CREDIT NUMBER 6593-HN

Financing Agreement

(Disaster Risk Management Development Policy Credit
with a Catastrophe Deferred Drawdown Option (CAT-DDO))

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF HONDURAS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule I to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of one hundred nineteen million Dollars (USD 119,000,000.00) (variously, "Credit" and "Financing").

2.02. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.

2.03. The Interest Charge is the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.

2.04. The Payment Dates are April 15 and October 15 in each year.
2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement and subject to provisions of Section 2.08 below.

2.06. The Payment Currency is Dollar.

2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

2.08. (a) If, prior to the Closing Date, the Recipient requests an extension of the Closing Date, the Association may provide such extension only once and for a maximum withdrawal period of six (6) years after the Signature Date and on such Credit terms and conditions as agreed by the Association.

(b) Notwithstanding the provisions of sub-paragraph (a) above, the Closing Date shall not be extended if at the time of Recipient’s request, the events specified in sub-paragraph (b) (i) (A) and (B) of Section 3.05 of the General Conditions have occurred.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient’s macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.
ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

5.03. For purposes of Section 10.05 (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 Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister of SEFIN.

6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

   Secretaria de Estado en el Despacho de Finanzas
   Dirección de Crédito Público
   Avenida Cervantes, Barrio El Jazmín
   Tegucigalpa M.D.C
   Honduras C.A.; and

   (b) the Recipient's Electronic Address is:

   Facsimile: (504) 2237-4142
   E-mail: dgecp@sefin.gob.hn
6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: 248423 (MCI) Facsimile: 1-202-477-6391 E-mail: ysakho@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF HONDURAS

By

Authorized Representative

Name: Rocío Izabel Tábora
Title: Secretaria de Estado
Date: 13 de abril de 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Y. Seynabou Sakho
Title: Director Central America
Date: 13-Apr-2020
Section I. **Actions under the Program**

The actions taken by the Recipient under the Program include the following:


2. The Recipient has strengthened its institutional DRM capacity by establishing the Ministry of Disaster Risk Management and National Contingencies (Secretaría de Estado en los Despachos de Gestión de Riesgos y Contingencias Nacionales) and subjecting COPECO to said institution’s administrative jurisdiction; as evidenced by the Recipient’s Executive Decree No. PCM-057-2019, dated September 11, 2019 and published in the Official Gazette on September 12, 2019.

3. The Recipient has strengthened DRM and CCA at the municipal level by defining responsibilities for the formulation and adoption of local emergency plans that contribute to prevent and address climate risks; as evidenced by Art. 210 of the Recipient’s Legislative Decree No. 171-2019, dated December 12, 2019 and published in the Official Gazette on December 31, 2019.


5. The Recipient has strengthened its health surveillance system by adopting best international practices on early detection, monitoring and response to epidemics and disease outbreaks; as evidenced by the agreement set forth in paragraph 5 under the fourth point of the Minutes No. 2 of the meeting of the Directive Council of SINAGER, dated February 26, 2020.

6. The Recipient has improved its national and local water management capacities, including DRM and CCA, through the adoption of a Special Regulation on Water Basin Organizations; as evidenced by the Recipient’s Ministerial Agreement No. 0840-2019, dated September 27, 2019, and published in the Official Gazette on December 6, 2019.
Section II. Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>119,000,000.00</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>119,000,000.00</td>
</tr>
</tbody>
</table>

C. Withdrawal of Financing Proceeds.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied, based on evidence satisfactory to it, that an Emergency has been declared by the Recipient in accordance with the Recipient’s DRM Legislation, to respond to an imminent or occurring natural catastrophe including a natural disaster, a disease outbreak and/or an epidemiological emergency in human population (i.e. epidemics and/or pandemics).

2. Notwithstanding the foregoing, if, at any time prior to the receipt by the Association of a request for withdrawal of an amount of the Financing, the Association determines that a review of the Recipient’s progress in carrying out the Program is warranted, the Association shall give notice to the Recipient to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Financing Balance unless and until the Association has notified the Recipient of its satisfaction, after an exchange of views as described in paragraphs (a) and (b) of Section 3.01 of Article III of this Agreement, with the progress achieved by the Recipient in carrying out the Program.

D. Deposit of Financing Amounts.

1. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Lempiras equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for
in the Recipient’s budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Closing Date. The Closing Date is June 30, 2023.
SCHEDULE 2

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing April 15, 2025 to and including October 15, 2044</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing April 15, 2045 to and including October 15, 2049</td>
<td>3.40%</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 3.05 (b) of the General Conditions or Section 2.08 (a) of Article II of this Agreement.
APPENDIX

Section I. Definitions

1. “Basis Adjustment to the Interest Charge” means the Association’s standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

2. “Basis Adjustment to the Service Charge” means the Association’s standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

3. “CCA” means climate change adaptation.

4. “Concessional Financing” means, without limitation to the definition of said term in paragraph 18 of the Appendix to the General Conditions, the Credit extended by the Association to the Recipient on the terms referred to in Article II of this Agreement and in the General Conditions.

5. “COPECO” or “Comisión Permanente de Contingencias” means the Recipient’s permanent commission of contingencies, the national DRM agency.

6. “DRM” means disaster risk management.

7. “Emergency” means, for the purposes of this Financing Agreement, a declaration of an emergency by the Recipient, through a PCM Executive Decree, in all or in part of its territory, due to an imminent or occurring natural disaster, diseases outbreaks or epidemics in human population (excluding declarations of emergency based on: (i) chronic deficiencies of the health system; (ii) environmental emergencies; and (iii) phytosanitary emergencies), pursuant to the Recipient’s DRM Legislation, and any other legal instrument, compatible with the existing legal framework for the declaration of an Emergency, that the Recipient may adopt from time to time with the previous agreement of the Association.

8. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018, with the modifications set forth in Section II of this Appendix.

10. "Official Gazette" means the Recipient's official gazette named "La Gaceta".

11. "Program" means the program of objectives, policies, and actions set forth or referred to in the letter dated March 9, 2020 from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.


14. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

15. "SINAGER" or "Sistema Nacional de Gestión de Riesgos" means the Recipient's risk management national system, established pursuant to SINAGER Law.


17. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 of the General Conditions is deleted in its entirety, and the remaining sections are renumbered accordingly.

2. In the Table of Contents, the Appendix and all other provisions of the General Conditions, all references to Section numbers and paragraphs of Article III are modified, as necessary, to reflect the modification set forth above.