No. 18843

UNITED STATES OF AMERICA
and
HONDURAS

Agreement for sales of agricultural commodities (with annexes and minutes of negotiations). Signed at Tegucigalpa on 27 February 1979

Authentic texts: English and Spanish.

Registered by the United States of America on 30 May 1980.

ÉTATS-UNIS D'AMÉRIQUE
et
HONDURAS

Accord relatif à la vente de produits agricoles (avec annexes et procès-verbal des négociations). Signé à Tegucigalpa le 27 février 1979

Textes authentiques : anglais et espagnol.

Enregistré par les États-Unis d'Amérique le 30 mai 1980.

AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF HONDURAS FOR SALES OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of the Republic of Honduras have agreed to the sale of agricultural commodities specified below. This Agreement shall consist of part I, part II and part III, together with annexes A and B.

The Government of the United States of America and the Government of Honduras,

Recognizing the desirability of expanding trade in agricultural commodities between the United States of America (hereinafter referred to as the exporting country) and the Government of Honduras (hereinafter referred to as the importing country) and with other friendly countries in a manner that will not displace usual marketing of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries,

Taking into account the importance to developing countries of their effort to help themselves toward a greater degree of self-reliance, including efforts to meet their problems of food production,

Recognizing the policy of the exporting country to use its agricultural productivity to combat hunger and malnutrition in the developing countries, to encourage these countries to improve their own agricultural production, and to assist them in their economic development,

Recognizing the determination of the importing country to improve its own production, storage, and distribution of agricultural food products, including the reduction of waste in all stages of food handling,

Desiring to set forth the understandings that will govern the sales of agricultural commodities to the importing country pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), and the measures that the two Governments will take individually and collectively in furthering the above-mentioned policies,

Have agreed as follows:

PART I. GENERAL PROVISIONS

Article I

A. The Government of the exporting country undertakes to finance the sale of agricultural commodities to purchasers authorized by the Government of the importing country in accordance with the terms and conditions set forth in this Agreement.

B. The financing of the agricultural commodities listed in part II of this Agreement will be subject to:

1. The issuance by the Government of the exporting country of purchase authorizations and their acceptance by the Government of the importing country; and
2. The availability of the specified commodities at the time of exportation.

C. Application for purchase authorizations will be made within 90 days after the effective date of this Agreement and, with respect to any additional commodities or amounts of commodities provided for in any supplementary agreement, within 90 days

[1] Came into force on 27 February 1979 by signature, in accordance with part III (A).

after the effective date of such supplementary agreement. Purchase authorizations shall include provisions relating to the sale and delivery of such commodities, and other relevant matters.

D. Except as may be authorized by the Government of the exporting country, all deliveries of commodities sold under this Agreement shall be made within the supply periods specified in the commodity table in part II.

E. The value of the total quantity of each commodity covered by the purchase authorizations for a specified type of financing authorized under this Agreement shall not exceed the maximum export market value specified for that commodity and type of financing in part II. The Government of the exporting country may limit the total value of each commodity to be covered by purchase authorizations for a specified type of financing as price declines or other marketing factors may require, so that the quantities of such commodities sold under a specified type of financing will not substantially exceed the applicable approximate maximum quantity specified in part II.

F. The Government of the exporting country shall bear the ocean freight differential for commodities the Government of the exporting country requires to be transported in United States flag vessels (approximately 50 percent by weight of the commodities sold under the Agreement). The ocean freight differential is deemed to be the amount, as determined by the Government of the exporting country, by which the cost of ocean transportation is higher (than would otherwise be the case) by reason of the requirements that the commodities be transported in United States flag vessels. The Government of the importing country shall have no obligation to reimburse the Government of the exporting country for the ocean freight differential borne by the Government of the exporting country.

G. Promptly after contracting for United States flag shipping space to be used for commodities required to be transported in United States flag vessels, and in any event not later than presentation of vessel for loading, the Government of the importing country or the purchasers authorized by it shall open a letter of credit, in United States dollars, for the estimated cost of ocean transportation for such commodities.

H. The financing, sale, and delivery of commodities under this Agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale, or delivery is unnecessary or undesirable.

Article II

A. *Initial payment.* The Government of the importing country shall pay, or cause to be paid, such initial payment as may be specified in part II of this Agreement. The amount of this payment shall be that portion of the purchase price (excluding any ocean transportation costs that may be included therein) equal to the percentage specified for initial payment in part II and payment shall be made in United States dollars in accordance with the applicable purchase authorizations.

B. *Currency use payment.* The Government of the importing country shall pay, or cause to be paid, upon demand by the Government of the exporting country an amount as it may determine, but in any event no later than one year after the final disbursement by the Commodity Credit Corporation under this Agreement, or the end of the supply period, whichever, is later, such payment as may be specified in part II of this Agreement pursuant to section 103 (*b*) of the Act (hereinafter referred to as the currency use payment). The currency use payment shall be that portion of the amount financed by the exporting country equal to the percentage specified for currency use payment in part II. Payment shall be made in accordance with paragraph H and for purposes specified in subsection 104 (*a*), (*b*), (*e*) and (*h*) of the Act, as set forth in part II of this Agreement. Such payment shall be credited against (*a*) the amount of each year's interest payment due during the period prior to the due date of the first installment payment, starting with the first year, plus (*b*) the combined payments of principal and interest starting with the first installment payment, until the value of the currency use payment has been offset. Unless otherwise specified in part II, no request for payment will be made by the Government of the exporting country prior to the first disbursement by the Commodity Credit Corporation of the exporting country under this Agreement.

C. *Type of financing.* Sales of the commodities specified in part II shall be financed in accordance with the type of financing indicated therein. Special provisions relating to the sales are also set forth in part II.

D. *Credit provisions.* 1. With respect to commodities delivered in each calendar year under this Agreement, the principal of the credit (hereinafter referred to as principal) will consist of the dollar amount disbursed by the Government of the exporting country for the commodities (not including any ocean transportation costs) less any portion of the initial payment payable to the Government of the exporting country.

The principal shall be paid in accordance with the payment schedule in part II of this Agreement. The first installment payment shall be due and payable on the date specified in part II of this Agreement. Subsequent installment payments shall be due and payable at intervals of one year thereafter. Any payment of principal may be made prior to its due date.

2. Interest on the unpaid balance of the principal due the Government of the exporting country for the commodities delivered in each calendar year shall be paid as follows:

a. In the case of dollar credit, interest shall begin to accrue on the date of last delivery of these commodities in each calendar year. Interest shall be paid not later than the due date of each installment payment of principal, except that if the date of the first installment is more than a year after such date of last delivery, the first payment of interest shall be made not later than the anniversary date of such date of last delivery and thereafter payment of interest shall be made annually and not later than the due date of each installment payment of principal.

b. In the case of convertible local currency credit, interest shall begin to accrue on the date of dollar disbursement by the Government of the exporting country. Such interest shall be paid annually beginning one year after the date of last delivery of commodities in each calendar year, except that if the installment payments for these commodities are not due on some anniversary of such date of last delivery, any such interest accrued on the due date of the first installment payment shall be due on the same date as the first installment and thereafter such interest shall be paid on the due dates of the subsequent installment payments.

3. For the period of time from the date the interest begins to the due date for the first installment payment, the interest shall be computed at the initial interest rate specified in part II of this Agreement. Thereafter, the interest shall be computed at the continuing interest rate specified in part II of this Agreement.

E. *Deposit of payments.* The Government of the importing country shall make, or cause to be made, payments to the Government of the exporting country in the currencies, amounts, and at the exchange rates provided for in this Agreement as follows:

1. Dollar payments shall be remitted to the Treasurer, Commodity Credit Corporation, United States Department of Agriculture, Washington, D.C. 20250, unless another method of payment is agreed upon by the two Governments.

2. Payments in the local currency of the importing country (hereinafter referred to as local currency) shall be deposited to the account of the Government of the United States of America in interest-bearing accounts in banks selected by the Government of the United States of America in the importing country.

F. *Sales proceeds.* The total amount of the proceeds accruing to the importing country from the sale of commodities financed under this Agreement, to be applied to the economic development purposes set forth in part II of this Agreement, shall be not less than the local currency equivalent of the dollar disbursement by the Government of the exporting country in connection with the financing of the commodities (other than the ocean freight differential), provided, however, that the sales proceeds to be so applied shall be reduced by the currency use payment, if any, made by the Government of the importing country. The exchange rate to be used in calculating this local currency equivalent shall be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency in connection with the commercial import of the same commodities. Any such accrued proceeds that are loaned by the Government of the importing country to private or non-governmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. The Government of the importing country shall furnish, in accordance with its fiscal year budget reporting procedures, at such times as may be requested by the Government of the exporting country but not less often than annually, a report of the receipt and expenditures, of the proceeds, certified by the appropriate audit authority of the Government of the importing country, and in case of expenditure the budget sector in which they were used.

G. *Computations.* The computation of the initial payment, currency use payment and all payments of principal and interest under this Agreement shall be made in United States dollars.

H. *Payments.* All payments shall be in United States dollars or, if the Government of the exporting country so elects:

1. The payments shall be made in readily convertible currencies of third countries at a mutually agreed rate of exchange and shall be used by the Government of the exporting country for payment of its obligations, or in the case of currency use payments, used for the purchases set forth in part II of this Agreement; or
2. The payments shall be made in local currency at the applicable exchange rate specified in part I, article III, G, of this Agreement in effect on the date of payment and shall, at the option of the Government of the exporting country, be converted to United States dollars at the same rate, or used by the Government of the exporting country for payment of its obligations or, in the case of currency use payments, used for the purposes set forth in part II of this Agreement in the importing country.

Article III

A. *World trade.* The two Governments shall take maximum precautions to assure that sales of agricultural commodities pursuant to this Agreement will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodites or normal patterns of commercial trade with countries the Government of the exporting country considers to be friendly to it (referred to in this Agreement as friendly countries). In implementing this provision the Gouvernment of the importing country shall:

1. Insure that total imports from the exporting country and other friendly countries into the importing country paid for with the resources of the importing country will equal at least the quantities of agricultural commodities as may be specified in the usual marketing table set forth in part II during each import period specified in the table and during each subsequent comparable period in which commodities financed under this Agreement are being delivered, the imports of commodities to satisfy these usual marketing requirements for each import period shall be in addition to purchases financed under this Agreement;

2. Take steps to assure that the exporting country obtain a fair share of any increase in commercial purchases or agricultural commodities by the importing country;
3. Take all possible measures to prevent the resale, diversion in transit, or transshipment to other countries or the use of other than domestic purposes of the agricultural commodities purchased pursuant to this Agreement (except where such resale, diversion in transit, transshipment or use is specifically approved by the Government of the United States of America); and
4. Take all possible measures to prevent the export of any commodity of either domestic or foreign origin, which is defined in part II of this Agreement, during the export limitation period specified in the export limitation table in part II (except as may be specified in part II or where such export is otherwise specifically approved by the Government of the United States of America).

B. *Private trade.* In carrying out the provisions of this Agreement, the two Governments shall seek to assure conditions of commerce permitting private traders to function effectively.

C. *Self-help.* Part II describes the program the Government of the importing country is undertaking to improve its production, storage, and distribution of agricultural commodities. The Government of the importing country shall furnish in such form and at such time as may be requested by the Government of the exporting country, a statement of the progress the Government of the importing country is making in carrying out such self-help measures.

D. *Reporting.* In addition to any other reports agreed upon by the two Governments, the Government of the importing country shall furnish at least quarterly for the supply period specified in part II, item I, of this agreement and any subsequent comparable period during which commodities purchased under this Agreement are being imported or utilized:

1. The following information in connection with each shipment of commodities under the Agreement: the name of each vessel; the date of arrival; the port of arrival; the commodity and quantity received; and the condition in which received;
2. A statement by it showing the progress made toward fulfilling the usual marketing requirements;
3. A statement of the measures it has taken to implement the provisions of section A, 2 and 3, of this article; and
4. Statistical data on imports by country of origin and exports by country of destination, of commodities which are the same as or like those imported under the Agreement.

E. *Procedures for reconciliation and adjustment of accounts.* The two Governments shall each establish appropriate procedures to facilitate the reconciliation of their respective records on the amounts financed with respect to the commodities delivered during each calendar year. The Commodity Credit Corporation of the exporting country and the Government of the importing country may make such adjustments in the credit accounts as they mutually decide are appropriate.

F. *Definitions.* For the purposes of this Agreement:

1. Delivery shall be deemed to have occurred as of the on-board date shown in the ocean bill of lading which has been signed or initialed on behalf of the carrier;
2. Import shall be deemed to have occurred when the commodity has entered the country, and passed through customs, if any, of the importing country; and
3. Utilization shall be deemed to have occurred when the commodity is sold to the trade within the importing country without restriction on its use within the country or otherwise distributed to the consumer within the country.

G. *Applicable exchange rate.* For the purposes of this Agreement, the applicable exchange rate for determining the amount of any local currency to be paid to the Government of the exporting country shall be a rate in effect on the date of payment by the importing country which is not less favorable to the Government of the exporting country than the highest exchange rate legally obtainable in the importing country and which is not less favorable to the Government of the exporting country than the highest exchange rate obtainable by any other nation. With respect to local currency:

1. As long as a unitary exchange rate system is maintained by the Government of the importing country, the applicable exchange rate will be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency;
2. If a unitary rate system is not maintained, the applicable rate will be the rate (as mutually agreed by the two Governments) that fulfills the requirements of the first sentence of this section G.

H. *Consultation.* The two Governments shall upon request of either of them, consult regarding any matter arising under this Agreement, including the operation of arrangements carried out pursuant to this Agreement.

I. *Identification and publicity.* The Government of the importing country shall undertake such measures as may be mutually agreed prior to delivery for the identification of food commodities at points of distribution in the importing country, and for publicity in the same manner as provided for in sub-section 103 (*l*) of the Act.

PART II. PARTICULAR PROVISIONS

Item I. COMMODITY TABLE

Commodity	*Supply period (United States Fiscal Year)*	*Approximate quantity (metric tons)*	*Maximum export market value (millions)*
Wheat/wheat flour (wheat basis)	1979	15,000	$ 2.0
TOTAL			$ 2.0

Item II. PAYMENT TERMS: DOLLAR CREDIT (DC)

A. Initial payment: none.
B. Currency use payment: none.
C. Currency use offset: up to one hundred (100) percent of the value of financing provided under this Agreement plus interest to support the Food for Development Program identified in item VII below.
D. Number of installment payments: twenty (20).
E. Amount of each installment payment: approximately equal annual amounts.
F. Due date of first installment payment: one (1) year after date of last delivery of commodities in each calendar year.
G. Interest rate: three (3) percent.

Item III. USUAL MARKETING TABLE

Commodity	*Import period (United States Fiscal Year)*	*Usual marketing requirement (metric tons)*
Wheat/wheat flour..	1979	40,500

Item IV. EXPORT LIMITATIONS

A. *Export limitation period.* The export limitation period shall be United States fiscal year 1979 or any subsequent U.S. fiscal year in which commodities financed under this Agreement are being imported or utilized.

B. *Commodities to which export limitation apply.* For the purpose of part I, article III, A (4), of this Agreement, the commodities which may not be exported are for wheat/wheat flour — wheat, wheat flour, rolled wheat, semolina, farina, and bulgur (or the same products under a different name).

Item V. SELF-HELP MEASURES

The Government of the Republic of Honduras continues to accord high priority to increasing production of food. In implementing the following self-help measures, the Government will place specific emphasis on their contributing directly to development progress in poor rural areas and on enabling the poor to participate actively in increasing agricultural production through small farm agriculture. The Government will:

A. Increase storage capacity for grain and continue with plans for developing an adequate grain storage and price stabilization program;

B. Continue work on the development of uniform grades and standards for basic grains in Central America;

C. Continue providing assistance to agricultural cooperative associations, small agro-industrial producers and strengthen extension services;

D. Provide funds through local financial institutions to support private sector agricultural and agro-industrial development;

E. Improve the internal transportation system.

Item VI. ECONOMIC DEVELOPMENT PURPOSES FOR WHICH PROCEEDS ACCRUING TO THE IMPORTING COUNTRY ARE TO BE USED

A. The proceeds accruing to the importing country from the sale of commodities financed under this Agreement will be used for financing the Food for Development Program set forth in item VII below or, to the extent that such proceeds may not be used for such purpose, for financing the self-help measures set forth in item V above and for activities in the agriculture and health sector.

B. In the use of proceeds for these purposes emphasis will be placed on directly improving the lives of the poorest of the recipient country's people and their capacity to participate in the development of their country.

Item VII. FOOD FOR DEVELOPMENT PROGRAM TO WHICH CURRENCY USE OFFSET APPLIES

Annexes A and B set forth the understanding of the Parties concerning the Food for Development Program to be undertaken by the Government of the importing country with the proceeds from the sale of agricultural commodities financed by this Agreement. In the event of any inconsistencies between the provisions of part I, II and III of this Agreement and annexes A and B, such annexes shall be controlling. In the event of any inconsistencies between annex B and the Program Proposal "The P.L. 480 Title I Core Loan-forgiveness Proposal — Honduras", dated March 23, 1977, annex B shall be the controlling document.

PART III. FINAL PROVISIONS

A. This Agreement may be terminated by either Government by notice of termination to the other Government for any reason, and by the Government of the exporting country if it should determine that the self-help program described in the Agreement is not being adequately developed. Such termination will not reduce any financial obligations the Government of the importing country has incurred as of the date of termination.

This Agreement shall enter into force upon signature.

ANNEX A

FOOD FOR DEVELOPMENT PROGRAM

The Government of the exporting country and the Government of the importing country,

Recognizing the policy of the exporting country to use its agricultural productivity in a manner which will establish a strong relationship between food assistance and efforts by the importing country to increase the availability of food for the poor, and to improve in other ways the quality of their lives, and

Having agreed upon a proposal for the intended use of commodities or funds generated from the sale of such commodities to increase the access of the poor in the importing country to a growing and improving food supply through activities designed to improve the production, protection and utilization of food, and to increase the well-being of the poor in the rural sector of the importing country, and

Desiring to set forth the understandings that will govern the sale of agricultural commodities in the importing country in order to carry out the above-mentioned proposal pursuant to the authority of the Agricultural Trade Development and Assistance Act of 1954, as amended (hereinafter referred to as the Act), and the measures the two Governments will undertake to further the above-mentioned policies,

Agree as follows:

Item I. RESPONSIBILITIES OF THE GOVERNMENT OF THE EXPORTING COUNTRY

A. Subject to the availability of funds and commodities, the Government of the exporting country agrees to furnish credit under authority of Title I of the Act to the Government of the importing country for the purchase of agricultural commodities over the life of the Food for Development Program as set forth in annex B of this Agreement.

B. On receipt of satisfactory evidence of disbursements for eligible uses from the special account by the Government of the importing country described below or the project and/or programs described in annex B, the Government of the exporting country will apply such disbursements against the Title I payment obligation incurred under this Agreement as set forth in items II and III below.

Item II. RESPONSIBILITIES OF THE GOVERNMENT OF THE IMPORTING COUNTRY

A. The Government of the importing country agrees to carry out the Program detailed in annex B. In carrying out such Program, the Government of the importing country agrees that it will:

1. Use the total amount of the proceeds generated from the sale of agricultural commodities financed under this Agreement to finance the development activities specified in annex B;
2. Submit on or before November 1 of each year during the period of this Agreement a comprehensive report to the Government of the exporting country on the activities and progress achieved under the Food for Development Program, for the United States fiscal year ending September 30 including, but not limited to, a comparison of results with project targets, a specific accounting for funds generated, their uses, the outstanding balances at the end of the most recent fiscal year, and any recommendations of the Government of the importing country for modification and improvement of the Food for Development Program;
3. Maintain adequate records for not less than 3 years after completion of the Program, to permit review and audit by the Government of the exporting country of measures taken to implement the Food for Development Program.

B. The Government of the importing country agrees to establish a special account in which it will deposit not later than six calendar months after the date of disbursement by the Commodity Credit Corporation the proceeds generated from the sale of the commodities provided to it for the

Food for Development Program set forth in annex B of this Agreement. Part I, article II, F, of this Agreement shall not apply to sales proceeds disbursed from the special account for the Food for Development Program.

Item III. CREDIT FOR TITLE I LOAN INDEBTEDNESS

The Governments of the exporting and importing countries agree that:

A. The dollar equivalent of local currency disbursed for eligible uses identified in annex B shall be calculated at the exchange rate specified in part I, article III, G, of this Agreement, applicable on the date of disbursement from the special account. The dollar equivalent of local currency disbursed for the eligible uses identified in annex B shall be credited as payment for the purpose of part I, article II, H, of this Agreement against (1) the amount of each year's interest payment due during the period prior to the due date of the first installment payment, starting with the first year, plus (2) the combined payments of principal and interest starting with the first installment payment until the value of the local currencies disbursed has been offset.

B. For the period during which disbursements are made in accordance with paragraph A above, the Government of the importing country will furnish the Government of the exporting country a quarterly report of the deposits and disbursements made, certified by the appropriate audit authority of the Government of the importing country, and a description of the activities for which the disbursements were made.

C. Not less than 60 days before the first Title I loan installment becomes due under the terms of part II, item II, of this Agreement, and annually thereafter, as may be appropriate, the Government of the exporting country will provide a schedule of amounts disbursed from the special account, showing application to Title I payment obligation.

D. The Government of the exporting country reserves the right to review use of disbursements and to determine eligibility for application against Title I payment obligations under this Agreement. If the Government of the exporting country determines that a disbursement was made for an ineligible use, notice of such ineligibility shall be given by the Government of the exporting country to the Government of the importing country, and the two Governments shall, upon request of either, consult regarding such ineligibility. If the notice of ineligibility is not rescinded by the Government of the exporting country within 90 days of receipt of such notice by the Government of the importing country, disbursements for ineligible uses shall not be applied to the indebtedness, and, at the option of the Government of the exporting country, the equivalent amount shall be restored to the special account. To the extent that any disbursements for ineligible uses were previously applied by the Government of the exporting country against the Title I payment obligation such application will be cancelled.

E. The Government of the exporting country shall have the right at reasonable times to inspect projects, and inspect and audit records, procedures, and methods pertaining to the disbursements made from the special account.

F. If currencies remain in the special account after completion of the program set forth in annex B, the Government of the importing country shall use the remaining currencies for such economic development purposes as the two Governments may agree.

G. Annually at such time as the two Governments may agree, representatives of the parties will meet in a place mutually agreed upon, to discuss and review the progress of the Food for Development Program, to consider modifications and improvements, and to determine the amounts and kinds of commodities to be financed under this Agreement during that year of the Food for Development Program.

Item IV. IMPLEMENTATION OF THE FOOD FOR DEVELOPMENT PROGRAM

A. The Food for Development Program, which is further described in annex B, will consist of activities of the Government of the importing country designed to develop and extend the technical base for small farmer agriculture, to improve small farmer access to necessary production inputs such as land and water, to improve the marketing system serving small farmers, to improve management and planning of the agricultural sector, to increase the number of trained small farmers and technicians, to control communicable disease, and to reduce the incidence and effects of malnutrition. Annex B amplifies the above description of the Food for Development Program.

B. From time to time, the parties may use jointly agreed-upon implementation letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation letters will not be used to amend the text of this Agreement but can be used to record revisions or exceptions which are permitted by the Agreement.

C. For the purpose of negotiating and executing implementation letters, the Government of the importing country will be represented by the individual holding or acting in the office of Minister of the Ministry of Finance and Public Credit and the Government of the exporting country will be represented by the individual holding or acting in the office of the Director of the Mission of the Agency for International Development in Honduras, each of whom, by written notice, may designate additional representatives. Each party will provide the other party with the names of its representatives and their specimen signatures, and may accept as duly authorized any implementation letter signed by any one of such representatives of the other party prior to receipt of written notice of revocation of their authority.

Item V. SUSPENSION OF THE AGREEMENT

The Government of the exporting country shall annually review the performance and implementation of this Agreement by the Government of the importing country. If the Government of the exporting country finds that the provisions of this Agreement are not being substantially met, no further financing under this Agreement shall be extended until the end of the following United States fiscal year or until the situation is remedied, whichever occurs first, unless the failure to meet the provisions is due to unusual circumstances beyond the control of the Government of the importing country.

ANNEX B

PROGRAM DESCRIPTION

I. PURPOSE OF FOOD FOR DEVELOPMENT PROGRAM

The purpose of this Program is to enable the Government of Honduras to undertake price stabilization of basic grains through the establishment and development of the Instituto Hondureño de Mercadeo Agrícola, hereinafter referred to as the "Institute".

II. SUMMARY PROGRAM DESCRIPTION

A. The Government of Honduras agrees to undertake the Program described below over a two-year period. Details of the Program can be found in the proposal entitled "The PL-480 Title I Core Loan: Forgiveness Proposal — Honduras", dated March 23, 1977. This annex provides for use of local currencies from the sale of U.S. P.L. 480 commodities. The local funds so generated will be placed by the Government of Honduras in a special account established for this purpose. These funds provide capital for the Institute's operations for grain buying transactions, personnel, technical assistance, training, equipment, repair of existing facilities, and for related operating costs. Disbursements from the special account for the establishment, operations, and strengthening of the Institute are considered appropriate for P.L. 480 Food for Development (Title III) offset purposes.

B. Disbursements will be certified for offset, in accordance with annex A, by the USAID Mission in Honduras for line items in the following table of disbursement targets.

DISBURSEMENT TARGETS
(dols million)

	First year of operation	*Second year of operation*
Grain buying	1.52	1.51
Personnel	0.10	0.05
Technical assistance/training	0.10	0.10
Facilities repair	0.10	0.10
New equipment	0.10	0.15
Operating costs	0.15	0.05
TOTAL	2.07	1.96

C. Estimated schedule of disbursement of funds for certification for offset purposes is as follows:

Target Date	*Amount*	*Purpose*
	1. *First year of operation*	
April–Sept. 1979	Dols. 1.72 million	Price support activities connected with main harvest Technical assistance/training Facilities repair
Feb.–August 1979	Dols. 0.35 million	Personnel, new equipment, operating costs
	2. *Second year of operation*	
Sept. 1980	Dols. 1.51 million	Price support activities connected with main harvest
March 1980–Sept. 1980	Dols. 0.45 million	Additional personnel, tech. assist.; training; facilities repair; new equipment; operating costs.

III. FOOD FOR DEVELOPMENT IMPLEMENTATION TARGETS

A. The Government of Honduras will transfer to the Institute Lempiras 20 million equivalent to U.S. dollars 10 million. This amount is to form part of the working capital of the Institute.

B. The Government of Honduras will prepare and furnish to the Government of the United States a plan of operation describing in detail the price stabilization program not later than six months after the effective date of the Agreement.

C. The Government of Honduras agrees to the following implementation targets:

1. During the first year of operation the Institute will:

A. Be staffed at all levels in accordance with a personnel plan adopted by the Institute including a professional staff capable of recommending a public purchase and sales policy;

B. Begin to implement a training program to be continued, if necessary, in the second year;

C. Provide technical assistance and training, based on a time phased plan, in the field of agricultural marketing to producers and public and private institutions;

D. Commence a price stabilization program through the purchase and sale of basic grains, which will include the establishment of minimum guaranteed prices to producers, purchase and sale of grain according to the internal market situation, and import and export of basic grains or control of their export.

2. During the second year of operation the Institute will:

A. Continue existing activities;

B. Make available storage and processing facilities to private entities, with preference to producers, and take those steps which are necessary to assure the small farmer access to these facilities;

C. Issue certificates of deposit and bonds to producers for grains stored in bonded warehouses;

D. Borrow from lending institutions within or outside Honduras for additional capital needs as necessary;

E. Compile, classify, produce, and disseminate directly or in collaboration with other institutions, information on production, prices and marketing of agricultural products.

IV. MONITORING

The USAID Mission will monitor the project on a continuing basis. Within the Mission the Program Office will monitor policy, programs, documentation, and marketing effects, while the Rural Development Division will provide technical oversight.

V. REPORTING

In accordance with item II, A, 2, of annex A of this Agreement, the Government of Honduras will provide the Government of the United States with information in writing describing the purchasing, storage, and distribution facilities, including appropriate machinery, which have been constructed or acquired, and evidence demonstrating the program is operating efficiently. The Government of Honduras will also report detailed information on the price stabilization operational capacity of the Institute, and a description of the actual economic benefits received by both farmers and consumers, with specific attention given to low-income small farmers and consumers.

VI. BUDGET

The Government of Honduras will sell wheat provided under this Agreement to commercial millers at a price sufficient to cover commodity financing, and administrative costs. Thus anticipated proceeds indicated in the summary budget table following are calculated to be somewhat larger than the value of financing extended by the Commodity Credit Corporation.

SUMMARY BUDGET
(U.S. dollar — millions)

	First year	*Second year*
Anticipated dollar financing	Dols. 2.00	Dols. 1.90
Anticipated proceeds from sales of commodities	Dols. 2.07	Dols. 1.96

MINUTES OF FY 1978 PL 480, TITLE I/III, AGREEMENT NEGOTIATIONS BETWEEN THE GOVERNMENT OF HONDURAS AND THE GOVERNMENT OF THE UNITED STATES

1. The Government of the United States expresses that the overall goal of the Food for Development Program is to increase the access of the poor, especially in the rural sector, to an improved food supply. Therefore, the Government of Honduras and the Government of the United States enter into this Agreement with the objective of supporting and strengthening the activities of IHMA which, through its programs, is expected to substantially benefit small farmers.

2. The United States commitment to finance multiyear supply agreements is subject to the availability of funds and commodities. Title III commitments will be given first priority in developing each year's PL 480 budget. It is understood by both Governments that, in the event the United States Government is not able to provide the full amount of dollar financing contemplated in the table of part VI, annex B, then, to the extent this

changed circumstance requires modification in the Food for Development Program described in annex B, representatives of the two Governments will meet and mutually recommend any necessary modifications to be incorporated in the Agreement by amendment.

3. The Agency for International Development Mission to Honduras will receive a copy of the personnel plan referred to in item III, C, I, annex B, for review and concurrence.

4. So that the Agency for International Development Mission to Honduras will be able to keep informed of the specific commodities covered by the price stabilization activities of IHMA, the Institute will provide AID with its regular reports on basic grains transactions.

It is understood by the Government of the United States that the words "basic grains" are intended to refer to corn and beans for the first two years of the Institute's operation, and that the Government of Honduras will notify the Government of the United States if other grains are intended to be covered by the price stabilization activities of the Institute.

5. In the event that domestic production shortfall in Honduras should require imports of the basic grains covered under the activities of the Institute, funds available from this Agreement may not be used to finance imports of commodities from countries other than the United States.

6. Although the disbursement targets of item II, B, annex B, are not rigidly fixed levels, any revision or reprogramming of the items will be subject to prior consultation between the two Governments.

7. It is understood by both Governments that the following reporting requirements will be fulfilled in a timely manner:

a. The Government of Honduras will furnish the Agency for International Development Mission to Honduras with a quarterly report of deposits and disbursements made from the special account with a description of the activities for which the disbursements were made (see annex A, item III, B).

b. The Government of Honduras will provide to the AID Mission to Honduras, on or before November 1 of each year during the period of this Agreement, a comprehensive report on the activities of the Food for Development Program for the United States fiscal year ending September 30 of the same year (see annex A, item II, A, 2). It is understood by both Governments that the report referred to above under 7*a* will satisfy this reporting requirement in the second year of operation.

c. Representatives of the two Governments will meet annually on or about November 15 of each year during the period of this Agreement to discuss the progress of the Food for Development Program (see annex A, item III, G).

d. In addition to the above reports, the Government of Honduras will meet the reporting requirement set forth in part I, article III, D, of the Agreement.

8. It is the responsibility of the United States Government to determine whether unusual circumstances beyond the control of the Government of Honduras exist in any failure to meet the provisions of the Agreement (see annex A, item IV, "Suspension of the Agreement"). If the suspension clause is invoked, the United States Government will not consider resumption of financing, even after the end of the following fiscal year, unless the Government of Honduras demonstrates commitment to proceed with the Food for Development Program.