

CONFORMED COPY

LOAN NUMBER 3257 HO

(Second Structural Adjustment Loan)

between

REPUBLIC OF HONDURAS

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 17, 1990

LOAN NUMBER 3257 HO

LOAN AGREEMENT

AGREEMENT, dated September 17, 1990, between REPUBLIC OF HONDURAS (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated June 2, 1990 from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of urgently needed imports required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in three tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."; and

(c) The last sentence of Section 3.02 is deleted.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "BANADESA" means Banco Nacional de Desarrollo Agricola, the Borrower's National Agricultural Development Bank;

(b) "BANASUPRO" means Suplidora Nacional de Productos Basicos, the Borrower's National Supplier of Basic Products;

(c) "Central Bank" means Banco Central de Honduras, the Central Bank of the Borrower;

(d) "FONDEI" means Fondo de Desarrollo Industrial, the Industrial Development Fund within the Central Bank;

(e) "FOVI" means Fondo de Vivienda, the Housing Fund within the Central Bank;

(f) "HONDUTEL" means Empresa Hondurena de Telecomunicaciones, the Borrower's Telecommunications National Enterprise;

(g) "IHMA" means Instituto Hondureno de Mercadeo Agricola, the Borrower's National Agricultural Marketing Institute;

(h) "L" and "Lempiras" mean lempiras, the currency of the Borrower;

(i) "SANAA" means Servicio Autonomo Nacional de Acueductos y Alcantarillados, the Borrower's Water and Sewerage National Enterprise;

(j) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986);

(k) "Small Farmer" means any farmer in Honduras holding a farm with an area of less than 10 hectares;

(l) "Superintendency of Banks" means the Borrower's Superintendencia de Bancos; and

(m) "UPCA" means Unidad de Proyecto de Credito Agropecuario, the Agricultural Credit Project Unit within the Central Bank.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of ninety million dollars (\$90,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1992 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding

from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Section 2.08. (a) The President of the Central Bank is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts the Central Bank with responsibility for the preparation of withdrawal applications under the Loan and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$5,000,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in

any case not later than four months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audits referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program.

Section 5.02. The date of December 17, 1990 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 (a) of this Agreement, the Secretario de Estado en el Despacho de Hacienda y Credito Publico of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Secretario de Estado en el Despacho
de Hacienda y Credito Publico
Tegucigalpa, D.C.
Honduras

Cable address:	Telex:
HACIENDA Tegucigalpa, Honduras	1308 Hacienda HO

With copies to:

Banco Central de Honduras
Tegucigalpa, D.C.
Honduras

Cable address:	Telex:
BANTRAL Tegucigalpa	1121-HT BANTRAL

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:
INTBAFRAD Washington, D.C.	197688 (TRT) 248423 (RCA) 64145 (WUI) or 82987 (FTCC)

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

REPUBLIC OF HONDURAS

By /s/ Ramon Hernandez Alcerro
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Rainer B. Steckhan
Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. Subject to the provisions set forth or referred to in this

Schedule, the proceeds of the Loan may be withdrawn from the Loan Account for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
Group	Sub-group	Description of Items
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$45,000,000 may be made on account of payments made for such expenditures before that date but after May 15, 1990;

(d) expenditures for goods procured under contracts costing less than \$10,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance; and

(f) expenditures for goods intended for a military or para-military purpose or for luxury consumption.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$5,000,000 may be permitted by the Bank on the basis of statements of expenditure under such terms and conditions as the Bank shall specify.

4. No withdrawal shall be made and no commitment shall be entered

into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan:

(a) after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments shall have reached the equivalent of \$45,000,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (i) with the progress achieved by the Borrower in the carrying out of the Program, and (ii) that the actions described in Part A of Schedule 4 to this Agreement have been taken; and

(b) after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments shall have reached the equivalent of \$65,000,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (i) with the progress achieved by the Borrower in the carrying out of the Program; and (ii) that the actions described in Parts A and B of Schedule 4 to this Agreement have been taken.

5. If, after the exchange of views described in paragraphs 4 (a) or (b) above, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15	
beginning May 15, 1996 through November 15, 2010	3,000,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
* More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55

More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 3

Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Business; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$5,000,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Bank;

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers from at least two countries, except that direct contracting procedures acceptable to the Bank may be used where

considered appropriate under paragraph 3.5 of the Guidelines; and

(c) by any purchasers, for the supply of commodities, on the basis of evaluation and comparison of quotations obtained from more than one supplier.

3. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

4. With respect to each contract referred to in paragraph 2 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

5. The provisions of the preceding paragraph 4 of this Schedule shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure.

SCHEDULE 4

Actions Referred to in Paragraphs 4 (a) and (b)
of Schedule 1 to this Agreement

Part A

1. The Borrower's import tariffs have been revised in a manner satisfactory to the Bank to the effect that the maximum tariff shall not exceed thirty-five percent (35%) and the minimum tariff shall not be lower than four percent (4%) of the dutiable value of the imported item.

2. The Borrower's import restrictions for agricultural products have been eliminated.

3. The requirement for import licenses issued by the Central Bank has been abolished in respect of any imported item.

4. The temporary export taxes on traditional and non-traditional goods have been reduced or eliminated, as the case may be, in accordance with the provisions of the Borrower's Decreto No. 18-90, of March 8, 1990.

5. Recommendations for a new export incentive system, including an implementation action plan therefor, both satisfactory to the Bank, have been furnished to the Bank.

6. The Borrower's consolidated public sector savings have reached at least 0.5% of the Borrower's gross domestic product in 1990.

7. Recommendations for a program to reduce the trade dependence nature of the Borrower's tax structure and a time-table, including an implementation action plan therefor, both satisfactory to the Bank, have been furnished to the Bank.

8. The bill of the Borrower's public sector budgetary law for 1991, providing for an increase in non-financial consolidated public sector savings equivalent to at least one and seven tenths of one percent (1.7%) of the Borrower's gross domestic product, has been presented to the Borrower's Congress.

9. The expenditures targets of L 830,000,000 for the public sector investment program for 1990 have been met.

10. Progress, satisfactory to the Bank, has been achieved in the carrying out of a program of administrative reforms to strengthen the capacity of the Ministry of Finance of the Borrower to collect taxes, as agreed between the Borrower and the Bank.
11. A public sector investment program for 1991, satisfactory to the Bank, has been issued by the Borrower.
12. The savings of SANAA and HONDUTEL have reached at least 0.3% of the Borrower's gross domestic product in 1990.
13. (a) The Borrower has announced the replacement of the guarantee price system for corn by a flexible tariff system satisfactory to the Bank; and
(b) The Borrower's guarantee price system and price controls for all other agricultural products have been eliminated.
14. Progress, satisfactory to the Bank, has been made for the achievement of BANASUPRO and IHMA's rationalization targets as agreed between the Borrower and the Bank.
15. Financial assistance to BANASUPRO by the Borrower and the Central Bank has been reduced to a maximum of L4,000,000 for 1991.
16. (a) The Borrower's budget for 1991 has provided (i) the Borrower's Ministries of Health and Education with funds at least in the same proportion in relation to the total budget amount as provided in the Borrower's budget for 1990; and (ii) for an amount in Lempiras, as such currency was valued in December 31, 1989, equal to at least the amount contained in the Borrower's budget for 1990 for programs to provide food and employment to the neediest sectors of the Borrower's population.
(b) A social sector restructuring program, satisfactory to the Bank, to improve the efficiency and equity of social services in Honduras has been furnished to the Bank.
(c) Parameters, satisfactory to the Bank, have been set to measure the progress of the carrying out of the programs to provide food and employment to the neediest sectors of the Borrower's population.
17. The ceilings for interest rates in lending operations in Honduras have been revised on September 30, 1990 and December 31, 1990, to provide for rate ceilings satisfactory to the Bank on those dates.
18. The Central Bank's rediscount interest rates for agricultural credits (other than those for Small Farmers) have been adjusted to the level of the Central Bank's rediscount interest rates for other credits.
19. A program, satisfactory to the Bank, to eliminate directed credit lines by the Central Bank has been adopted.
20. Subsidized credit lines granted through the Central Bank and funded with external resources have been limited to the amount in Lempiras existing on December 31, 1990.
21. The administration of rediscount credit lines has been assigned to the following units in the Central Bank: (a) UPCA for agricultural credits, except BANADESA's credits; (b) FOVI for housing credits; (c) FONDEI for industrial credits; and (d) Departamento de Credito y Valores for all other credits.
22. The ratio of equity to total assets and off-balance sheet items (deducting holdings of the Borrower's bonds, cash and deposits in other banks) for the commercial banking system of Honduras has been at least 5% on December 31, 1990.
23. A program, satisfactory to the Bank, for the reorganization of

the Borrower's agricultural financial system, which shall include, inter alia, a reduction in the Borrower's financial transfers to BANADESA in 1991 equal to at least 10% of the level of such transfers in 1990, has been furnished to the Bank.

Part B

1. The Borrower's import tariffs have been revised in a manner satisfactory to the Bank, to the effect that the maximum tariff shall not exceed twenty percent (20%) and the minimum tariff shall not be lower than five percent (5%) of the dutiable value of the imported item.
2. The import surcharges for agricultural products have been eliminated.
3. The temporary export taxes on traditional and non-traditional goods have been reduced or eliminated, as the case may be, in accordance with the provisions of the Borrower's Decreto No. 19-90, of March 8, 1990.
4. A new export incentive system, satisfactory to the Bank, has been put into effect by the Borrower on the basis of the recommendations referred to in paragraph 5 of Part A of this Schedule.
5. A bill of law has been submitted to the Borrower's Congress to the effect of revising the Borrower's tax system, based on the recommendations referred to in paragraph 7 of Part A of this Schedule.
6. The targets for non-financial public sector savings referred to in paragraph 8 of Part A of this Schedule and for the expenditures under the program referred to in paragraph 11 of Part A of this Schedule have been reached.
7. Further progress, satisfactory to the Bank, has been achieved in the carrying out of the program referred to in paragraph 10 of Part A of this Schedule.
8. The projected savings of SANAA and HONDUTEL have reached the equivalent of at least 1% of the Borrower's projected gross domestic product in 1991.
9. The flexible tariff system for corn, referred to in paragraph 13 (a) of Part A of this Schedule, has been put into effect.
10. Further progress, satisfactory to the Bank, has been made for the achievement of BANASUPRO and IHMA's rationalization targets as agreed between the Borrower and the Bank.
11. (a) Progress, satisfactory to the Bank, has been made in the carrying out of the programs to provide food and employment to the neediest sectors of the Borrower's population, in accordance with the parameters referred to in paragraph 16 (c) of Part A of this Schedule.

(b) A financing plan, satisfactory to the Bank, for the social sector restructuring program referred to in paragraph 16 (b) of Part A of this Schedule has been furnished to the Bank.
12. Financial assistance to BANASUPRO by the Borrower and the Central Bank has been reduced to a maximum of L2,000,000 for 1992.
13. The ceilings for interest rates in lending operations in Honduras have been revised quarterly, beginning on March 31, 1991, to provide for rate ceilings satisfactory to the Bank on each revision date.
14. The Central Bank's rediscount interest rates for credits to Small Farmers have been adjusted to the level of the Central Bank's rediscount interest rates for other credits.

15. Progress, satisfactory to the Bank, has been achieved in the implementation of the program referred to in paragraph 19 of Part A of this Schedule.

16. Subsidized credit lines granted through the Central Bank and funded with external resources have been limited to the amount existing on December 31, 1990.

17. The ratio referred to in paragraph 22 of Part A of this Schedule is at least 5.5%.

18. The commercial banks established in Honduras have reclassified their portfolio in five categories based on instructions and supervision from the Central Bank through the Superintendency of Banks, according to the criteria agreed between the Borrower and the Bank.

19. The commercial banks referred to in paragraph 18 above have been instructed by the Central Bank, through the Superintendency of Banks, to make, and progress satisfactory to the Bank has been made by such commercial banks in making, provisions for the loans included in their portfolio reclassification referred to in paragraph 18 above, as follows:

Category I: 0%
Category II: 0%
Category III: 10%
Category IV: 25%, 50% or 75%, depending on the security required
for the loans
Category V: 100%

