

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3361-1-HO

Financing Agreement

(Additional Financing for the Natural Disaster Mitigation Project)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 9, 2007

Public Disclosure Authorized

FINANCING AGREEMENT

Agreement dated August 9, 2007, entered into between REPUBLIC OF HONDURAS (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 five million nine hundred thousand Special Drawing Rights (SDR 5,900,000) (referred to variously herein as 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 March 15 and September 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. To this end, the Recipient shall cause the Project to be carried out by COPECO 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) COPECO shall have failed to comply with any of its obligations under the Subsidiary Agreement.
- (ii) FHIS or COPECO shall have failed to comply with any of their respective obligations under the FHIS-COPECO Agreement.
- (iii) COPECO or an Eligible Municipality shall have failed to comply with any of their respective obligations under a Subproject Agreement to which they are a party.
- (iv) Decree No. 9-90 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the Association, the ability of COPECO to carry out the Project.
- (v) The Recipient's Decree No. 12-90 of February 22, 1990, as amended by the Recipient's Decree No. 19-92 of April 22, 1992 and the Recipient's Ministerial Decree No. CM01-94 of January 31, 1994, and the Recipient's Decree Number 261-91 of April 2, 1991, as amended by the Recipient's Decree No. 153-94 of November 4, 1994 and the Recipient's Decree No. 166-99 of November 12, 1999 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not

enforced in such a manner as to materially and adversely affect, in the opinion of the Association, the ability of FHIS to assist the Recipient in the carrying out of Part C.4 of the Project.

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

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

- (a) Any event specified in paragraphs (a) (i) or (a) (ii) 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) Any event specified in paragraphs (a) (iv) or (a) (v) 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 COPECO; and
- (b) The AF Operational Manual has been issued by the Recipient and found acceptable by the Association.

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 COPECO and is legally binding upon the Recipient and COPECO 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 (18) months after the Association's approval of the Credit which expire on December 21, 2008.

- 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.

<u>Cable:</u>	<u>Telex:</u>	<u>Facsimile:</u>
HACIENDA Tegucigalpa	1308 FINANZAS HO	(504) 237-4142 (504) 238-6995

- 6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

<u>Cable:</u>	<u>Telex:</u>	<u>Facsimile:</u>
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF HONDURAS

By /s/ Rebeca P. Santos

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jane Armitage

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the capacity of the Recipient to reduce its vulnerability to natural disasters at the municipal level.

The Project consists of the following parts included in the Original Project, as amended below solely for purposes of the Financing:

Part A: Monitoring, Forecasting, Early Warning and Geographical Information System-based Information Management

1. Design and installation of an integrated national flood forecasting and decision support system, including:
 - (a) design of: (i) a flood forecasting system; (ii) an operational computing and communication system; (iii) an operational response system; and (iv) a geographical information system;
 - (b) a study of financial sustainability options;
 - (c) acquisition and installation of all necessary equipment; and
 - (d) training of SERNA's personnel in the operation and maintenance of said system.
2. Improvement of national capacity to manage information related to droughts, through:
 - (a) acquisition of necessary software; and
 - (b) design and implementation of a capacity-building plan for drought response, to expand the geographic area already covered under the Original Project.
3.
 - (a) Supporting and updating the disaster risk information in the Recipient's National Territorial Information System (SINIT, *Sistema Nacional de Información Territorial*); and (b) training users (municipalities and agencies) in its use and maintenance.

4. Establishment of community-based flood early warning systems to complement the main hydrometeorological network in small river basins.
5. Production of maps, through: (a) the development of biophysical, socio-economic and perception data for each Eligible Municipality; and (b) the acquisition of satellite images of Eligible Municipalities.
6. Carrying out of studies related to natural disaster mitigation and natural resources management, as approved by the Association.

Part B: Strengthening of National Capacity to Support Emergency Response at the Municipal Level

1. Identification and acquisition of: (a) the equipment needed by cities, municipalities and volunteer groups for operations concerning immediate life-saving search and rescue operations and protection of disaster victims; and (b) the equipment necessary for the establishment of a national emergency communications system.
2. (a) Design and implementation of municipal emergency plans (not prepared under the Original Project) for Eligible Municipalities; and (b) update of municipal emergency plans (prepared under the Original Project) for Eligible Municipalities.

Part C: Building Capacity in Disaster Mitigation at the Municipal Level

1. Development of a database on municipal vulnerability to natural disasters to provide information to the Honduran population, such information to be organized by topics, such as: risks of natural hazards, disaster preparedness, mitigation measures which have been identified and mitigation measures which have been implemented.
2. Carrying out and supervision of a disaster risk analysis in each Eligible Municipality, such analysis to include, *inter alia*: (a) a risk assessment and vulnerability mapping; (b) the identification of areas at risk within the boundaries of said Eligible Municipalities; (c) the preparation of disaster preventive land use plans; and (d) the identification and prioritization of mitigation measures.
3. Carrying out and supervision of feasibility and engineering studies and final designs of those mitigation measures referred to in Part C.2 (d) of the Project which meet the criteria set forth in the AF Operational Manual.

4. Carrying out and supervision of mitigation measure subprojects in Eligible Municipalities, such as: (a) retrofitting schools and hospitals; (b) identifying high risk areas and posting warnings or barriers to prevent unsuitable occupation or land use; (c) providing systems for identifying unsafe areas, escape routes and shelters, and equipping and fitting such shelters; (d) preventing settlements in unpopulated high risk areas through the creation of municipal public spaces, sport facilities, community gardens and similar programs in those areas; (e) controlling landslides and erosion through reforestation programs and/or the construction of retaining walls and terracing; (f) installation of waste water and storm water drainage systems in high density areas and roadways subject to erosion or flooding; (g) mitigating drought impacts through construction of community wells, water tanks and rain catchments; (h) improving watershed management; (i) removing sediment deposits originated in earlier disasters; and (j) carrying out protective works, reinforcing and retrofitting vital infrastructure (roads, bridges, cross walks and water supply and energy systems).

Part D: Project Management

1. Supporting GAAEX to manage and monitor the financial and procurement aspects of the Project, including, but not limited to, the financing of audits required under Section II.B.3 of Schedule 2 to this Agreement.
2. Supporting COPECO (including the TCU) and other agencies referred to in the AF Operational Manual to manage and to monitor the implementation and technical aspects of the Project, as described in the AF Operational Manual.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. (a) The Recipient shall cause COPECO to operate and maintain, within its organizational structure as described in the AF Operational Manual, throughout Project implementation, a unit for external aid (GAAEX) and a technical coordination unit (the TCU), both with functions and responsibilities satisfactory to the Association.
- (b) The Recipient shall cause COPECO to ensure that GAAEX and the TCU are at all times during Project implementation headed jointly by a Project coordinator and assisted by staff in adequate numbers, all with qualifications and experience satisfactory to the Association. The Recipient undertakes that, unless the Association may otherwise agree, the GAAEX and TCU coordinator and their respective staff shall only be hired based on professional criteria and shall only be replaced for reasons related to performance.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to COPECO under a subsidiary agreement (Subsidiary Agreement) between the Recipient and COPECO, under terms and conditions acceptable to the Association and adequate to protect the interests of the Recipient and those of the Association, which shall include:
 - (a) the provision to COPECO of the funds, facilities, services and other resources required to enable COPECO to carry out the Project, including the transfer of the proceeds of the Financing on a grant basis;
 - (b) the obligation of COPECO to: (i) carry out the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the AF Operational Manual and the provisions of the Anti-Corruption Guidelines applicable to recipients of credit proceeds other than the Recipient; (ii) provide promptly as needed, any additional resources within its control required for the purpose; (iii) procure the goods, works and services to be financed out of the Credit in accordance with the provisions of this Agreement; (iv) prior to the carrying out of any

Subproject, enter into a Subproject Agreement with the respective Eligible Municipality, as provided in Section I.D.1 (b) of Schedule 2 to this Agreement; (v) maintain the GAAEX and the TCU throughout Project implementation, as provided in Section I.A.1 of Schedule 2 to this Agreement; (vi) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Project and the achievement of its objective; (vii) (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, and promptly furnish the statements as so audited to the Recipient and the Association; (viii) enable the Recipient and the Association to inspect the Project, its operation and relevant records and documents; and (ix) 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; and

(c) the right of the Recipient to suspend or terminate the right of COPECO to use the proceeds of the subsidiary financing, or obtain refund of all or any part of the amount of the subsidiary financing then withdrawn, upon COPECO's failure to perform any of its obligations under the Subsidiary Agreement.

2. The Recipient shall exercise its rights 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 assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

C. Operational Manual

1. (a) The Recipient shall, and shall cause COPECO to, carry out the Project in accordance with an operational manual (the AF Operational Manual), satisfactory to the Association, said manual to include, *inter alia*:
 - (i) the procedures for the 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 GAAEX and the TCU;

- (iii) the criteria for selecting Eligible Municipalities;
 - (iv) the criteria for the approval, implementation, monitoring and evaluation of Subprojects, including, *inter alia*: (A) the typology of potential Subprojects to be supported through the Credit as well as the “negative list” of ineligible activities; (B) the framework environmental management plan outlining procedures and institutional arrangements to ensure adequate screening of each Subproject, identification of potential impacts and necessary mitigation measures, implementation of environmental measures and monitoring during Subproject execution and operation; and (C) the amount of counterpart contribution, in cash or in kind required for each type of investment under a Subproject;
 - (v) the procedures to be followed in the event that any “chance finds” of archeologically or culturally significant resources are encountered during construction;
 - (vi) the EA and the IPPF; and
 - (vii) the indicators for Project monitoring and evaluation (the Performance Indicators).
- (b) The AF 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 AF Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Sub-projects

1. For purposes of carrying out Part C.4 of the Project, the Recipient shall cause COPECO to:
 - (a) prior to carrying out any activity under Part C.4 of the Project, enter into an agreement (the FHIS-COPECO Agreement) with FHIS, under terms and conditions satisfactory to the Association, which shall include, *inter alia*, the functions and responsibilities of FHIS under Part C.4 of the Project, including, but not limited to, environmental procedures and guidelines for Subprojects;
 - (b) prior to carrying out each Subproject, enter into an agreement (a Subproject Agreement) with the respective Eligible Municipality, under terms and conditions satisfactory to the Association, which shall include, *inter alia*:

- (i) the provision to the Eligible Municipality of the facilities, services and other resources required to enable the Eligible Municipality to participate in the respective Subproject;
 - (ii) the obligation of the Eligible Municipality to: (A) cooperate in the carrying out of the respective Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the AF Operational Manual, the FHIS-COPECO Agreement, and the provisions of the Anti-Corruption Guidelines applicable to recipients of credit proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose, including without limitation the counterpart contribution required for each type of investment under a Subproject in the percentages set forth in the AF Operational Manual; (C) cooperate with COPECO to ensure that all goods, works and services to be financed out of the Credit are procured in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Subproject and the achievement of its objectives; (E) enable the Recipient, COPECO and the Association to inspect the Subproject, its operation and any relevant records and documents; and (F) prepare and furnish to the Recipient, COPECO and the Association all such information as the Recipient, COPECO or the Association shall reasonably request relating to the foregoing; and
 - (iii) the right of COPECO to suspend or terminate the right of the Eligible Municipality to participate in the Subproject and/or to benefit from the proceeds of the Credit, upon the Eligible Municipality's failure to perform any of its obligations under the respective Subproject Agreement; and
- (c) exercise its rights under the FHIS-COPECO Agreement and each Subproject Agreement in such manner as to protect the interests of the Recipient, COPECO, and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, not to assign, amend, terminate, abrogate, waive or fail to enforce the FHIS-COPECO Agreement or any Subproject Agreement or any provision thereof.

E. Safeguards

1. Without limitation to the provisions of Section I.C.1 (a) of Schedule 2 to this Agreement, the Recipient undertakes that, unless the Association shall otherwise agree:
 - (a) Subprojects shall be promoted, identified, appraised, approved, carried out and monitored by COPECO, with the participation of FHIS (in accordance with the terms of the FHIS-COPECO Agreement) and the respective Eligible Municipality (in accordance with the terms of each Subproject Agreement), in accordance with the procedures set forth or referred to in the AF Operational Manual, including a clearance in writing issued by FHIS prior to the commencement of each Subproject, confirming that the Subproject is environmentally sound as determined by FHIS' environmental screening of each Subproject proposal;
 - (b) no physical or economic involuntary resettlement (as interpreted in accordance with the Association's Operational Policy 4.12 (OP 4.12)) shall take place as a consequence of Project implementation, including the Subprojects;
 - (c) no Subproject may involve any of the activities listed under Schedule 5 of the Original Financing Agreement or in the "negative list" included in the AF Operational Manual; and
 - (d) prior to the implementation of a Subproject in which the IPPF applies, it shall cause COPECO to: (i) carry out a social assessment and prepare and furnish to the Association for its approval, an indigenous peoples plan prepared in accordance with the IPPF; and (ii) thereafter, carry out such indigenous peoples plan in accordance with its terms.

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 Performance Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the

Association not later than one month 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. The Recipient shall prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for the Project covering the 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 and Works and Non-Consultant Services.

- (a) All goods, works and services (other than 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 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 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; 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 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-Consultant Services**

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and services (other than consultants' services) shall be procured under contracts awarded on the basis of International Competitive Bidding.
- 2. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and

services (other than consultants' services). The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping

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.

Procurement Method
(a) Least Cost Selection
(b) Selection based on Consultants' Qualifications
(c) 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.

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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, works, non-consultant services, consultants' services, Operating Costs and Training for Part A of the Project	450,000	100%
(2) Goods, works, non-consultant services, consultants' services, Operating Costs and Training for Part B of the Project	550,000	100%
(3) Goods, works, non-consultant services, consultants' services, Operating Costs and Training for Part C of the Project	4,300,000	100%
(4) Consultants' services, Training and Operating Costs for Part D of the Project	600,000	100%
TOTAL AMOUNT	5,900,000	

3. For the purposes of this Section:
- (a) 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-consultant 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

- (b) the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, per diem and supervision costs, and salaries of locally contracted employees (none of which would have been incurred absent the Project).

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.
2. The Closing Date is September 30, 2010.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15, commencing September 15, 2017 to and including March 15, 2027	5%

* The percentages represent the percentage of the principal amount of the Credit to be repaid.

APPENDIX

Section I. Definitions

Unless the context otherwise requires, the several terms defined in the Original Financing Agreement have the respective meaning therein set forth, and are hereby incorporated to this Agreement. Additionally, the following definitions also constitute an integral part of this Agreement:

1. “AF Operational Manual” means the Recipient’s operational manual for the implementation of the Project.
2. “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.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “Environmental Assessment” or “EA” means the Recipient’s environmental assessment for the Project dated May 3, 2007, as may be amended from time to time with the prior approval of the Association.
6. “FHIS-COPECO Agreement” means the Agreement referred to in Section I.D.1. (a) of Schedule 2 to this Agreement.
7. “GAAEX” means *Grupo de Apoyo a la Asistencia Externa*, the unit for external aid referred to in Section I.A.1 (a) of Schedule 2 to this Agreement.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
9. “IPPF” means the Recipient’s indigenous people’s planning framework for the Project dated May 3, 2007, as may be amended from time to time with the prior approval of the Association.
10. “Original Financing Agreement” means the development credit agreement for a Natural Disaster Mitigation Project between the Recipient and the Association,

dated August 29, 2000 as amended to the date of this Agreement (Credit No. 3361-HO).

11. “Original Project” means the Project described in the Original Financing Agreement.
12. “Performance Indicators” means the indicators for Project monitoring and evaluation set forth in the AF Operational Manual.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 15, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. “Subproject Agreement” means each of the agreements referred to in Section I.D.1 (b) of Schedule 2 to this Agreement.
16. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to COPECO.
17. “TCU” means the technical coordination unit referred to in Section I.A.1 (a) of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

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