



CR 5270-HN

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July 12, 2013

His Excellency
Lic. Wilfredo Rafael Cerrato Rodríguez
Minister of Finance
Ministry of Finance
Ave. Cervantes, Barrio El Jazmín, Edificio SEFIN
Tegucigalpa, Honduras

Re: IDA Credit 4335-HO and 5270-HN: Honduras Water & Sanitation Modernization Project
Additional Instructions: AMENDED Disbursement Letter

I refer to the Financing Agreements (“Agreements”) between the International Development Association (“World Bank”), and the Republic of Honduras (the “Recipient”) for the above-referenced Project, dated November 16, 2007 for IDA 4335-HO and dated July 12, 2013 for IDA 5270-HN. The Agreements provide that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of financing 4335-HO and 5270-HN (“Financing”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

This letter is a First Restatement of the Disbursement Letter dated November 16, 2007, for the above referenced Project, restating Section II to add a second designated account for IDA Credit 4535-HO. This is consistent with approval of the additional financing IDA Credit 5270-NH negotiated on April 17, 2013. In addition, Section II has been updated to reflect the use of eDisbursements and the new address where to send withdrawal applications. All other provisions and attachments of the Disbursement Letter dated November 16, 2007, except as amended, shall remain in force and effect.

The attached *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006, (“Disbursement Guidelines”) are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Financing is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) **Disbursement Methods (section 2).** The following Disbursement Methods may be used under the Financing:

- Reimbursement
- Advances
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Agreement. Any changes to this date will be notified by the World Bank.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in the Agreement under Section IV, B. of Schedule 2, whereby payments under Category (4) and Category (5) are subject to the fulfillment of the stipulated conditions.

II. Withdrawal of the Financing

(i) Authorized Signatures (subsection 3.1).

A letter should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: Jane Armitage, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

Banco Mundial
Setor Comercial Norte
Quadra 02, Lote A
Edifício Corporate Finance Center
7º andar
70712-900 Brasilia, D.F.
Brazil
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank's Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices ("Tokens") from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (<https://clientconnection.worldbank.org>). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and

may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the *Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation* (“Terms and Conditions of Use of Tokens”); and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of applications is US\$250,000 for Direct Payment and Reimbursement.

(vi) Advances (sections 5 and 6) to Ministry of Finance for IDA 4335-HO.

- **Type of Designated Account (subsection 5.3):** Segregated.
- **Currency of Designated Account (subsection 5.4):** United States Dollars.
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Banco Central de Honduras.
- **Ceiling (subsection 6.1):** US\$2,500,000.

(vii) Advances (sections 5 and 6) to Ministry of Finance for IDA 5270-HN.

- **Type of Designated Account (subsection 5.3):** Segregated.
- **Currency of Designated Account (subsection 5.4):** United States Dollars.
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Banco Central de Honduras.
- **Ceiling (subsection 6.1):** US\$1,000,000.

III. Reporting on the Use of Financing

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement:**
 - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for Works valued at US\$500,000 or more;

- Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for Goods valued at US\$250,000 or more;
 - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments to Consulting Firms valued at US\$100,000 or more;
 - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments to Individual Consultants and Non Consulting Services, including Operating Costs and Training, valued at US\$50,000 or more;
 - Statement of Expenditure in the form attached (Attachment 3) for all other expenditures; and
 - List of payments against contracts that are subject to the Bank's prior review, in the form attached (Attachment 4).
- ***For reporting eligible expenditures paid from the Designated Account:***
 - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for Works valued at US\$500,000 or more;
 - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for Goods valued at US\$250,000 or more;
 - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments to Consulting Firms valued at US\$100,000 or more;
 - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments to Individual Consultants and Non Consulting Services, including Operating Costs and Training, valued at US\$50,000 or more;
 - Statement of Expenditure in the form attached (Attachment 3) for all other expenditures;
 - A Designated Account activity statement the form attached (Attachment 5).
 - A copy of the Designated Account Bank statement and,
 - List of payments against contracts that are subject to the World Bank's prior review, in the form attached (Attachment 4).
- ***For requests for Direct Payment:*** records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): At least quarterly but more often if needed.

IV. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the World Bank's public website at <http://www.worldbank.org> and its secure website "Client Connection" at <http://clientconnection.worldbank.org>. Printed copies are available upon request.

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (<http://clientconnection.worldbank.org>). From this website you will be able to download Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact Doris Elizabeth Pineda at dpineda@worldbank.org of the World Bank Honduras country office.

If you have any queries in relation to the above, please contact World Bank Loan Department by sending an email to loa-lcr@worldbank.org and placing the project name and the Credit numbers in the subject line.

Yours sincerely,



C. Felipe Jaramillo
Director

Central America
Latin America and the Caribbean Region

Cc
with
copies:

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Vice Ministro de Crédito e Inversión Pública
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