

No. 10856

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
HONDURAS**

Development Credit Agreement—*Livestock Development Project* (with annexed General Conditions Applicable to Development Credit Agreements and Project Agreement between the Association and the Banco Central de Honduras). Signed at Washington on 2 March 1970

Authentic text: English.

Registered by the International Development Association on 2 December 1970.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
HONDURAS**

Contrat de crédit de développement — *Projet relatif à la promotion de l'élevage* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement et le Contrat relatif au Projet entre l'Association et le Banco Central de Honduras). Signé à Washington le 2 mars 1970

Texte authentique: anglais.

Enregistré par l'Association internationale de développement le 2 décembre 1970.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated March 2, 1970, between REPUBLIC OF HONDURAS (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has undertaken a program for the development of the Borrower's livestock sector, such program to be carried out by Banco Central de Honduras; and

WHEREAS the Association is prepared to grant a development credit to the Borrower, for use by Banco Central and the Participating Banks in carrying out such program upon the terms and conditions set forth in the Development Credit Agreement and in a project agreement of even date herewith² between the Association and Banco Central;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The Borrower and the Association accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject however to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association as so modified being hereinafter called the General Conditions):

(a) Section 6.06 is amended by inserting the words “, the Project Agreement” after the words “the Development Credit Agreement”.

(b) Section 8.02 is amended by inserting the words “or under the Project Agreement” after the words “the Development Credit Agreement”.

(c) The following subparagraph is added to Section 2.01:

“13. The term ‘Project Agreement’ shall have the meaning set forth in the Development Credit Agreement.”

¹ Came into force on 5 October 1970, upon notification by the Association to the Government of Honduras.

² See p. 74 of this volume.

Section 1.02. Wherever used in the Development Credit Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Banco Central" means the Banco Central de Honduras, the Central Bank of Honduras established by Decree No. 53 of the National Congress dated February 3, 1950, as such Decree may be amended from time to time, and includes any successor thereto.

(b) "Participating Bank" means any banking institution established in Honduras which shall have entered into a Project Administration Agreement.

(c) "Project Administration Agreement" means an agreement, referred to in Section 2.05 of the Project Agreement, entered into on terms and conditions satisfactory to the Association between Banco Central and a Participating Bank for the purpose of carrying out the Project or any part thereof, and shall include any amendment thereto made with the approval of the Association.

(d) "Project Agreement" means the project agreement between the Association and Banco Central of even date herewith, providing for the carrying out of the Project, as the same shall be amended from time to time by agreement between the Borrower, the Association and Banco Central.

(e) "Project Commission" means the commission established pursuant to Decree No. 865 dated December 18, 1969.

(f) "Project Director" means the person referred to in Section 2.04 (a) and (b) of the Project Agreement.

(g) "Subsidiary Loan Agreement" means the Agreement referred to in Section 3.01 of the Development Credit Agreement entered into between the Borrower and Banco Central, as the same may be amended from time to time with the approval of the Association.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to two million six hundred thousand dollars (\$2,600,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such account the amount of the Credit.

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension

set forth in, the Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule I to this Agreement, as such allocation shall be modified from time to time pursuant to the Provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account, in respect of the reasonable cost of goods or services required for the Project and to be financed under the Development Credit Agreement:

- (i) the equivalent of seventy-five per cent (75%) of such amounts as shall have been paid by Participating Banks to ranchers under loans made in accordance with the applicable Project Administration Agreements and included in Category I of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) for goods or services included in Category II of such allocation of the proceeds of the Credit.

Section 2.04. No withdrawals from the Credit Account shall be made on account of payments for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with the importation or supply of, goods or services included in Category II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement.

Section 2.05. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.06. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Service charges shall be payable semi-annually on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each February 15 and August 15 commencing February 15, 1980 and ending August 15, 2019, each installment to and including the installment payable on August 15, 1989 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall make the proceeds of the Credit accorded under the Development Credit Agreement available to Banco Central pursuant to a subsidiary loan agreement between the Borrower and Banco Central containing terms and conditions satisfactory to the Association, and such proceeds shall be applied in accordance with the provisions of the Development Credit Agreement, of the Project Agreement and of the Subsidiary Loan Agreement exclusively to expenditures on the Project, described in Schedule 2 of this Agreement.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, all goods and services financed out of the proceeds of the Credit shall be used exclusively in carrying out the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall ensure that Banco Central and the Participating Banks shall carry out Parts A and B of the Project and that Banco Central shall carry out Part C of the Project, all with due diligence and efficiency and in conformity with sound administrative, agricultural, economic and financial practices and in accordance with the provisions of the Project Agreement and of the Subsidiary Loan Agreement, and the Borrower shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower and all its agencies shall take all action which shall be necessary on their part to enable Banco Central to perform all of its obligations under the Project Agreement, the Subsidiary Loan Agreement and the Project Administration Agreements and shall not take any action which might interfere with such performance.

Section 4.02. The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive any provision of the Subsidiary Loan Agreement.

Section 4.03. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part

of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time, at the request of either party, exchange views through their representatives with regard to matters relating to the purposes of the Credit, the maintenance of the service thereof, the Project Commission, the Project Agreement and the Subsidiary Loan Agreement, and the performance by the Borrower of its obligations under the Development Credit Agreement and under the Subsidiary Loan Agreement.

(c) The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof, the performance by the Borrower of its obligations under the Development Credit Agreement and the Subsidiary Loan Agreement, and the performance by Banco Central of its obligations under the Subsidiary Loan Agreement.

(d) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.04. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories, and shall be free from all restrictions imposed under any such laws.

Section 4.05. The Development Credit Agreement, the Subsidiary Loan Agreement and the Project Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.06. The Borrower shall maintain the Project Commission at least until completion of the Project, and shall at all times ensure that the Project Commission shall coordinate and supervise all aspects of the Project in accordance with sound administrative, agricultural, economic and financial practices.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Bor-

rower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in the Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) the Subsidiary Loan Agreement or any Project Administration Agreement or any material provision thereof shall have been amended, suspended, abrogated or waived without the prior approval of the Association;
- (b) Banco Central shall have failed to perform any of its obligations under the Project Agreement or under the Subsidiary Loan Agreement and such event shall continue for a period of sixty days; and
- (c) Decree No. 865 dated December 18, 1969 relating to the establishment, functions and composition of the Project Commission or any provision thereof, shall have been materially amended, suspended, abrogated, repealed or waived so as to affect the Project adversely and such event shall continue for a period of thirty days.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions, namely that:

- (a) the execution and delivery of the Project Agreement on behalf of Banco Central have been duly authorized or ratified by all necessary corporate action;
- (b) the execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and of Banco Central, in form satisfactory to the Association, have been duly authorized or ratified by all necessary corporate and governmental action and have become fully effective and binding on the parties thereto in accordance with its terms, or shall become so effective and binding immediately upon the effectiveness of the Development Credit Agreement; and
- (c) the requirements of Section 2.04 (a) of the Project Agreement have been fulfilled.

Section 6.02. The following are specified as additional matters within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

- (a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Banco Central and constitutes a valid and binding obligation of Banco Central in accordance with its terms; and
- (b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto and constitutes a valid and binding obligation of the parties thereto in accordance with its terms.

Section 6.03. The date September 1, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1975 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The Minister of Economic Affairs and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Ministerio de Economía y Hacienda
Tegucigalpa, D.C.
Honduras

Cable address:

Mineconomia
Tegucigalpa

For the Association:

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

Cable address:

Indevas
Washington, D.C.

Section 7.04. The Borrower irrevocably designates the President of Banco Central and, in his absence, the person then fulfilling the functions of the President of Banco Central for the purposes of taking any action required or permitted to be taken under the provisions of Sections 5.01, 5.03, 5.04, 5.05 and 5.06 of the General Conditions.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused the Development Credit Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Honduras:

By ARMANDO ALVAREZ
Authorized Representative

International Development Association:

By J. BURKE KNAPP
Vice-President

SCHEDULE I ALLOCATION OF THE PROCEEDS OF THE CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Long-term loans for investments in ranch development—Part A of the Project	2,450,000
II. Technical assistance services, including salary, family and housing allowances and international travel of the Project Director, office equipment and vehicles—Part C of the Project	150,000
	TOTAL <u>2,600,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in Category II shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category I.

2. If the estimate of the cost of the items included in Category II shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit will be allocated by the Association, at the request of the Borrower, to such Category from Category I.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is part of the Borrower's program of livestock development, and consists of the following:

- Part A.* The extension through Participating Banks of long-term loans (8 — 12 years) to ranchers for the development of beef breeding/fattening ranches, dairy-steer/fattening ranches and beef breeding ranches;
- Part B.* The extension by Participating Banks of short-term loans to provide to ranchers benefiting from loans included in Part A of the Project working capital for production purposes including the purchase of feeder steers; and
- Part C.* The provision of technical services for livestock development, including the employment of a Project Director assisted by livestock technicians.

The Project is expected to be completed by December 31, 1974.

INTERNATIONAL DEVELOPMENT ASSOCIATION
GENERAL CONDITIONS, DATED 31 JANUARY 1969
GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]

PROJECT AGREEMENT

AGREEMENT, dated March 2, 1970, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and BANCO CENTRAL DE HONDURAS (hereinafter called Banco Central).

WHEREAS by a development credit agreement of even date herewith¹ between the Republic of Honduras (hereinafter called the Borrower) and the Association, which agreement, the Schedules thereto and the General Conditions Applicable to Development Credit Agreements of the Association² made applicable thereto are hereinafter called the Development Credit Agreement, the Association has agreed to make available to the Borrower a development credit in various currencies equivalent to two million six hundred thousand dollars (\$2,600,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Banco Central agree to undertake certain obligations toward the Association as hereinafter provided;

¹ See p. 58 of this volume.

² See above.

WHEREAS by a subsidiary loan agreement of even date herewith between the Borrower and Banco Central (hereinafter called the Subsidiary Loan Agreement) the Borrower has undertaken to make the proceeds of the said development credit available to Banco Central on the terms and conditions set forth in the Subsidiary Loan Agreement on condition that Banco Central and the Participating Banks agree to carry out the Project described in the Development Credit Agreement;

WHEREAS Banco Central is willing to carry out such Project together with the Participating Banks, and with the Government's assistance; and

WHEREAS Banco Central, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

DEFINITIONS

Section 1.01. Wherever used in the Project Agreement, unless the context otherwise requires, the several terms defined in the Development Credit Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Livestock Project Account" means the account referred to in Section 2.02 (a) of this Agreement.

(b) "Livestock Project Services Account" means the account referred to in Section 2.03 (a) of this Agreement.

(c) "Part A Loan" means any loan included in Part A of the Project.

(d) "Part B Loan" means any loan included in Part B of the Project.

(e) "Ranch Development Plan" means any ranch development plan referred to in Section 2.07 of this Agreement.

(f) "Stage II Loan" means any loan made by a Participating Bank to a rancher for livestock development pursuant to Section 2.09 of this Agreement and eligible for withdrawals from the Livestock Project Account.

Article II

PARTICULAR COVENANTS OF BANCO CENTRAL

Section 2.01. (a) Banco Central and the Participating Banks shall carry out Parts A and B of the Project and Banco Central shall carry out Part C of the Project, all with due diligence and efficiency and in conformity with sound administrative,

agricultural, economic and financial practices, and in accordance with the relevant provisions of the Project Agreement and of the Subsidiary Loan Agreement.

(b) Banco Central shall at all times provide to the Project Commission its full cooperation, as well as all information, documents and facilities which the Project Commission may require in order to carry out its functions as provided in Decree No. 865 dated December 18, 1969 and in Section 4.06 of the Development Credit Agreement.

Section 2.02. (a) Banco Central shall open and maintain on its books a Livestock Project Account to which the proceeds of the loan provided for in Section 2.01 (a) of the Subsidiary Loan Agreement shall be credited and through which all payments under such loan and all payments under Project Administration Agreements shall be made.

(b) Banco Central shall cause the equivalent of the proceeds of the Credit relent to it pursuant to Section 2.01 (a) of the Subsidiary Loan Agreement and credited to the Livestock Project Account to be used exclusively for extending Part A Loans in accordance with the provisions of the Development Credit Agreement and of the Project Agreement.

(c) Banco Central shall cause such amounts credited to the Livestock Project Account and representing repayments of principal on account of Part A Loans and of Stage II Loans which shall from time to time be available in the Livestock Project Account after repayments of principal on the Loan provided for in Section 2.01 (a) of the Subsidiary Loan Agreement to be used exclusively for extending, through Participating Banks, Stage II Loans to ranchers for livestock credit purposes in accordance with the relevant provisions of the Development Credit Agreement and of the Project Agreement.

Section 2.03. Banco Central shall open and maintain on its books a Livestock Project Services Account to which the proceeds of the grant provided for in Section 2.01 (b) of the Subsidiary Loan Agreement shall be credited and from which all payments in respect of the carrying out of Part C of the Project described in Schedule 2 of the Development Credit Agreement shall be made in accordance with the provisions of the Development Credit Agreement and of the Project Agreement.

Section 2.04. (a) For the purpose of carrying out Part C of the Project Banco Central shall appoint a competent and experienced Project Director acceptable to the Association.

(b) Banco Central shall retain the services of such Project Director at least until the Closing Date, upon terms and conditions (including terms of reference and scope of authority) satisfactory to the Association.

(c) Banco Central shall ensure that the Participating Banks employ and second to the Project Director an adequate number of livestock technicians acceptable to him to assist him on all technical aspects of the carrying out of the Project, with such qualifications, duties and responsibilities as the Participating Banks and the Project Director shall agree.

(d) Banco Central shall pay out of the Livestock Project Services Account for the reasonable cost of technical assistance services (including salary, family and housing allowances and international travel of the Project Director, office equipment and vehicles) under Part C of the Project, provided, however, that no withdrawals from the Livestock Project Account shall be made on account of payments for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with the importation or supply of, goods or services required for the Project.

Section 2.05. Banco Central shall enter into a Project Administration Agreement satisfactory to the Association with each Participating Bank, under which each Participating Bank shall undertake:

- (a) To extend the loans included in Parts A and B of the Project as well as Stage II Loans in accordance with the requirements set forth in the Project Agreement, in such Project Administration Agreement and, in the case of Part A Loans and Part B Loans, in accordance with the Ranch Development Plan for the rancher applying for any such loan.
- (b) To open on its books a separate account through which all amounts withdrawn from, and to be paid into, the Livestock Project Account by such bank shall flow, and such account shall (i) identify each Part A Loan, Part B Loan or Stage II Loan made by such bank; (ii) identify the goods and services financed out of such loans; and (iii) reflect, in accordance with consistently maintained sound accounting practices, the administration of such account and of each such loan.
- (c) To cause the account referred to in Section 2.05 (b) of this Agreement to be audited annually by independent auditors acceptable to the Association and to Banco Central and to transmit to Banco Central, and through it, to the Association, promptly after their preparation and not later than four months after the

close of such bank's financial year to which they relate, certified copies of the financial statements relating to such account and signed copy of the auditors' report.

- (d) To employ and to second to the Project Director such livestock technicians as shall be required pursuant to Section 2.04 (c) of this Agreement.
- (e) To process all Part A Loans, Part B Loans and Stage II Loans pursuant to its normal administrative and financial procedures.
- (f) To enter into a loan agreement with each rancher in respect of each Part A Loan and Part B Loan on terms and conditions acceptable to the Project Director, and to provide to Banco Central conformed copies of such loan agreement.
- (g) To enter into a loan agreement with each rancher in respect of each Stage II Loan on terms and conditions acceptable to Banco Central, and to provide to Banco Central conformed copies of such loan agreement.
- (h) To take such steps as may be required to ensure compliance by each rancher with all obligations assumed by him under the applicable loan agreement entered into with respect to each Part A Loan and Part B Loan or Stage II Loan by such bank and such rancher, and with all the provisions of the applicable Ranch Development Plan, in the case of Part A Loans.
- (i) In the event of any default by any rancher in respect of any of the obligations or provisions referred to in Section 2.05 (h) of this Agreement, (A) to promptly inform the Project Director of such default, (B) unless the Project Director otherwise agrees, to take all measures required to suspend or terminate access by the defaulting rancher to the use of any of the proceeds of the Livestock Project Account, and (C) if the Project Director agrees, to take all remedial action the circumstances require, including, without limitation, requiring the immediate repayment of all amounts lent to such defaulting rancher out of the proceeds of the Livestock Project Account.
- (j) To furnish to Banco Central, promptly upon its request, the reports, the loan applications for ranch development programs eligible for financing out of the proceeds of the Livestock Project Account, the recommendations in respect of such loan applications, the specifications and procurement schedules in respect of goods and services to be procured by any rancher out of the proceeds of any Part A Loan, Part B Loan or Stage II Loan and any material modifications

subsequently made therein, in such detail as Banco Central shall reasonably request.

Section 2.06. (a) Banco Central shall furnish to the Association, promptly upon their execution, conformed copies of all Project Administration Agreements entered into with Participating Banks pursuant to Section 2.05 of this Agreement, and shall furnish to the Association, upon request, copies of any of the loan agreements referred to in Section 2.05 (f) or (g) of this Agreement.

(b) In respect of any Project Administration Agreement, Banco Central shall submit to the Association, together with the conformed copies thereof referred to in Section 2.06 (a) of this Agreement, an opinion satisfactory to the Association of counsel acceptable to the Association showing that such agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Banco Central and the Participating Bank party thereto, and constitutes a valid and binding obligation of the parties thereto in accordance with its terms.

Section 2.07. In respect of each rancher eligible for or benefiting from a Part A Loan, Banco Central shall ensure at least until the Closing Date of the Credit Account that the Project Director, in conformity with sound agricultural credit and financial practices, prepare, review, and, if appropriate, modify from time to time, a ranch development plan containing a detailed description of the estimated requirements for development of the ranch concerned and a financing plan specifying the estimated amounts to be contributed by the rancher himself and the amounts to be borrowed by him.

Section 2.08. (a) Until the funds to be made available to the Borrower by the Association on account of Part A Loans for relending to Banco Central pursuant to Section 2.01 (a) of the Subsidiary Loan Agreement, together with the amounts representing prepayments of Part A Loans within five years of the date of the Project Agreement shall have been fully committed, Banco Central shall ensure that Participating Banks extend Part A Loans and, if required, Part B Loans to all applicant creditworthy ranchers eligible under Part A of the Project in accordance with the provisions of the Project Agreement and of the applicable Ranch Development Plan.

(b) Except as the Association, Banco Central and the Participating Bank shall otherwise agree, Part A Loans shall be extended upon *inter alia* the following terms and conditions:

- (i) The amount of a Part A Loan shall be equivalent to such percentage of the aggregate cost of all goods or services to be financed out of the proceeds of such

loan as shall be provided in the applicable Ranch Development Plan;

- (ii) Part A Loans shall be repayable within periods ranging from eight to twelve years including grace periods ranging from three to five years;
- (iii) Part A Loans shall bear interest at the rate of nine per cent (9%) per annum on their principal amount withdrawn and outstanding from time to time, and no other charges shall be payable thereon by the beneficiary rancher to the Participating Bank; and
- (iv) No Part A Loan in excess of the equivalent of one hundred thousand dollars (\$100,000) shall be made before approval has been obtained from the Association.

(c) Part B Loans shall cover working capital requirements for production purposes, including the purchase of feeder steers, set forth in the Ranch Development Plan for the rancher applying for such loan, and shall be repayable within a period not exceeding two years.

(d) Except as the Association, Banco Central and the Participating Bank shall otherwise agree, Stage II Loans shall bear interest at the rate of nine per cent (9%) per annum on their principal amount withdrawn and outstanding from time to time and no other charges shall be payable by the beneficiary rancher to the Participating Bank.

Section 2.09. Banco Central shall make available to Participating Banks, for the purpose of extending loans to ranchers for livestock credit purposes (Stage II Loans), such amounts in the Livestock Project Account representing repayments of principal on account of Part A Loans (other than the amounts representing prepayments of Part A Loans within five years of the date of the Project Agreement) and of Stage II Loans as shall from time to time be available in the Livestock Project Account after repayment of such principal amounts of the loan provided for in Section 2.01 (a) of the Subsidiary Loan Agreement as are required to be paid to the Borrower by Banco Central pursuant to Section 2.02 (d) of the Subsidiary Loan Agreement.

Section 2.10. Except as the Association, Banco Central and any Participating Bank shall otherwise agree, Participating Banks shall pay interest at the rate of five per cent (5%) per annum on the amounts withdrawn from the Livestock Project Account by that bank on account of Part A Loans and Stage II Loans and outstanding from time to time; no other charges shall be payable thereon by Participating Banks. Interest shall accrue from the respective dates on which amounts shall be so withdrawn, and shall be computed on the basis of a 360-day year of twelve 30-day months. Interest shall be payable on the dates specified in each Project Administration Agreement.

Section 2.11. Except as Banco Central and the Participating Bank shall otherwise agree, the Participating Bank shall repay the aggregate amounts withdrawn from the Livestock Project Account as follows:

- (a) the aggregate amounts withdrawn on account of each Part A Loan in installments payable on the dates specified in each Project Administration Agreement, and ending on the day of the last scheduled repayment by the borrowing rancher under such loan; and
- (b) the aggregate amounts withdrawn on account of each Stage II Loan in installments payable on the dates specified in each Project Administration Agreement and ending on the installment date next following the day of the last scheduled repayment by the borrowing rancher under such loan, or on December 15, 1986, whichever shall be the earlier.

Section 2.12. (a) Except as Banco Central and the Participating Bank shall otherwise agree, the Participating Bank may repay in advance of maturity at par all or part of the amounts repayable under Section 2.11 of this Agreement, and any such repayment shall be applied to the several maturities referred to in said Section 2.11 in chronological order.

(b) Whenever a rancher prepays all or part of the principal amount of a Part A Loan or Stage II Loan granted to him, Banco Central shall require the Participating Bank party to the loan agreement providing for such Part A Loan or Stage II Loan to repay such amount to Banco Central, and such amounts shall be available for use in providing Part A Loans or Stage II Loans pursuant to the provisions of Section 2.08 or Section 2.09 of this Agreement.

Section 2.13. (a) Prior to any withdrawal by a Participating Bank from the Livestock Project Account in respect of any Part A Loan or Stage II Loan, Banco Central shall require a conformed copy of the loan agreement pertaining to such Part A Loan or Stage II Loan, and, in respect of any Part A Loan, a signed statement of expenditures approved by the Project Director and relating to such disbursement and sufficient evidence that the rancher has made his counterpart contribution as provided in the applicable Ranch Development Plan.

(b) Each Participating Bank shall be entitled to withdraw from the Livestock Project Account, in respect of Part A Loans to ranchers, the equivalent of seventy-five per cent (75%) of such amount as it shall have paid to, or in the name of, ranchers under Part A Loans.

Section 2.14. Whenever and to the extent required to supplement the resources of any Participating Bank to bring them to such a level as to enable such bank at all times to meet its commitments under loans extended in carrying out Part B of the

Project, Banco Central shall make rediscounting facilities available to such Participating Bank.

Section 2.15. (a) Banco Central shall (i) maintain or cause to be maintained records adequate to identify the loans, goods and services financed out of funds withdrawn from the Livestock Project Account or from the Livestock Project Services Account, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof), and to reflect, in accordance with consistently maintained sound accounting practices the administration and operation of the Livestock Project Account, of the Livestock Project Services Account and of the accounts referred to in Section 2.05 (b) of this Agreement, and the operations and financial condition of Banco Central and of the Participating Banks in respect of the Project or any part thereof; (ii) enable the Association's representatives to inspect the Project, the goods and any relevant records and documents; and (iii) furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the funds withdrawn from the Livestock Project Account, from the Livestock Project Services Account and from the accounts referred to in Section 2.05 (b) of this Agreement, the Project, the performance by Banco Central of its obligations under the Project Agreement, the goods and services financed out of the funds withdrawn from the Livestock Project Account or from the Livestock Project Services Account and those financed out of the funds withdrawn from the accounts referred to in Section 2.05 (b) of this Agreement, and the administration, operations and financial condition of the Participating Banks.

(b) Banco Central shall furnish or cause to be furnished to the Association, promptly upon its request, the reports, loan applications, lending plans, specifications, and procurement schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall reasonably request.

Section 2.16. (a) Banco Central shall cause the Livestock Project Account, the Livestock Project Services Account and the accounts referred to in Section 2.05 (b) of this Agreement to be audited annually by independent auditors acceptable to the Association and shall cause to be transmitted to the Association, promptly after their preparation and not later than four months after the close of the respective financial years of Banco Central and of the Participating Banks to which they relate, certified copies of the financial statements relating to such accounts and a signed copy of the auditors' reports.

(b) Banco Central and the Association shall from time to time, at the request of either party, exchange views through their representatives with regard to matters

relating to the purposes of the Credit, the Project Agreement, the Project Commission, the Project Director, the Project Administration Agreements, the performance by Banco Central of its obligations under the Project Agreement, and the performance by Banco Central and by the Participating Banks of their respective obligations under the Project Administration Agreements.

(c) Banco Central shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the performance by Banco Central of its obligations under the Project Agreement and the performance by Banco Central or by the Participating Banks of their respective obligations under the Project Administration Agreements.

Article III

EFFECTIVE DATE; TERMINATION; CANCELLATION AND SUSPENSION

Section 3.01. The Project Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective. If the Development Credit Agreement terminates pursuant to Section 6.03 thereof, the Project Agreement and all obligations of the parties thereunder shall forthwith terminate.

Section 3.02. The Project Agreement and all the obligations of the parties thereunder shall terminate on the later of the following dates:

- (a) the date on which the Subsidiary Loan Agreement shall terminate in accordance with its terms; or
- (b) December 31, 1986.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice or request required or permitted to be given or made under the Project Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified, or at such other address as such

party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

Indevas
Washington, D.C.

For Banco Central:

Banco Central de Honduras
Tegucigalpa, D.C.
Honduras

Cable address:

Bantral
Tegucigalpa

Section 4.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 4.03. Banco Central shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of Banco Central, take any action or execute any documents required or permitted to be taken or executed by Banco Central pursuant to any of the provisions of the Project Agreement and the authenticated specimen signature of each such person.

Section 4.04. Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Project Agreement on behalf of Banco Central may be taken or executed by the President of Banco Central or such other person or persons as Banco Central shall designate in writing.

Section 4.05. The Project Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused the Project Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Development Association:

By J. BURKE KNAPP
Vice-President

Banco Central de Honduras:

By ROBERTO RAMÍREZ
Authorized Representative
