

CREDIT NUMBER 6696-HN

Financing Agreement

(Urban Water Supply Strengthening Project)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6696-HN

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date 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) 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 forty five million Dollars (\$45,000,000) (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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service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.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge;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.



- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through INVEST-H in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV —EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) INVEST-H has adopted the Project Operational Manual, in form and substance acceptable to the Association; and
 - (b) the PMU has been established in a manner, with resources, terms of reference and staff all acceptable to the Association, and as provided in Section I.A.2 of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date one hundred and twenty days (120) days after the Signature Date.
- 4.03. 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 V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Minister (*Secretario*) of SEFIN.



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

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

(b) the Recipient's Electronic Address is:

Telex:	Facsimile:	E-mail:
(504) 2237-4142	(504) 2237-4142	dgcp@sefin.gob.hn

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



AGREED as of the Signature Date.

REPUBLIC OF HONDURAS

By


Authorized Representative



Name: Luis Fernando Mata Echeverri

Title: Secretary of Finance

Date: 03-jun-2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Michel kerf

Authorized Representative

Name: Michel kerf

Title: Country Director

Date: 03-Jun-2021

SCHEDULE 1

Project Description

The objective of the Project is to improve the quality and efficiency of water supply services delivered by Participating Urban Water Providers and support urban municipalities to respond to water supply and sanitation emergency needs.

The Project consists of the following parts:

Part 1. Improving Water Supply Services Provision in Urban Areas

1.1. Establishment of the New UWPs. (a) Support Eligible Municipalities to establish New UWPs as deconcentrated or mixed capital service providers in compliance with applicable sector rules and regulations; and (b) support the preparation of the New UWPs' RIRPs, including strategies to control non-revenue water, as necessary.

1.2 Operationalization of the Developing UWPs and rehabilitation of their services in accordance with their RIRPs. Support each Developing UWP in, *inter alia*: (a) developing policies, procedures, manuals, systems and other commercial, operational and administrative tools to support implementation of its management model; (b) developing and/or updating and implementation of the RIRP to quickly increase household water availability, as needed; (c) improving water quality testing capacities of their water treatment plants' laboratories; (d) developing a micro metering strategy and cadaster; (e) preparing and implementing social outreach and communication plans, including promoting rational water use and better hygiene practices; (f) developing a 5-year business plan for the Developing UWPs that will include a financial plan and a plan for tariff adjustments; and (g) implementing priority activities included in approved business plans by the pertinent Municipal Corporation.

1.3. Strengthening the efficiency and reliability of water services provided by Consolidated UWPs. Support the implementation of activities prioritized in the 5-year business plans of Consolidated UWPs as approved by the respective Municipal Corporation, including, *inter alia*: (a) developing and implementing a micro metering strategy and cadaster; (b) preparing and implementing social outreach and communication plans including promotion of rational water use and hygiene practices; (c) reducing non-revenue water losses; (d) improving energy efficiency by rehabilitating and upgrading water systems; (e) improving water quality testing capacities of water treatment plants laboratories; and (f) supporting UWPs in the development of watershed management plans for prioritized micro-watersheds, assessments on sanitation alternatives, including the carrying out of studies and provision of training for climate adaptation strategies.



1.4. Enhancing the creditworthiness of Mixed Capital UWPs to attract private capital.

Support Mixed Capital UWPs in, *inter alia*: (a) upgrading their business plans to align them with private sector practices; (b) upgrading and fully integrating their financial and accounting systems; (c) strengthening processes to prepare financial statements in compliance with international financial reporting standards; (d) strengthening their capacity for financial analysis and planning; (e) improving their performance to achieve cost recovery ratios and EBITDA margins to better attract commercial financing; and (f) improving their corporate governance rules.

1.5. Supporting the municipal COVID-19 emergency response. Implement short-term priority activities defined by Affected Municipalities in response to the COVID-19 outbreak, prioritizing vulnerable groups, healthcare centers, schools, unserved, and underserved populations, by, *inter alia*: (a) ensuring the provision of adequate water supply through the distribution of water bottles, sachets, small water tankers, and water storage tanks; (b) preparing and implementing social outreach and communication (radio, television, social media) campaigns to promote social distancing, handwashing and other hygiene practices to stem disease contagion; (c) providing the financing for the temporary payment of Social Tariffs in the context of COVID-19; (d) the development, in the medium term, of disease mitigation interventions such as the adoption of electronic payment systems to reduce disease transmission at payment sites; (e) the provision of water treatment chemicals and laboratory chemicals/reagents; (f) ensuring an adequate supply of fuel and spare parts; and (g) the provision of protective equipment and disinfectant supplies for utility staff.

Part 2. Institutional strengthening of ERSAPS

Enhance ERSAPS' institutional capacity for: (a) assisting Participating UWPs in selecting a management model that reflects their institutional capacity; (b) certifying the management model and overseeing the operationalization of Participating UWPs; (c) establishing a volumetric tariff structure in consultation with the COMAS and USCLs, as applicable; (d) negotiating, publishing and following up on the Participating UWPs performance under the applicable Improvement Agreements; and (e) supporting mechanisms to promote the transparency and accountability of Participating UWPs.

Part 3. Project management, communication, outreach, monitoring and evaluation

Support Project implementation through, *inter alia*: (a) monitoring and evaluation of Project results, using ERSAPS' information system; (b) undertaking procurement and financial management activities; (c) implementing the ESSs; (d) undertaking annual audits for the Project and UWPs; (e) developing, financing and overseeing gender strategies for UWPs with more than 20,000 connections to ensure women's participation in water-related decision-making; (f) coordinating with central institutions responsible for promoting water supply delivery and climate change initiatives to improve resilience of the water systems; (g) carrying out national and local communication and outreach activities to explain Project benefits to beneficiaries; (h) establishing clear rules of prioritization to manage the demand



from potential Project participants; (i) exploring alternative financial mechanisms to support the water sector's capacity to cope with emergencies; (j) establishing citizen engagement measures and additional tools, training and guidance to support COMAS and USCLs in monitoring the UWPs' performance and compliance with sector regulations; and (k) supporting grievance redress mechanisms for Project activities as a whole.

Part 4. Contingency Emergency Response Component

Provision of immediate response to an Eligible Crisis or Emergency, as needed.



SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out the implementation of the Project through INVEST-H, in a manner and with technical functions, staffing, and resources satisfactory to the Association.
2. The Recipient shall, through INVEST-H, establish, and thereafter, operate and maintain, throughout Project implementation, a Project Management Unit (PMU), with functions, responsibilities, resources and composition acceptable to the Association, including fiduciary functions, staffing (including *inter alia*, a Project coordinator, a procurement specialist, and a financial management specialist), all as set forth in the Project Operational Manual; and
3. No later than the date four months from the Effective Date, the Recipient, through INVEST-H shall hire an environmental specialist and a social specialist, all in a manner and with terms of reference satisfactory to the Association.

B. Project Operational Manual

1. The Recipient, through INVEST-H, shall adopt, and thereafter maintain and carry out the Project in accordance with a manual (the Project Operational Manual, or POM), which shall set forth, *inter alia*: (i) a detailed description of Project activities and institutional arrangements for the Project; (ii) the Project administrative, budgeting, accounting, auditing, reporting, financial, procurement and disbursement procedures; (iii) the monitoring indicators for the Project; (iv) the detailed procedures for coordination and collaboration among the relevant Recipient's institutions, and other stakeholders in the carrying out of the Project; (v) the eligibility and expenditure verification criteria for each Affected Municipality to receive payments of Social Tariffs; (vi) the minimum terms and conditions of each Improvement Agreement; and (vii) the Anti-Corruption Guidelines.
2. The Recipient, through INVEST-H, shall ensure that any modifications to the Project Operational Manual are agreed to with the Association prior to any such modifications taking effect.
3. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, terminate or waive the Project Operational Manual or any provision thereof.



4. In case of a conflict between the terms of the Project Operational Manual and those in this Agreement, the terms of this Agreement shall prevail.

C. Partnership Agreements

1. Prior to the carrying out of any procurement of goods and/or works for the benefit of a Participating UWP under Part 1 of the Project, the Recipient, through INVEST-H, shall enter into an agreement (the Partnership Agreement) with the pertinent Eligible Municipality and the corresponding Participating UWP (which is located under territorial and administrative jurisdiction of said pertinent Eligible Municipality), under terms and conditions acceptable to the Association including, where applicable, the obligation of the pertinent Eligible Municipality to provide counterpart funding for the financing of the abovementioned goods and/or works, all pursuant to criteria set forth in the POM, comply with the Anti-Corruption guidelines and the pertinent provisions of Section I.D of this Schedule 2.
2. The Recipient shall exercise its rights and carry out its obligations under each Partnership Agreement through INVEST-H in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit. The Recipient, through INVEST-H, shall ensure that any modifications to any Partnership Agreement are acceptable to the Association prior to any such modifications taking effect. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce any Partnership Agreement or any of its provisions.

D. Environmental and Social Standards

1. The Recipient through INVEST-H shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient through INVEST-H shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient, through INVEST-H shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;



- (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient, through INVEST-H, shall ensure that:
- (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Recipient through INVEST-H shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
6. The Recipient through INVEST-H shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and



violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

E. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 4 of the Project ("Emergency Response Part"), the Recipient shall:
 - (a) prepare and furnish to the Association for its review and approval, a Contingency Emergency Response Manual ("CER Manual") which shall set forth detailed implementation arrangements for the Emergency Response Part, including: (i) any additional institutional structures or arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and procedures for the Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social management arrangements and instruments applicable to the Emergency Response Part consistent with the provisions of Section D of this Schedule; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;
 - (b) afford the Association a reasonable opportunity to review the proposed CER Manual;
 - (c) promptly adopt the CER Manual for the Emergency Response Part as accepted by the Association and integrate it as an annex to the Project Operational Manual;
 - (d) ensure that the Emergency Response Part is carried out in accordance with the CER Manual; provided, however, that in the event of any inconsistency between the provisions of the CER Manual and this Agreement, the provisions of this Agreement shall prevail; and
 - (e) not amend, suspend, abrogate, repeal or waive any provision of the CER Manual without the prior written approval by the Association.
2. The Recipient shall, throughout the implementation of the Emergency Response Part, maintain the institutional structures and arrangements established in



accordance with the CER Manual, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall undertake no activities under the Emergency Response Part unless and until the following conditions have been met in respect of said activities:
- (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
 - (b) the Recipient has ensured the preparation and disclosure of all environmental and social instruments as may be required for said activities in accordance with the CER Manual and the ESCP, the Association has approved all said instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient through INVEST-H shall furnish to the Association each Project Report not later than forty-five days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

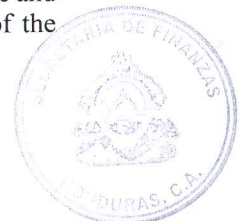
Category	Amount of the Credit Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs and	41,000,000	100%



Training for Parts 1, 2, and 3 of the Project		
(2) Social Tariffs under Part 1.5(c) of the Project	4,000,000	100%
(3) Emergency Expenditures under Part 4 of the Project	0	100%
TOTAL AMOUNT	45,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date; or
 - (b) for Emergency Expenditures under Category (3), unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said Emergency Expenditures:
 - (i) the Recipient has determined that an Eligible Emergency has occurred, has furnished to the Association a request to include the proposed activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
 - (ii) the Recipient has ensured that all environmental and social instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.E. of this Schedule;
 - (iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.D of this Schedule, for the purposes of said activities; and
 - (iv) the Recipient has adopted the CER Manual in form, substance and manner acceptable to the Association and the provisions of the



CER Manual remain -or have been updated in accordance with the provisions of Section I.E. of this Schedule- so as to be appropriate for the inclusion and implementation of the Emergency Response Part.

2. The Closing Date is December 30, 2025.



SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
commencing October 15, 2025 to and including April 15, 2045	1.65%
commencing October 15, 2045 to and including April 15, 2050	3.40%

* 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.



APPENDIX

Definitions

1. “Affected Municipalities” means municipalities with urban center populations of 5,000 to 300,000 residents, which meets the criteria set forth in the POM.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
3. “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.
4. “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.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “COMAS” means *Comisión Municipal de Agua y Saneamiento*, the Recipient’s Municipal Council for Water and Sanitation, or any successor thereto acceptable to the Association.
7. “Concessional Financing” means, without limitation to the definition of said term in paragraph 19 of the General Conditions, the Credit extended by the Association to the Recipient on the terms referred to in Article II to this Agreement and in the General Conditions.
8. “Consolidated UWP” means an UWP serving Eligible Municipalities with urban center populations of 5,000 to 300,000 and operating for more than 5 years, as determined by the POM.
9. “Contingency Emergency Response Manual” or “CER Manual” means the manual referred to in Section I.E1 of Schedule 2 to this Agreement, to be adopted by the Recipient for the Emergency Response Part, which is part of the Project Operational Manual.



10. "COVID-19" means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
11. "Developing UPWs" means an UWP serving Eligible Municipalities with urban center populations of 5,000 to 90,000, and operating for less than 5 years, as determined by the POM.
12. "EBITDA" means earnings before interest, tax, depreciation, and amortization.
13. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
14. "Eligible Municipalities" means the municipalities located in urban areas within the Recipient's territory which are eligible to participate in Project implementation pursuant to criteria set forth in the POM.
15. "Emergency Expenditure" means any of the eligible expenditures set forth in the Emergency Response Manual in accordance with the provisions of Section I.E. 1 (a) (ii) of Schedule 2 to this Agreement and required for the Emergency Response Part.
16. "Emergency Response Part" means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 4 of the Project.
17. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated May 19, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
18. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii)



“Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.

19. “ERSAPS” means *Ente Regulador de los Servicios de Agua Potable y Saneamiento*, the Recipient’s water and sanitation sector regulator, or any successor thereto acceptable to the Association.
20. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018.
21. “Improvement Agreement” means an agreement entered into between ERSAPS and a pertinent Participating UWP to identify priority activities for said Participating UWP to improve its service delivery.
22. “INVEST-H” means the Recipient’s strategic investment office and Project implementing entity, created pursuant to the Recipient’s Law No. 233-2005, dated September 21, 2005, as amended to the date of this Agreement, or any successor thereto acceptable to the Association.
23. “Mixed Capital UWP” means a Participating UWP organized as a mixed capital company (*sociedad de capital variable*) under the laws of the Recipient.
24. “Municipal Corporation” means the executive branch of the Eligible Municipality, chaired by its mayor and overseen by the municipal secretary.
25. “New UWPs” means the UWPs established under Part 1.1. of the Project.
26. “Operating Costs” means reasonable costs, as shall have been approved by the Association, for the incremental expenses incurred on account of Project implementation, consisting of, communication costs, office supplies and maintenance, equipment maintenance, utilities, document duplication/printing, non-durable goods, insurance, fuel, maintenance and repair of vehicles, travel cost and per diem for Project staff for travel linked to the implementation of the Project (but excluding salaries of officials of the Recipient’s civil service).
27. “Participating Urban Water Providers” or “Participating UWPs” means New UPWs, Developing UPWs, and Consolidated UWPs.
28. “Partnership Agreements” means the agreements referred to in Section I.C. of Schedule 2 to this Agreement.



29. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.
30. "Project Management Unit" or "PMU" means the unit referred to in Section I.A.2 of Schedule 2 to this Agreement.
31. "Project Operational Manual" or "POM" means the manual referred to in Section I.B.1 of this Agreement.
32. "RIRPs" means Rapid Impact and Rehabilitation Plans.
33. "SEFIN" means *Secretaría de Estado en el Despacho de Finanzas*, the Recipient's Ministry of Finance, or any successor thereto acceptable to the Association.
34. "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.
35. "Social Tariff" means the water tariff defined by an Affected Municipality in the territory of the Recipient for water service use by poor urban households (all of which meet the criteria set forth in the POM) payable to UWPs or the Affected Municipality, as applicable, and financed with the proceeds of the Credit.
36. "Training" means the reasonable costs, as shall have been approved by the Association, for training and workshops, conducted under the Project, including tuition, travel and subsistence costs for training participants, costs associated with securing the services of trainers and speakers, rental of training and workshop facilities, preparation and reproduction of training materials, and other costs directly related to training course or workshop preparation and implementation (but excluding goods and consulting services).
37. "Urban Water Provider" or "UWP" means a provider in an urban center with a population of over 5,000 residents.
38. "USCL" means *Unidad de Supervisión y Control Local*, the Local Control and Supervision Unit in each Eligible Municipality, which includes citizen participation and which monitors the quality of water services and compliance with sector regulations.

