Lic. Hector Guillermo Guillén Gómez
Secretario
Secretaría de Estado en el Despacho de Finanzas
Avenida Cervantes, Barrio El Jazmín,
Edificio SEFIN
Tegucigalpa, M.D.C.
Honduras, C.A

Dr. Arturo Bendaña Pinel
Ministro de Salud
Secretaría de Estado en el Despacho de Salud
2 Calle, Avenida Cervantes
Tegucigalpa, M.D.C.
Honduras, C.A

Re: HONDURAS: RSR Multi Donor Trust Fund for the Improving Nutritional Monitoring and Targeted Response to the Global Crisis Project
(Grant No. TF011667)

Dear Lic. Guillén and Dr. Bendaña,

In response to the request for financial assistance made on behalf of the Republic of Honduras ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") acting as administrator of grant funds provided under the Rapid Social Response Multi-Donor Trust Fund ("Donors"), proposes to extend to the Recipient a grant in an amount not to exceed one million two hundred thousand United States Dollars (US$1,200,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

C. Felipe Jaramillo
Director
Central America
Latin America and the Caribbean Region

AGREED:

REPUBLICA DE HONDURAS
SECRETARÍA DE ESTADO
EN EL DESPACHO DE FINANZAS (SEFIN)
(as legal representative of the Recipient)

By:Authorized Representative

Name: Héctor Guillermo Quintero Gómez
Title: Ministro de Finanzas
Date: 12/06/2012

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

AGREED:

REPUBLICA DE HONDURAS
SECRETARÍA DE ESTADO
EN EL DESPACHO DE SALUD (SEDESALUD)
(as implementing entity of the Recipient)

By:Authorized Representative

Name: Arturo Bencomo Pineda
Title: Ministro de Salud
Date: 14/06/2012
Article I
Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) “AIN-C Program” means Atención Integral a la Niñez en la Comunidad, the Recipient’s community-based health and nutrition program for children less than 5 years of age.

(b) “Bono 10,000 Program” means Programa Presidencial de Salud, Educación y Nutrición Bono 10,000, the Recipient’s presidential program on health, education and nutrition, which principal objective is to create new opportunities for extreme poor families, created by the Recipient Executive Decree No. 010-2010, dated April 13, 2010 (published in the Recipient’s Official Gazette on May 14, 2010).

(c) “Selected Communities” means the communities, selected in a manner acceptable to the World Bank, within the Recipient’s territory in which the Project activities will be implemented.

(d) “SEFIN” means Secretaría de Estado en el despacho de Finanzas, the Recipient’s Ministry of Finance, or any successor entity thereto satisfactory to the World Bank.

(e) “SIME” means Sistema de Información Monitoreo y Evaluación, the monitoring and information system of the AIN-C Program.

(f) “SOH” means Secretaría de Estado en el Despacho de Salud, the Recipient’s Ministry of Health, or any successor entity thereto satisfactory to the World Bank.

(g) “WHO” means the World Health Organization.

(h) “Nutrition and Social Protection Loan Agreement” means the loan agreement of the Nutrition and Social Protection Project, entered into between the Recipient and the World Bank, dated September 9, 2005 as amended to the date of this Agreement.

(i) “Nutrition and Social Protection Project” means the project financed in part with the proceeds of Loan No. 4097-HO pursuant to the provisions set forth in the Nutrition and Social Protection Loan Agreement.
“Operational Manual” means the Recipient’s manual for the Nutrition and Social Protection Project dated May 19, 2010 and revised in a manner satisfactory to the World Bank on May 7, 2012 to include the specific requirements and guidelines for the activities financed under this Grant, as said manual may be updated and/or amended from time to time with the agreement of the World Bank.

“UECF” means Unidad de Extensión de Cobertura y Financiamiento de Servicios de Salud, a unit of SOH responsible for coverage expansion and health services financing.

Article II
Project Execution

2.01. Grant Objectives and Description. The objective of the Project is to strengthen the Recipient’s capacity to offset the negative effect of the global economic crises on the most vulnerable children by strengthening its health monitoring systems and expanding its nutritional services in Selected Communities. The Project consists of the following parts:

Part 1: Improving Crisis Monitoring of Nutritional and Food Security Indicators.

(a) Strengthening of the Recipient’s data collection and methodology to monitor nutritional indicators in Selected Communities, including, inter alia:

(i) provision of technical assistance to: (A) the Recipient’s primary health care centers to adapt and promote the adoption of the WHO growth charts; and (B) the AIN-C Program community leaders and volunteers to review and improve monitoring data forms (hoja de información);

(ii) provision of medical equipment and instruments to monitor child growth to selected primary health care centers, including, inter alia: height measuring scales and weight balances;

(iii) carrying out of technical training for AIN-C Program’s community leaders and volunteers on monitoring nutrition information systems; and

(iv) collection of data on the nutritional status of children and pregnant women in the Selected Communities and participating in the Bono 10,000 Program through the Recipient’s primary health centers functioning in said communities.

(b) Implementation of a pilot information collection and transmission mechanism in the Selected Communities, for rapid response in the Recipient’s primary health care centers and as part of the AIN-C Program, including, inter alia: (i) the purchase of low cost mobile devices and the financing of service fees for the transmission of information; and (ii) the adaptation of existing information modules and systems.
Part 2: Expanding the Nutritional and Service Response in Crisis Affected Selected Communities.

Expansion of nutritional and health responses not covered by existing interventions in the Selected Communities, including, *inter alia*: (a) the purchase and delivery of nutritional supplements; (b) the provision of training to AIN-C Program volunteers and community leaders in the appropriate use of the nutritional supplements; and (c) the provision of training to parents on the administration of the nutritional supplements.

2.02. *Project Execution Generally.* The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through SOH, shall carry out the Project, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. *Institutional and Other Arrangements.* The Recipient, through SOH, shall:

(a) carry out the Project in accordance with the provisions of the Operational Manual. In the event that that any provision of the Operational Manual shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail;

(b) maintain, throughout Project implementation, the UECF as the Project coordination unit (the “PCU”), with functions and responsibilities that shall be at all times acceptable to the World Bank, including the responsibility for the technical, fiduciary (*i.e.* financial management and procurement) and monitoring and evaluation aspects of the Project; and

(c) ensure that the PCU, throughout Project implementation, is adequately staffed with key staff included, but not limited to a Project coordinator, a financial specialist and a procurement specialist, all with experience and qualifications that shall be at all times acceptable to the World Bank.

2.04. *Donor Visibility and Visit.* (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. *Project Monitoring, Reporting and Evaluation.* (a) The Recipient, through SOH, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.
(b) The Recipient, through SOH, shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient, through SOH, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient, through SOH, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient, through SOH, shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period.

2.07. **Procurement.**

(a) **General.** All goods, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of 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 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank 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.
(c) **Particular Methods of Procurement of Goods and Non-consulting Services.**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; and (C) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants’ Services.**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

(f) **Special Procurement Provisions.**

(i) 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 and services (other than consultant services) under this Section:

(A) 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.

(B) Foreign bidders shall not, as a condition for submitting bids, be required to: (1) be registered in the Recipient’s territory; (2) have a representative in the Recipient’s territory; (3) be associated with suppliers or contractors of the Recipient’s territory; and (4) 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.
(C) Contracts shall not be divided for the sole purpose of reducing contract amounts.

(ii) 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:

(A) 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.

(B) 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.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. (a) The Recipient, through SOH, may withdraw the proceeds of the Grant in accordance with the provisions of: (i) the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures, other than those financed under the Nutrition and Social Protection Project, as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ Services</td>
<td>114,360.00</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training</td>
<td>429,477.00</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods</td>
<td>481,521.00</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>174,642.00</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,200,000.00</td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purposes of this Section: (i) the term “Training” means purchase and reproduction of training materials, rental of facilities with the purpose of delivering training, course fees paid to training organizations registered in the territory of the Recipient, and travel and subsistence of trainees; and (ii) the term “Operating Costs”
means recurrent costs required for the operation of the implementing agency, including consumable materials and supplies, communications, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is November 30, 2012.

**Article IV**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister (Secretario) of SEFIN, or any person whom any of them shall designate in writing.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

> Secretaria de Estado en el Despacho de Finanzas  
> Tegucigalpa, M.D.C.  
> Honduras

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

<table>
<thead>
<tr>
<th>Cable:</th>
<th>Telex:</th>
<th>Facsimile:</th>
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<tbody>
<tr>
<td>INDEVAS</td>
<td>248423 (MCI) or</td>
<td>1-202-477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145 (MCI)</td>
<td></td>
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