in each Selected Municipality, enter into an agreement (“Participation Agreement”) with such Selected Municipality under terms and conditions satisfactory to the Association, including those set forth in the Operational Manual.
  - (b) Except as the Association shall otherwise agree, the Recipient shall cause the IP not to amend, assign, abrogate, suspend, terminate, waive or fail to enforce any Participation Agreement or any provision thereof.

**D. Operational Manual**

- 1.
- (a) The Recipient shall, and shall cause the IP to, carry out the Project in accordance with an operational manual (“Operational Manual”) satisfactory to the Association, said manual to include, *inter alia*:
    - (i) the procedures for carrying out, monitoring and evaluation of the Project (including the procurement, disbursement, financial management, social and environmental requirements thereof);
    - (ii) the composition, functions and responsibilities of the PCU;
    - (iii) the role of the IP, each Co-executing Agency and the Selected Municipalities in the implementation of each Project component, including without limitation:
      - (A) the role of IP, INA, ICF, SEPLAN, AMHON, and the Selected Municipalities in Part 1 of the Project;
      - (B) the role of IP, INA, ICF, SEPLAN, AMHON and the Selected Municipalities in Part 2 of the Project;
      - (C) the role of the IP, ICF and the Selected Municipalities in Part 3 of the Project; and
      - (D) the role of the IP, INA, ICF, and the Selected Municipalities in Part 4 of the Project;
    - (iv) the criteria for Selected Municipalities to participate in the Project;

- (v) the EMP, the Process Framework, the IPP and other safeguard measures described in Section I.E of Schedule 2 to this Agreement;
  - (vi) the environmental guidelines for the minor works contemplated in Part 1 (b) (i) (B) (II) of the Project;
  - (vii) the specific procedures, methodology, principles, technical definitions and implementation arrangements for: (i) land Regularization under Part 2 of the Project; and (ii) demarcation of Buffer Zones under Part 3 of the Project;
  - (viii) the strategies for addressing, in a culturally appropriate manner, indigenous peoples concerns in the implementation of Part 4 of the Project, including, *inter alia*, the list of territories and communities where the activities under Part 4 of the Project shall take place, and the procedures, methodology, technical definitions and implementation arrangements for the carrying out of such Part of the Project;
  - (ix) the indicators for Project monitoring and evaluation (“Project Indicators”); and
  - (x) the action plan to address governance issues and mitigate potential risks of corruption under the Project.
- (b) The Operational Manual may be amended 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.

**E. Safeguards**

1. The Recipient shall, and shall cause the IP to, implement the EMP, the Process Framework and the IPP in accordance with their respective terms.
2. Without limitation to the provisions of the EMP, the Process Framework and the IPP, the Recipient shall, and shall cause the IP to:
  - (a) Ensure that no private land titles are issued in areas within or adjacent to:
    - (i) Protected Areas unless the boundaries of said Protected Areas have been delimited in a manner satisfactory to the Association; and/or

- (ii) other critical natural habitats (as defined in the Association's Operational Policy 4.04) unless:
  - (A) the Recipient has made an official decision, satisfactory to the Association, about their status (in which case such titling may only occur in a manner consistent with such status); and
  - (B) the boundaries of such areas have been delimited in a manner satisfactory to the Association.
- (b) (i) Ensure that no titling of lands within or in the vicinity of lands identified with physical cultural resources (as defined in the Association's Operational Policy 4.11), will take place unless the Recipient has made an official decision, satisfactory to the Association, about their status (in which case titling may only occur in a manner consistent with such status).
- (ii) Ensure that IHAH is immediately notified in case any physical cultural resources are discovered during cadastral surveying or other Project activities.
- (c) Ensure that, other than the activities covered by the Process Framework, no physical or economic involuntary resettlement (as interpreted in accordance with the Association's Operational Policy 4.12) shall take place as a consequence of Project implementation.
- (d) Ensure that no physical demarcation, delimitation or titling of lands within or adjacent to Indigenous Peoples' Lands take place unless procedures that adequately reflect the rights of indigenous and Afro-Honduran peoples, including the corresponding consultation process with affected parties in a manner satisfactory to the Association and set forth in the Operational Manual, have been followed.
- (e) Ensure that measures to discourage and avoid deforestation as a consequence of Project implementation are taken in accordance with the Association's Operational Policy 4.36.

**F. Anti-Corruption**

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

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Project Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five days after the end of the period covered by such report.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months prior to the Closing Date.

### **B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for the Project covering the relevant 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, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. 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.
4. No later than ninety (90) days after the Effective Date, the Recipient shall hire external auditors to carry out the audits referred to in the preceding paragraph, based on a short list and terms of reference satisfactory to the Association.

## **Section III. Procurement**

### **A. General**

1. **Goods, Works and Non-consulting Services.**
  - (a) All goods, works and non-consulting services required for 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 the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
- (b) Without limitation to any other provisions set forth in this Section or the Consultant Guidelines, the following shall expressly govern the procurement of consultants' services under this Section:
  - (i) foreign consultants shall be permitted to participate in the selection process even if there is availability of consultants of the Recipient's territory for the services being procured; and

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

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

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

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding
(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:

<b>Procurement Method</b>
(a) Least Cost Selection
(b) Selection based on Consultants' Qualifications
(c) Quality-based Selection
(d) Selection under a Fixed Budget
(e) Single-source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants
(h) Procedures described in the Operational Manual for the selection of Service Delivery Contractors

**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.

**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:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, Non-consulting Services, Training/Workshops, Operating Costs and consultants' services for the Project	18,600,000	100%
(2) Refund of Preparation Advance	1,900,000	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL AMOUNT</b>	20,500,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$ 6,560,000 equivalent may be made for payments made prior to this date but on or after May 1, 2011, for Eligible Expenditures under Category (1).
2. The Closing Date is January 30, 2017.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each June 15 and December 15: commencing December 15, 2021 to and including June 15, 2031	<b>5%</b>

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “Advisory Agencies” means any agency in the Recipient’s territory, selected to participate in the Project, in a manner acceptable to the Association, including the IHAH, the IHT, the INFOP, the SERNA, the RNP, the SEIP, and the SEDINAFRO.
2. “AMHON” means *Asociación de Municipios de Honduras*, the Honduran Association of Municipalities, a legal entity established pursuant to the Recipient’s Executive Resolution No. 16-1962.
3. “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.
4. “Buffer Zone” means *zona de amortiguamiento*, the area within the Protected Area, adjacent to the strict protection zone, created to function as a transition area, as defined in article 356 of the Decree 031-2010, dated August 31, 2010, and published in the Official Gazette on October 16, 2010.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Co-executing Agencies” means INA, SEPLAN, AMHON and ICF.
7. “Co-Execution Agreement” means each agreement with a Co-Executing Agency referred to in Section I.C.1 (a) of Schedule 2 to this Agreement.
8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
9. “DGCG” means *Dirección General de Catastro y Geografía*, the Recipient’s General Directorate of Cadastre and Geography under the IP.
10. “DGR” means *Dirección General de Registros*, the Recipient’s General Directorate of Registries under IP.
11. “DGRP” means *Dirección General de Regularización Predial*, the Recipient’s General Directorate for Parcel Regularization under the IP.

12. “EMP” means the Recipient’s environmental management plan for the Project, dated June 9, 2011, as such plan may be amended from time to time with the prior written consent of the Association.
13. “*Folio Real*” means the Recipient’s parcel-based registry system as defined in Article 32 of the Property Law.
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. “ICF” means *Instituto Nacional de Conservación y Desarrollo Forestal, Áreas Protegidas y Vida Silvestre*, the Recipient’s National Conservation, Forestry Development, Protected Areas and Wild Life Institute established pursuant to the Recipient’s Legislative Decree No. 98-2007 published in the Recipient’s Official Gazette on February 26, 2008, as such Decree may have been amended to the date of this Agreement.
16. “IHAH” means *Instituto Hondureño de Antropología e Historia*, the Recipient’s Institute for Anthropology and History, established pursuant to the Recipient’s Legislative Decree No. 118-68 published in the Recipient’s Official Gazette on December 24, 1968, as such Decree may have been amended to the date of this Agreement.
17. “IHT” means *Instituto Hondureño de Turismo*, the Recipient’s Tourism Institute established and operating under the Recipient’s Secretariat of Tourism pursuant to the Recipient’s Legislative Decree No. 103-93 published in the Recipient’s Official Gazette on July 14, 1993, as such Decree may have been amended to the date of this Agreement.
18. “INA” means *Instituto Nacional Agrario*, the Recipient’s National Agrarian Institute established pursuant to the Recipient’s Legislative Decree No. 170 published in the Recipient’s Official Gazette on January 8, 1975, as such Decree may have been amended to the date of this Agreement.
19. “Indigenous Peoples’ Lands” means lands that have been ancestrally and historically settled by indigenous and Afro-Honduran communities for their use, representing the habitat upon which they carry out traditional cultural and productive activities.
20. “INFOP” means *Instituto Nacional de Formación Profesional*, the Recipient’s national professional training institute.

21. “IP” means *Instituto de la Propiedad*, the Recipient’s Property Institute established pursuant to the Property Law, i.e., the Project Implementing Entity for purposes of the General Conditions.
22. “IPP” means the Recipient’s indigenous peoples’ plan for the Project dated June 9, 2011 as such plan may be amended from time to time with the prior written consent of the Association.
23. “Legalization” means the final step in the Regularization process in which a property document goes through the formal requirements to be considered valid, ensuring that cadastral and legal information on the property are consistent. The document is validated by registering the title or transferring it to *Folio Real* (in the event the property was already registered in a personal registry outside of the *Folio Real*).
24. “MASTA” means the Unity of the Mosquitia (*Moskitia Asla Takanka*), an umbrella organization of Miskito communities.
25. “MOUs” means the memoranda of understanding entered or to be entered into between the Advisory Agencies and the Recipient pursuant to Section I. B.1 (b) (x) of Schedule 2 to this Agreement, as the same may be amended from time to time.
26. “Municipality” means an autonomous entity established pursuant to the Recipient’s Decree Number 134-90 dated October 29, 1990.
27. “Non-consulting Services” means: (a) technical services provided by firms for surveying, aerial photography, demarcation, and digitalization of registries’ books; and (b) radio, television and printed advertising services provided in connection with the carrying out of the Project.
28. “Operating Costs” means reasonable expenditures which would not have been incurred absent the Project, for the maintenance and leasing of vehicles and equipment, for fuel, office supplies and other consumables, insurance, office rent, internet connection costs, utilities and travel, transportation and accommodations, and salaries of incremental PCU staff.
29. “Operational Manual” means the Recipient’s manual for the Project dated June 9, 2011 and referred to in Section I.D.1 of Schedule 2 to this Agreement, as such manual may be amended from time to time with the prior written consent of the Association.
30. “Participating Miskito Community” means a Miskito community selected to participate in Part 4 of the Project through a process of free, prior informed consultation with community members, local organizations and MASTA.

31. “Participation Agreement” means any of the agreements mentioned in Section I.C.2 (a) of Schedule 2 to this Agreement.
32. “PCU” means the unit referred to in Section I.A.2 (a) of Schedule 2 to this Agreement.
33. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on December 11, 2008 and on behalf of the Recipient on March 9, 2010.
34. “Process Framework” means the Recipient’s process framework for the Project, dated June 9, 2011.
35. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
36. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 9, 2011 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
37. “Program” means the program designed to establish a national property rights system (*Sistema Nacional de Administración de la Propiedad*) under a single entity that will be fully integrated and decentralized, whereby information on land use will be collected and registered with links to geographical and legal information on public and private property (real estate, movable assets, commercial rights and intellectual property rights), and data will be collected in an efficient and timely manner and declaring the Recipient’s commitment to the execution of such program, as set forth or referred to in the letter dated November 26, 2003 from the Recipient to the Association, which letter was updated by a complementary letter dated June 8, 2011 from the Recipient to the Association.
38. “Project Area” means the area consisting of the Recipient’s departments of Choluteca, Colón, Copán, Cortés, Comayagua, El Paraíso, Francisco Morazán, Gracias a Dios, Olancho and Yoro, and any other department which may be agreed upon in the future between the Recipient and the Association and reflected in the Operational Manual, in addition to, or in substitution of, the above departments.
39. “Project Indicators” means the indicators for Project monitoring and evaluation set forth in the Operational Manual.

40. “Property Law” means *Ley de Propiedad*, the Recipient’s Legislative Decree No. 82-2004, published in the Recipient’s Official Gazette on June 29, 2004, as amended by Legislative Decree No. 191-2005, published in the Recipient’s Official Gazette on June 24, 2005, by Legislative Decree No. 258-2005, published in the Recipient’s Official Gazette on October 4, 2005 and by Legislative Decree No. 253-2005, published in the Recipient’s Official Gazette on October 4, 2005.
41. “Protected Area” means an area officially designated by the Recipient to be under a special management regime for the primary purpose of ensuring its biodiversity and ecological integrity.
42. “Regularization” means the process to analyze and formalize a land parcel’s physical location and legal status through document review and on-site verification, including conflict resolution and registry in *Folio Real*. Specifically, it includes: (a) preparatory activities; (b) delimitation of macro-areas; (c) investigation and validation; (d) Legalization, titling and registry; and (e) maintenance of the registry.
43. “RENOT” means *Registro de Normativas de Ordenamiento Territorial*, the Recipient’s Registry of Norms (a subsystem of SINAP, as hereinafter defined).
44. “RNP” means *Registro Nacional de las Personas*, the Recipient’s National Personal Identification Registry.
45. “SEDINAFRO” means, *Secretaría de Estado de los Pueblos Indígenas y Afro-Hondureños*, the Recipient’s Ministry of Indigenous and Afro-Honduran Peoples.
46. “SEFIN” means *Secretaría de Estado en el Despacho de Finanzas*, the Recipient’s Ministry of Finance.
47. “SEIP” means *Secretaría de Estado del Interior y Población*, the Recipient’s Ministry of Interior and Population.
48. “Selected Municipality” means a Municipality within the Project Area, which has been selected to participate in the Project, according to the criteria set forth in the Operational Manual.
49. “SEPLAN” means *Secretaría Técnica de Planificación y Cooperación Externa*, the Recipient’s Ministry of Planning and External Cooperation.
50. “SERNA” means *Secretaría de Estado en los Despachos de Recursos Naturales y Ambiente*, the Recipient’s Ministry of Natural Resources and the Environment.

51. “SIAFI” means *Sistema de Administración Financiera Integrado*, the Recipient’s integrated financial administration system.
52. “SINAP” means *Sistema Nacional de Administración de la Propiedad*, the Recipient’s National Property Administration System, which includes SINIT, RENOT and SURE.
53. “SINAPH” means *Sistema Nacional de Áreas Protegidas de Honduras*, the Recipient’s National Protected Areas System.
54. “SINIT” means *Sistema Nacional de Información Territorial*, the Recipient’s geographical information system for urban and regional planning (a subsystem within SINAP).
55. “Steering Committee” means the committee referred to in Section I.A.1 (a) of Schedule 2 to this Agreement.
56. “Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the IP.
57. “SURE” means *Sistema Unificado de Registros*, the Recipient’s computerized *Folio Real* system (a subsystem within SINAP).
58. “Technical Committee” means the committee referred to in Section I.A.1 (b) of Schedule 2 to this Agreement.
59. “Training/Workshops” means expenditures (other than for consultants’ services), solely as required for the Project, incurred for: (a) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training/workshop facility and equipment rentals; (d) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph; (e) scholarships and fellowships for training courses to be provided in the Recipient’s territory or abroad; and (f) study tours and internships in the Recipient’s territory or abroad.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. Paragraph (b) of Section 3.03 is hereby deleted in its entirety.

2. The following term and definition set forth in the Appendix is modified as follows:

(a) The definition of “Project Implementing Entity” is amended and replaced in its entirety with the following text:

“Project Implementing Entity” means a legal entity (other than the Recipient) which is responsible for implementing all or a part of the Project and which: (a) is a party to the Project Agreement; or (b) is not a party to the Project Agreement but is a party to an agreement (referred to in a Legal Agreement as a “Subsidiary Agreement”) whereby such party's role in implementing the Project or any part thereof is set forth. If there is more than one such entity, “Project Implementing Entity” refers separately to each such entity. For cases where clause (b) of this definition applies: the last sentence of Section 1.01 of these General Conditions shall be disregarded; the Association's obligation in Section 6.06(b)(ii) of these General Conditions to notify the Project Implementing Entity shall be disregarded; references to the Project Implementing Entity in Articles VIII and IX of these General Conditions shall be disregarded with the exception of the reference in Section 9.03; and, in those other Sections of these General Conditions where reference is made to a Project Implementing Entity's obligations under the Project Agreement or under a Legal Agreement, such obligations shall be deemed to be those set forth in the respective “Subsidiary Agreement” referred to herein.”