By

WINROCK INTERNATIONAL

For

USAID/HONDURAS

Under

Work Order No. 4
PIO/T No. 522-9103-360310
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ESCUELA AGRICOLA PANAMERICANA (EAP)

ENDOWMENT

April 1988
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Mr. John A. Sanbrailo  
Mission Director  
Agency for International Development  
United States of American AID Mission to Honduras  
American Embassy  
Tegucigalpa, Honduras.

Dear Mr. Sanbrailo:

On behalf of the students, faculty and beneficiaries of Escuela Agricola Panamericana education and training, the trustees of Zamorano respectfully request creation in 1988 of a Honduran Endowment, as a major step in assuring necessary human and natural resource development devoted to the food and agricultural needs of Honduras.

Escuela Agricola Panamericana pledges to further enhance its organized training, advisory and other technical assistance to strengthen agencies of the Government of Honduras responsible for food and agricultural needs of the country.

Although the Escuela Agricola Panamericana name connotes agriculture, its mission is to assist rural development simultaneously. It is an immense challenge.

Escuela Agricola Panamericana has existed for 46 years because it motivates, encourages and sustains those young people of Honduras and other Latin America countries entrusted to its care. It promises unswerving commitment to sensitive attention to the needs of men and women of all ages with particular attention to Honduras' disadvantaged.

Escuela Agricola Panamericana has prepared a policy statement assuring USAID/Honduras and the Government of Honduras that the endowment will be properly administered, monitored, and reported annually. This statement (sample attached) will be reviewed and approved by the full Board of Trustees at its next schedule meeting in May, 1988.

We wish to acknowledge formally our gratitude to you and your associates as well as to those dedicated men and women of the Government of Honduras who have effectively worked together to bring this endowment to fruition.

Sincerely,

John G. Smith  
Chairman: Board of Trustees

Simón E. Malo PhD  
Director
I. Proposal

A. Program Factors


* To increase agricultural production to Lps. 795 million by 1990.
* To increase basic grain production, as basic staple, to 110 thousand tons by 1990.
* To increase agricultural exports by 7.6% annually during the period 1987-1990.
* To improve nutrition and increase food availability nationwide.
* To promote reforestation and protect agroecology.
* To promote fish culture production.
* To promote educational activities in basic nutrition.
* To improve housing facilities throughout the country.
* To improve transportation infrastructure, specially in rural areas.
* To provide more food for growing urban populations and sites.
* To promote international technical cooperation, emphasizing agriculture sector.
* To increase employment opportunities.

Note: This endowment activity should be combined with the complementary activities noted in USAID/Honduras Country Development Strategy (pp. 4&5)
Endowment applicability to GOH agricultural development strategy (The National Development Plan 1987-1990)

The Honduran Endowment for EAP will directly support GOH plans to increase agricultural production. Expanded research, extension, and on-farm demonstration in concert with strengthened departments of animal science, agronomy, and horticulture will emphasize training in agricultural production. The new program in agricultural economics will support these efforts.

Seed is the least expensive item in agricultural production but the principal ingredient for success of failure of a cultivar. Once a crop has been produced there are enormous losses in the process of harvesting, handling, storing, transport and marketing. EAP is setting up an "International Seed and Grain Science Center" (ISGSC) with active participation of Kansas State and Mississippi State universities in order to introduce more modern technology into the region for self-sufficiency in seed production and to decrease the post-harvest losses, which at times reach 50% or more of the total harvest. New endowment support for the basic grains and seeds production unit will focus on assuring Honduran self-sufficiency in grains and seed production.

Greater emphasis will be given to agricultural diversification, and in conjunction with the Agricultural Economic Program will better prepare many more Honduran students and producers for participation in agricultural export. This will also guarantee increased food availability, nationwide.

The current EAP program in reforestation and watershed management will be expanded. New financial support to this program will augment the School's national role and responsibility in the protection of the Honduran ecology. Reforestation activities which include training, forest management, and the planting of thousands of trees annually will be significantly increased.

The EAP has a strong fish culture and aquaculture program which could be extended to more Honduran students and producers. New training and support activities in fish culture and aquaculture for North and South coast projects will be committed as financial resources permit. This program has already sponsored training programs for fish farmers. Important new programs will be added specifically to meet practical training of fish farmers.

In the Yeguare River Valley, EAP has promoted improved housing and transportation infrastructure both for the school and surrounding communities. The School currently employs personnel from the Valley all the way to Tegucigalpa. As the endowment income permits, the scope of this important rural development
component of EAP's public service commitment will be expanded.

Since its early beginning, EAP has promoted international, technical cooperation. It is a major link between Honduras and educational, research and production institutions in the United States, Europe, and other parts of the world. Endowment income will, hopefully, broaden this community of support institutions.

Zamorano's Wilson Poponoe Library is currently one of the better agricultural libraries in Central America; however, with new funding it can become the finest in the region. This Library will be available to all who participate in Zamorano-sponsored programs and projects, on and off campus.

The library is computerizing its entire card catalog of books, pamphlets, bulletins and journal articles relevant to Central American agriculture. This will assist students and other users to quickly determine what is available. More importantly, the computer file will be made available to users outside EAP. A researcher or extension specialist anywhere in Honduras may phone the EAP computer for the most up-to-date information available.

Outreach programs are being planned within the rural development subject to additional funding. These include an ambitious short course in food technology. Training will be in preserving and storage of vegetables, fruits, meats, cereals, and dairy products. EAP staff will visit Honduras' rural communities to assess needs and establish goals in order to plan adequate short courses, workshops and seminars in the important field of food processing, preservation, nutrition, and marketing.
2. Endowment applicability to USAID/Honduras Country Development Strategy Statement and Action Plan

Zamorano wishes to be a full and productive partner to the USAID economic assistance program for Honduras. Areas to be addressed include:

* To increase agricultural production to $360 million by 1990;
* To improve educational opportunities;
* To increase opportunities for Hondurans studying within the United States;
* To help the Government of Honduras stabilize the economy by providing more employment opportunities and increasing investment in long-term development;
* To provide food security for the nation of Honduras;
* To consolidate training and educational efforts for sustained growth in the food and agricultural system;
* To increase private sector investment in programs important to the nation, from within and without;
* To improve the management and effective protection of Honduras' national resource base, institutional mechanisms and direct action programs directed to farmers.
* To expand Honduras Extension's methodologies and technological packages.
Endowment applicability to USAID/Honduras Country Development Strategy Statement and Action Plan

The Honduran Endowment for Escuela Agricola Panamericana is directly supportive of USAID emphasis upon self-sufficiency efforts of private-sector organizations. Expanded fundraising operations have been structured, both in the United States and Honduras. Stimulus provided by the Endowment is a vital portion of that plan. It will be measurable and easily monitored.

The projects supported by the Endowment focus primarily on the critical issue of Honduran human resource development. Through a wide range of educational, research and extension-style activities several generations of Honduran men and women, better prepared by Zamorano, will contribute effectively to national food and agricultural production.

Enhanced agricultural productivity is assured through close cooperation between the Ministry of Natural Resources and dozens of American public and private institutions participating in formal and informal education and training projects. These include the universities of Florida, Minnesota, Hawaii, Wisconsin, and Puerto Rico; Auburn, Texas A. & M., Cornell, Mississippi State, Kansas State, and Rutgers Universities. The Nature Conservancies, Partners of the Americas and Winrock International. Each of these institutions is involved with human resource development and natural resource productivity within the agricultural system of Honduras.

Employment generation will be enhanced in several areas:

* Agricultural technicians prepared through Zamorano short courses:

* Honduran women through four-year residential, degree training as well as comprehensive, occupational education through short courses and on-site agricultural vocational training. Women will be given special priority in short-term training courses in home gardens and food preservation, as well as small scale livestock projects, and farm management;

* Conservation and Yeguare Valley watershed management projects, especially those related to irrigation and water storage;

* Reforestation and forest-products development through expansion of agroforestry activities;

* Research and production projects for improvement and
availability of seeds with special attention to beans and corn through the Grains and Seed Science Center at Zamorano.

Wider sharing of the benefits of Honduras' agricultural growth:

* The ultimate guarantee of balanced sharing is improved, equitable education and training options. Zamorano trains men and women of several generations. It trains campesinos of the Yeguare Valley and concurrently cooperates closely with international agricultural education and research institutions. It is a visible, accessible, democratic institution operating daily in service to Honduras.

* Zamorano has an impressive group of bilateral and multilateral donors whose investment complements that of USAID and other agencies of the United States of America. Careful annual planning has assured coordination of these funding efforts without duplication. The quality and diversity of Zamorano programs and projects command the attention and investment of private agencies, institutions, foundations and corporations.

Summary: The Honduran Endowment will assist USAID/Honduras in maintaining and strengthening its development objectives. It will establish a strong, badly needed base for short and long-term economic development relating to agriculture in Honduras. The projects and programs made possible by the Endowment will directly support: the strengthening of democratic institutions; expansion of food and agriculture-related activities; enhance employment in rural areas; improve quality of national research, technology transfer, and extension; alleviate natural resource degradation and depletion; provide for wider sharing of beneficial growth; assure minimum food security; strengthen private and public services to better meet human needs; and effectively use local currency to support self-sufficiency efforts of private sector organizations.
A. The problems to be addressed:

1. Shortfall in scholarship and other financial aid for Honduran students.
   a. The Issue:

   The agricultural sector of Honduras represents about 30% of the national gross production, provides employment to more than 60% of the economically active population, and generates more than 75% of the national earnings from export commodities. With an accelerated population growth in Honduras, currently at a rate of 3.3% per year, the strain upon the nation's productive food and agricultural resource base is immense.

   Recent studies show severe weakness in the public system of agricultural education. The academic standard required for this field of education is low. The agricultural education sponsored by the public sector in Honduras is dispersed in seven, isolated institutions with little coordination, planning, or institutional organization.

   Therefore, Honduran agricultural production must be oriented toward improved resource efficiency and product diversification. Enhanced management of Honduras' arable land, watersheds and forests can only be accomplished by making available training experiences of Zamorano-quality to increasing numbers of Hondurans.

   b. The contributions of the Honduran Endowment for Zamorano:

   Zamorano, a private institution, stays abreast of contemporary research and methodologies in the tropical food and agricultural systems. It may be the most responsive agricultural education and training institution in the region, certainly in Honduras. To maintain its leadership role in adaptability of improved agricultural technology for Honduras, Zamorano requires an immediate and annual, expanded source of new funds.

   From 1946 through 1987, 674 Hondurans have graduated from Escuela Agricola Panamericana. This is double the number of the next closest country, Costa Rica. The key constraint to increased numbers of Honduran students who can qualify for immediate entrance is poor preparation in the public schools. The EAF, Honduran student drop-out rate during
schools. The EAP, Honduran student drop-out rate during the first year, particularly at the end of the first term, is high due to the inadequate quality of secondary education received by many entering students. This problem results in higher costs per student graduated, inefficient use of available scholarship funds, and personal trauma to the students. To reduce the number of early Honduran dropouts due to academic failure, the EAP has proposed a 4-6 month pre-matriculation, preparatory program for students who are weak in the basic sciences as revealed by the EAP entrance examination. Scholarship and financial aid and support must rise sharply and immediately, or this needed talent will become discouraged and lost to the nation.

The Honduran Endowment will support "scholarships" in the generic sense—all tools and methods needed to support a wide range of students, of all ages, in formal and informal, resident and nonresident, programs at the School.

Zamorano has provided increased educational opportunities for women since 1984. The trustees will provide additional incentives for women in the form of scholarships in all its programs, formal and informal, as new funds permit. The goal will be the promotion of a wide range of agricultural-related, income-generating opportunities for Honduran women.

Zamorano will strengthen and expand its non-formal education opportunities through use of facilities such as the WK Kellogg Rural Development Center. The addition of the W.K. Kellogg Center and its 80-bed dormitory, communication center and classrooms adds a vital complement to the traditional learn-by-doing, resident student curriculum. Without diminishing the education and practical training for young men and women, ages 17 to 21, the equally important continuing or lifelong, adult-education needs of the Valley and nation will be addressed. Zamorano will expand its offerings of short courses and technical training for adults from all sectors of the Honduras food and agricultural system, including Ministry of Natural Resources extension workers.

In cooperation with the Ministry of Natural Resources (MNR), the Partners of the Americas, and other organizations, Zamorano has trained many technicians, held dozens of short course programs for campesinos and Department of Plant Protection extension workers in integrated pest management for corn and beans. Hundreds of field demonstrations have been conducted in support of these activities.

Most of the future technicians trained at Zamorano will be in need of full and part-time scholarships or grants-in-aid. On occasion it may be possible for their agencies or
organizations to provide some subsidy. But, a heavy burden will fall upon Zamorano to underwrite the costs of expanded programs. If substantial new scholarship funds are not found promptly, Zamorano must reduce or abandon these short-course offerings and special preparatory courses to devote its limited resources to qualified young students from the region. It's simply a matter of realistic assignment of faculty and support resources for optimum impact!

Zamorano works closely and consistently with all ministries of the Honduras government to establish and maintain programs within the framework of overall national development plans and policies for achieving increased self-reliance, especially in food production.

Directed through its Development Office, Zamorano will convene its Honduran alumni to request support and backing within their professional specialties for the contemplated short courses and outreach activities, beginning in 1989. Zamorano graduates, living in three distinct Honduras agricultural zones work with small farmers to increase their production of vegetables, fruit, grains, fish, poultry and livestock. They also help with the improvement of storage, processing and marketing basic grains. These "agronomos" provide training for the communities, introduce new technologies, conduct field research with farmers, stressing agroecology, reforestation and water management. They also work with local schools in activities comparable to US-FFA and 4H.

The addition of each new service requires months of planning to assure that the proposed effort will be sustainable and will backstop current programs, while building needed technical capacity. This requires assignment of funds for design, consultations with national and regional expertise (both public and private), enlistment of talented faculty and proper integration with other resource commitments. The Zamorano Development Office has presented the "case" for scholarship assistance to a number of public and private sources, world-wide. These include Zamorano graduates and other private citizens, corporations, foundations, governments, and international development agencies. As funds become available they will further extend chances for a Zamorano education to both young and older people of Honduras.

2. Watershed degradation in the Yeguare Valley

a. The issue:

Twelve years ago, the long and arduous trip to Zamorano from Tegucigalpa was transformed into a 30-minute drive on a
paved road. A sparsely peopled area has evolved into a crowded, over-populated territory. Small communities have grown into towns, with their demands for housing, land, employment, and basic necessities which place alarming stress upon the Valley's natural resources. The Yeguare Valley is at ecological risk. The potable and irrigation water supplies are in jeopardy, and are limiting factors to future, manageable growth.

If immediate attention is not given to ecological degradation Zamorano could virtually be put out of business. Current trends of ecological deterioration in the Valley must be halted and reversed; critical water availability assured and expanded through every possible conservation measure. It is estimated that funds needed will be substantial, approximately $25 million over the next 10 years, with the largest expenditures being the Santa Ines irrigation project and several dams and reservoirs on the Yeguare River. One of these sites could include a hydroelectric plant which would provide for the electrical power needs of the Valley.

b. The contributions of the Honduran Endowment for Zamorano

Since its inception, the Zamorano trustees, administration and faculty have remained committed to assisting rural development for the Valley of the Yeguare River. Use of up to 30% of annual income from the Honduran Endowment will permit the purchase of endangered lands, and the expansion of necessary environmental and conservational activities beginning in 1990. Policies, programs, and plans will be implemented with active involvement of the Yeguare Valley's people to mutually control the resources which affect all Valley residents. Zamorano does not wish to encroach into areas which might be wrongly interpreted by the farmers who have cultivated Valley lands for generations. Zamorano respects and encourages local, autonomous, independent organizations within the Valley acknowledging that their active participation is essential to the ecological decisions which may affect the members' lives.

Zamorano represents a significant pool of expertise and experience that can contribute to the processes of effective rural development in the Valley, and ultimately in the nation.

In 1985, the Government of Honduras and Zamorano signed an agreement whereby the School accepted complete responsibility for the operation of biological reserves extending from the School's campus into the hills of Mt.
Uyuca. (Presidential Directive 211-85, October, 1985). The size of these reserves can be expanded so that watersheds may be maintained and flora and fauna native to Honduras protected and studied.

During the annual, dry season, uncontrolled forest fires in Honduras destroy potential forest products exceeding $3.0 million. It is an especially serious problem in the Yeguare Valley, in forests on private land that surround the School.

Zamorano students have planted more than 145,000 trees in the Valley during the past three years. Over 75 new species of trees have been planted, species which vary from drought resistant, fast growing softwoods to a range of hardwoods. With help from the Honduran Endowment, Zamorano will acquire threatened forest and expand its reforestation program to conserve critical rainfall and prevent further soil erosion and destruction of the environment.

In an attempt to promote soil conservation and to improve traditional agricultural techniques, Zamorano has established a program wherein students work directly with neighboring farmers and their families in constructing terraces and introducing new crops to improve the soil and halt erosion. This provides excellent training for Zamorano students, as well as demonstrating to farmers the advantages of proper agricultural conservation/cultivation. The common practice has been for farmers to burn and clear land, plant directly onto the slopes without terracing, harvest for a season or two, then move on to a new area to repeat the process once erosion has wiped-out the shallow topsoil.

Water-conserving, irrigation systems introduced at Zamorano, form the laboratory for short courses serving local farmers. Basic techniques, such as drip-irrigation and on-farm, water management help conserve the amount of water used for Valley irrigation purposes. The farmers who participated in the courses have adapted the technologies appropriate to their needs.

In the past five years, Zamorano has dedicated sizeable institutional funds to purchase underdeveloped land in the Valley for conservation purposes. The $410,000 investment has increased total land area to approximately 12,000 acres. In the hands of the School, these newly acquired parcels are being carefully developed. Large areas are gradually being reforested, and watersheds properly managed. These management practices have not been lost on local residents.

These programs provide three major types of benefits: (1) direct impact on Valley communities in areas of improved
technology for the long-term sustainability of existent Valley agricultural systems and improved dietary status of farm families; (2) production of educational materials for use by both farmer audiences and agricultural technicians, including development of short courses and seminars for field personnel of a variety of public and private agencies; and (3) enriched training for Zamorano students in working directly with small local farmers.

As financial sources permit, Zamorano hopes to emulate the goals and program management of the Nature Conservancy (United States) in its land acquisition of fragile lands to preserve natural diversity by protecting the soil, forest, and water base supporting these lands.

At present, Honduras is not a partner in the Central American collaborative network of the Nature Conservatory. Much is to be gained from such a mutually beneficial endeavor. Zamorano hopes to enlist North American private resources to solutions of Honduras conservation problems. Zamorano and the Yeguare River Valley can build a conservation data center with biological inventory equivalent to North American heritage programs. The International Program of the Conservancy supported by its members and supporters as well as conservationists across the United States will be invited to join Zamorano's conservation efforts. Much of this international program activity is supported by a major grant from the John D. & Catherine T. MacArthur Foundation. The Conservancy estimates that over the next 10 to 15 years roughly $75 million will be enlisted to develop its program in Latin American. Zamorano hopes to develop its resources with the efforts of the Conservancy to assure Honduras' active and equitable participation toward building a sound foundation for conservation efforts while meeting food and fiber production essentials.

The Zamorano Board of Trustees wishes to extend what Zamorano has learned and practiced to the entire Valley. Control and management of national resources are in the Honduran public interest, and consistent with mandatory environmental conservation, including prevention of soil erosion, protection of water quality and quantity with due regard to the needs of local communities. To ensure the conservation and management of soil, water and forestry resources Zamorano will use Honduran Endowment income to promote sound environmental practices and to promote the necessary training and infrastructure to ensure success.
3. Capitalization

a. The issue:

Zamorano would not exist were it not for the thrift and foresight of its governing boards, current and historic.

Since the original U.S. endowment was established for Zamorano in 1957 the Board of Trustees has shown exceptional, prudent management of entrusted funds. Even in the years of scarce resources the Investment Committee, in concert with the Audit Committee, reinvested a sizeable portion of annual endowment income to enhance the value of the corpus. Thus, through 1988, financial net assets of Zamorano have been maintained.

Endowment is herein defined as those funds which donors or other external agencies have given to Zamorano stipulating, under the terms of the gift instruments creating the funds, that the principal of the fund is not expendable—-that is, it is to remain inviolate in perpetuity and is to be invested for the purpose of producing present and future income, which may be expended or added to principal. Invested financial capital (endowment) must be measured in units of the same purchasing power. Inherent in this notion of endowment is a requirement to provide the same volume and quality of goods and services in the future as that available currently.

b. The contribution of the Honduran Endowment for Zamorano

Consistent attention to sound capital maintenance sets Zamorano above comparable educational and research institutions, regionally and worldwide. Close scrutiny of Zamorano's economic well-being and its performance has been maintained by the Board of Trustees. In recent years they have focused on enhancing Zamorano's physical capital or productive capacity. All potential income generating opportunities consistent with educational responsibilities are being explored. New areas of microenterprise for departments and students are regularly considered and measured for financial, sociological and political consequences by the Board and Administration.

Endowment fosters independence. Nowhere else is the Zamorano Board's constant dilemma of choice between obligations to the present versus future constituencies brought into sharper focus than in its management of endowment and other long-term invested funds. Endowment enables Zamorano to offer new programs and services.
Responsibility for management of the Zamorano endowment funds is under established Board of Trustee policy with guidelines clearly understood by all members and the administration. They are regularly reviewed.

The Zamorano Board of Trustees and Administration have annually researched and solicited unrestricted gifts to balance those for restricted projects and purposes. Potential providers have been interviewed, cultivated, and solicited for the past 30 years. It is a serious, disciplined effort. The Honduran Endowment is certain to provide a much-needed endorsement of the special investment potential of Zamorano, from public and private sources, worldwide. This endorsement will be especially appealing to the community of American donors. Beyond its financial significance, the Endowment provides an invaluable "seal of approval" and commitment by the Government of Honduras and its people.

The trustees of Escuela Agricola Panamericana in September 1987, authorized expanded Development Office activity to meet increased student, faculty, facility, and program needs. Complementing the work of the Honduran development program will be the addition of a US-based office and professional staff. The U.S. office will concentrate on broader, unrestricted giving, scholarship enhancement, a five year faculty underwriting plan and a construction and special-projects fund campaign. The Honduras staff will concentrate on support through Zamorano alumni (2569 at the end of 1987), Honduran private citizens, international development agencies, regional private foundations, foreign corporations operating in Honduras and Honduran corporations and financial institutions.
B. Project Outline

1. The objectives of the Project are

(a) To establish and maintain an endowment in Honduras from USAID/ESF sources, which will provide EAP an assured supply of funds (i) to cover EAP-related education costs for worthy Hondurans and (ii) for EAP programs/projects with positive direct impact on water availability and management of natural resources and agriculture potential of Honduras.

(b) To assist and encourage EAP in its long-term capitalization

2. Project inputs will be up to 30 million Lps. drawn from the Local Currency Special Account of ESF funds of the Government of Honduras. These funds, to be made available in three equal installments, will be used to purchase general revenue bonds of the Government of Honduras which will be transferred to a restricted endowment fund managed by the Board of Trustees of EAP.

3. Matching Requirement: The second and third installments, and use of the interest on all three of the installments, will be conditioned on EAP matching each installment with 25% of funds from sources other than USAID or the Government of Honduras, of which

(a) at least one-half of the match must be an increase in capitalization of EAP's U.S. dollar endowment, and

(b) the remainder of the match may be cash or in-kind contributions for EAP capital assets such as buildings, land, equipment, and vehicles.

4. Project outputs will be

(a) By the year 2005, 48 million Lps. in interest from the Honduran Endowment will have been made available to meet the project objectives (while the 30 million Lps. in Endowment capital remains available for future earnings);

(b) By the year 1991, pursuant to the Honduran Endowment matching requirement, EAP will have generated $3,750,000 in new funds, of which $1,875,000 will be for increase in EAP's U.S. dollar endowment and $1,875,000 will be for acquisition of EAP capital assets.
C. Details of Proposed Endowment

In the sections which follow, there is a discussion of the proposed form, terms, and conditions for establishment and management by EAP of the Honduran Endowment. The project description below has been agreed upon by EAP and the Ministry of Finance and Public Credit, and is incorporated into the draft "Memorandum of Understanding" which accompanies this Proposal.

1. Memorandum of Understanding

The basic agreement establishing the relationships of the interested parties and the terms and conditions of the Honduras Endowment ("Fondo Dotal Hondureño") will be a Memorandum of Understanding ("Memorando de Entendimiento") executed by the Government of Honduras (the "Government"), the United States Agency for International Development ("USAID"), and the Escuela Agrícola Panamericana ("EAP"), acting through its Board of Trustees.

The Memorandum of Understanding format for a single tripartite agreement was decided upon after consideration of alternative forms and combinations of agreements. The Memorandum format is convenient, and consistent with prior practice in Honduras for formalizing USAID and Government of Honduras understandings concerning projects to be financed from local currency Economic Stabilization and Recovery Program funds. (See, for example, the Memorandum of Understanding dated February 8, 1985, between USAID and the Ministry of Finance and Public Credit concerning the Employment Generation Program.) Some consideration was considering to having a separate "Implementation Agreement" between the Government and EAP, that would incorporate the basic terms and conditions of the Memorandum of Understanding, but the Government and EAP concluded that this additional document would be redundant.

The Government signatory to this Memorandum of Understanding will be the the Minister of the Treasury and Public Credit. The USAID signatory will be the USAID Mission Director for Honduras. The EAP signatories will be the Chairman of the Board of Trustees and the EAP Director. Since the Board of Directors of EAP will be assuming specific fiduciary responsibilities, going beyond the undertakings of the Administration of the agricultural school, it is important that the Board of Trustees of EAP be a direct signatory to the Memorandum of Understanding.

The effective date for the Memorandum of Understanding will be the date when it is signed by the parties. It will remain in effect for a period of eight years. The eight year term is meant to cover the approximately three years required for the Endowment installments and for EAP to meet the matching requirements (as
described in Section 5, below), and then be in effect for an additional five years.

The funding for the Endowment described in the Memorandum of Understanding will come from the Local Currency Special Account in the Central Bank of Honduras which is used for deposits of Lempiras in conjunction with the Government of Honduras's Economic Stabilization and Recovery Program II. This program is supported by USAID through Project No. 522-0323 (Grant Agreement 19 June 1987, as amended 28 August 1987), which is annexed to this Proposal as Addendum A. The first installment of 10 million Lps. for the Honduran Endowment has already been programmed and made available for the Economic and Stabilization and Recovery Program II by USAID's Project Implementation Letter No. 4, dated November 26, 1987, which is annexed to this Proposal as Addendum B.

Since the Project No. 522-0323 Agreement has been approved by Legislative Decree, it is the view of EAP and the Ministry that a further Legislative Decree is not required for the proposed Memorandum of Understanding. It is also expected that future Economic Stabilization agreements between USAID and the Government of Honduras, which would be the basis for future installments for the Endowment, will also be approved by Legislative Decree.

The Memorandum of Understanding will provide for a contribution to the Endowment of 30 Million Lps., to be provided in three equal installments ("desembolsos"), with an initial installment of 10 million Lps. in 1988. There will be two subsequent installments of 10 million Lps. each, subject to availability of funds in the Local Currency Special Account and subject to EAP compliance with conditions precedent to release of these subsequent installments. (See Section 5, below.) Use by the Government of its Local Currency Special Account funds for financing the Endowment will be authorized by USAID by Implementation Letters, as provided in Project 522-0323 Implementation Letter No. 4. (Addendum B)

2. Objectives

The general objectives which motivate the establishment of the Endowment, and that will guide interpretation and implementation of the provisions of the Memorandum of Understanding, are:

* To provide an assured source of funding to increase and sustain the opportunities for worthy Hondurans to take advantage of the educational opportunities available at and through EAP:

* To provide an assured source of funding for programs by
EAP which can have direct positive impact on water availability and the management of forests and other natural resources and agriculture potential of Honduras:

* To assist and encourage EAP in its efforts at long-term capitalization.

The foregoing objectives are to be accomplished through financial means which are consistent with Honduras' program of economic stabilization, as described more fully below in Section 4 concerning investment norms.

In quantitative terms, the Project will achieve the following objectives:

(a) By the year 2005, 48 million Lps. in interest from the Honduran Endowment will have been made available to meet the project objectives identified above; at the same time, the 30 million Lps. in Endowment capital will remain available for future earnings; and

(b) By the year 1991, pursuant to the matching requirements discussed below, EAP will have generated $3,750,000 in new funds (in addition to the Endowment capital and interest provided directly through this project), of which $1,875,000 will be for increase in EAP's U.S. dollar endowment and $1,875,000 will be for acquisition of EAP capital assets.

3. **Funding The Endowment**

As described above in Section 1, the total amount of funds to be made available in this Project for EAP's Honduras Endowment ("Fondo Dotal Hondureño") is 30 million Lps. The initial installment is 10 million Lps in 1988. As soon as possible after the Memorandum of Understanding is signed, USAID will send an Implementation Letter to the Minister of Finance and Public Credit and the President of the Central Bank of Honduras, confirming that the Memorandum of Understanding establishes the procedures for disbursement and management of EAP as described in Project Implementation Letter No. 4 (Addendum B).

Promptly after the Memorandum of Understanding is signed, the Trustees of EAP and the Central Bank of Honduras will negotiate a portfolio of Government bonds, to be purchased from the initial installment, which will yield the maximum possible return for the Honduran Endowment and are otherwise consistent with the portfolio management norms described below in Section 4.
The second installment of 10 million Lps. will be made available to the Honduran Endowment when EAP has satisfied the matching requirement which is a condition precedent to the second installment (see Section 5, below), and upon the availability to the Government of Honduras of sufficient funds to make the second installment of funds. The Government’s disbursement of the second installment will, like the first, be pursuant to Implementation Letter from USAID as a part of the Economic Stabilization and Recovery Program.

If the Government does not have sufficient funds to furnish the second installment when EAP has met the matching requirement, the Government will make those funds available as soon afterwards as possible. Similarly, if EAP has been unable to satisfy the matching requirement as of the time that the Government has funds available for the Endowment in the Government’s Local Currency Special Account, then the Government will reserve those funds for use by the Endowment for at least twelve months, and release them to EAP when EAP satisfies the matching requirement. As with the first installment, the Trustees of EAP and the Central Bank of Honduras will negotiate a portfolio of Government Bonds for the Endowment.

The procedures for EAP’s qualification for the third installment, and the actions by the Government, USAID, and EAP, will be as described above for the second installment.

4. Management of the Endowment

The Honduran Endowment will be managed by the Board of Trustees of EAP, who will accept the responsibility to ensure that the capital of the Endowment that is provided from the Government of Honduras is kept intact, and that this capital is invested in accordance with the following norms:

(a) The Honduran Endowment capital provided by the Government will be invested only in general revenue bonds of the Central Bank of Honduras;

(b) EAP will be entitled to use of the income from the investment of the Honduran Endowment capital, but cannot touch the capital except for purposes of further reinvestment;

(c) During the term of the Memorandum of Understanding, reinvestment of the Honduran capital into securities other than Government bonds will be done only after consultation with the Government of Honduras to ensure that the proposed reinvestments are consistent with the Government’s Economic Stabilization and Recovery
When reinvestments are made, the following investment objectives must be balanced:

* The investments should yield the maximum possible return;
* The investments should have sufficient liquidity to ensure availability of funds when needed to meet the program objectives of the Endowment; and
* The investments should be sufficiently secure to avoid reduction in the Endowment capital.

As soon as possible after signing the Memorandum of Understanding, the Board of Trustees will make arrangements with a private bank or other suitable depository institution to hold in escrow ("en deposito regular en custodia") the Honduran Endowment's portfolio of investments and to receive Endowment income and disburse that income to EAP in accordance with the Memorandum of Understanding. The depository institution will be selected by the Board of Trustees of EAP, after comparative consideration of alternatives and in consultation with the Government of Honduras. The depository institution will serve in a custodial capacity, acting pursuant to instructions from the Board of Trustees of EAP. The arrangements with the depository institution may be continued, or discontinued, in the discretion of the Board of Trustees of EAP, after EAP has satisfied the matching requirements that are conditions precedent to EAP's use of the interest income from the three Endowment installments. (See Section 5, below.)

5. Matching Requirement

As a condition precedent to the transfer of the second installment of funds for the Endowment, and as a condition precedent to EAP making use of the interest on the Government bonds obtained for the Honduras Endowment from the first installment of funds, EAP must certify to USAID and the Government of Honduras (in a form acceptable to each) that EAP has, since September 17, 1987, been able to match the initial installment of 10 Lps., with 25% contributions of cash or in-kind (or a total of 2,500,000 Lps., from sources other than the U.S. Government. The September 17, 1987 date was established in negotiations with the USAID/Honduras Mission Director. Qualification of funds for purposes of this matching requirement is limited as follows:

* No less than one-half of EAP's match (that is, 1,250,000 Lps and/or $US equivalent) must be in the
form of additional capitalization to the U.S. dollar endowment of EAP and/or the Honduran Endowment; and

* The balance of EAP's match can be contributions for capital assets for EAP, including buildings, land, equipment, and vehicles (but not for operating costs).

The restrictions on the nature of portfolio investments (Section 4, above) and restrictions on the use of income of the Honduran Endowment (Section 6, below) will not apply to the capital that has been obtained as part of the matching requirement.

As condition precedent to the third installment of funds, and as a condition precedent to EAP making use of the interest on the Government bonds obtained for the Endowment from the second installment of funds, EAP must certify to USAID and the Government that it has, since it met the matching requirement for the second installment, secured an equal amount of matching contributions (that is, 25% of the amount of the second installment), subject to the same limitations as above.

As a condition precedent to EAP making use of the interest on the Government bonds obtained from the third installment of funds, EAP must certify that it has, since it met the matching requirement for the third installment, secured an equal amount of matching contributions (that is, 25% of the amount of the third installment), subject to the same limitations as above.

6. Restrictions On Use of Endowment Income

The use by EAP of the interest income which it receives from the Honduran Endowment will be subject to the following restrictions:

* Up to 70% of the income received by EAP from the Honduran Endowment, in any calendar year, will be used to cover the costs of education provided at EAP to worthy Hondurans; and

* The remainder of the Honduran Endowment income for that year may be spent on (or reserved for) programs and activities by EAP that can have direct positive impact on water availability or the management of forests or other natural resources and agricultural potential of Honduras.


The Memorandum of Understanding will contain necessary formal provisions, including provision concerning dissolution. The Endowment will be irrevocable and (as is common with endowments
in Honduras) for an indefinite term. The Government, USAID, and EAP will all disavow any intention or right to take unilateral action to dissolve the Endowment or to use the Endowment assets for purposes other than as described in the Memorandum of Understanding. If one or another party should be dissatisfied with the performance of another party and should seek to dissolve the Endowment, recourse may be had to the judicial system of Honduras.

The Memorandum of Understanding will also make provision for reports, audits, and notices to the parties as necessary for carrying out the Project. The Memorandum of Understanding will be prepared in both English and Spanish. In the event of ambiguity or conflict between the two versions, the Spanish language version will control.
III. Financial Analysis

A. Current Financial Condition

As part of evaluating the current financial condition of EAP, analysis of the financial statements of the institution for the past seven years (1981-1987) was undertaken.

Within the limited time allotted for financial analysis, annual financial statements prepared by EAP's external auditors, Mendieta y Asociados, member of Arthur Young, International, were reviewed. (Drafts of the annual financial reports for EAP are submitted by Mendieta y Asociados to Arthur Young, International, in New York for review and approval before the reports are released.)

A meeting was held with Mr. Ernesto Wainwright, the Mendieta y Asociados partner who has audited the EAP for eight years. The audit firm has issued an unqualified opinion for each of the years mentioned. The information contained in the external auditor's reports for each of the years mentioned above was compared to figures presented by EAP for this Endowment proposal to determine any inconsistencies.

In general, the two sets of documents are found to be consistent. One difference is the manner of accounting for the value of products produced and consumed at EAP; these include food and other products used in EAP programs. This is included in a note addendum to the audit firm's financial statements. Through 1986, the external auditors did not include the value of these products as annual income to EAP. Beginning 1987, the EAP Board of Trustees and the external audit firm agreed to include the value of products consumed as income in annual financial statements. This was $538,000 for 1987.

The internal accounting of EAP included this value in income and the amounts are included as income in the Endowment proposal submitted by EAP. This allows a clearer representation of income and expenditures. The value of these products is significant, ranging from a low of $430,000 in 1984 to a high of $644,000 in 1986. EAP values these products at "market price" and justifies its procedure on the basis that:

1. These products would have to be purchased from outside vendors if they were not produced at EAP; and

2. The cost of production of the items is included in EAP's total expenses.

On balance, EAP's accounting for consumption of its own products
is not of material difference in financial analysis, relevant to the proposed Endowment. It is pointed out here, since it does constitute a difference when comparing EAP’s annual financial statements to that of its Endowment proposal.

B. Inflation Factors

In recent years, inflation has diminished EAP’s dollar Endowment in real terms. In projecting the effect of the proposed Honduras Endowment, it is difficult to find agreement among knowledgeable authorities as to the actual rate of inflation currently experienced in Honduras or that likely to be experienced in the near and long-term. If one considers primarily the items purchased by a Honduran family of lower economic status, the rate of inflation is lower than that for purchasers like Zamorano of a much broader spectrum of goods and services. EAP officials feel the rate of cost increase in items they must purchase is significantly higher than the 5% inflation rate currently stated by the Government of Honduras.

Given the rates of inflation that EAP is actually experiences (10%—versus a 5% rate, generally attributed to Honduras) and the relatively fixed rate of return on EAP’s existing endowment in the United States, there is strong pressure on EAP to draw on U.S. endowment principal to sustain program and general operations. To this must be added a parallel pressure on EAP to engage in program expansion to meet new demands, including the need to provide educational opportunities to worthy Hondurans of limited financial means.

In essence, additional sources of income -- to meet current costs and to recapitalize for future needs -- are clearly needed.

The projections EAP has provided USAID and the Government of Honduras outlining the likely benefits that will result from income from a L.30,000,000 Endowment in Honduras seem realistic, and even conservative. It is estimated income will increase less than 10% per year. Expenditures are projected to increase by 10% annually, a combination of moderate growth and inflation.

C. Indirect Cost Recovery

EAP receives grants and contracts from a broad spectrum of international sponsors for carefully chosen research projects. These are undertaken for mutually beneficial objectives to EAP and the sponsors. These projects utilize EAP resources other than more easily identified direct costs, such as salaries, supplies, and materials. There are associated indirect costs that EAP must recover in the future. EAP has attempted to identify all indirect costs so that they can be equitably
allocated to users, both within EAP and outside. The staff is developing an indirect cost study to better distribute these costs and thus avoid income loss to EAP.

Currently EAP has grants and contracts valued at over $3,300,000. Between 1985 and 1987, approximately $300,000 in indirect costs were recovered from these sponsors. Unfortunately, indirect costs have not always been included in special projects, and EAP has not fully recovered those expenses. A list of current special projects is included in Table A.

Growing research project activity will create an opportunity for increased future income through full indirect cost recovery. EAP will make every effort to negotiate future grants and contracts which include full indirect costs to preserve resources.

D. Recapitalization

Several factors have depleted EAP’s capital base, primarily its existing U.S. dollar Endowment:

1. The rate of return from the U.S. endowment is relatively fixed since the integrity of the corpus must be protected through investment in secure instruments;

2. Steadily increasing annual operating costs are the main reason EAP must increase its capital base.

3. It is difficult for EAP (and similar organizations) to obtain donations for endowment, particularly when its operations are not located in the United States. This is true even though EAP is incorporated in the U.S. and qualifies under U.S. tax-exemption laws.

4. EAP has attempted to grow annually at a moderate controlled rate while accommodating demands of its "clientele" or publics.

Projections contained in the analysis in Section E show that the U.S. endowment will be recapitalized from a 1987 value of $12,000,000 to about $20,000,000 by the year 2,000. It is assumed for this analysis that EAP will continue to use approximately $500,000 annually from U.S. endowment earnings. This has been the practice authorized by the Board of Trustees.

EAP’s U.S. endowment can be recapitalized as income from the new Honduras Endowment becomes available. This will occur based upon the following:

* The cash match EAP is required to raise under the Honduras Endowment provisions will be added to the U.S.
endowment, resulting in increased annual endowment earnings, further enhancing the corpus.

Income from the Honduran Endowment will fund some costs now being covered by earnings from the U.S. endowment. This will reduce the "draw down" on the U.S. endowment, permitting a disciplined, more rapid recapitalization.

New sources of funding are identified for the U.S. endowment and/or to reduce the amount of "drawdown" from the U.S. endowment. Similarly, EAP will seek greater indirect cost recovery from externally funded research projects (Section C), thereby reducing the drain on U.S. endowment income.

E. Endowment Projections

The Honduras Endowment projections are set forth in Chart I. These show that adhering to the strategy proposed for income flow from the Honduran Endowment, in addition to use and reinvestment of annual income from the U.S. endowment, will achieve objectives of the Government of Honduras, USAID, and EAP, including the following:

1. Funds will be available for EAP to cover costs of additional, worthy Honduran students;

2. The Yeguare Valley natural resource management and rural development program of EAP will be properly funded;

3. EAP will achieve effective recapitalization to assure effective, sustained operations; and

4. There will be a slight increase in annual operating funds to support growth of EAP.

From projections presented, when returns from the L. 30,000,000 investment are realized in 1989, there may be a slight surplus from operations through the year 1999. If EAP is fortunate enough to experience this, all possible savings should be reinvested in the combined endowment funds (in the U.S. and in Honduras) to make provision for future years that may be less bright. Such "down-side" occurrences -- higher inflation than projected, lower available interest rates than anticipated, and/or devaluation -- could bring about this adverse situation.
## Chart 1

### INCOME AND EXPENSE FIGURES:

**ACTUAL (1983-1987)**

**PROJECTIONS THROUGH 2005**

**INCOME (in 000's)**

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**EXPENSES (in 000's)**

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<td>TOTAL</td>
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<td>9,906.5</td>
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**OPERATIONAL PROFIT (LOSS)**

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<td>OPERATIONAL PROFIT (LOSS)</td>
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<td>648.2</td>
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MEMORANDUM OF UNDERSTANDING

THE GOVERNMENT OF HONDURAS

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

And

ESCUELA AGRICOLA PANAMERICANA, INC.

For the Establishment of an Educational Endowment

Administered By the Escuela Agricola Panamericana, Inc.

Tegucigalpa, Honduras

_______ ___, 1988
MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is entered into this _______ day of _______ 1988, by the Government of Honduras, the United States Agency for International Development (USAID), and the Escuela Agrícola Pan-Americana, Inc. (EAP), a U.S. non-profit corporation organized under the laws of the State of Delaware and authorized to operate an agricultural training school and related facilities in Honduras by virtue of Legislative Decree No. 47 (1942), as subsequently amended from time to time. The purpose of this Memorandum is to describe and establish an educational endowment (referred to as the "Honduran Endowment") to be administered by the Board of Trustees of EAP. References in this Memorandum of Understanding to "EAP" is meant to include the Board of Trustees unless the context clearly indicates otherwise.

ARTICULO I

Vigencia

This Memorandum of Understanding will become effective when it is signed by the parties and will remain in effect for a period of eight years.

ARTICULO II

Objetivos

The objectives of this Memorandum of Understanding are:

1. To provide an assured source of funding to enable worthy Hondurans to take advantage of the educational opportunities available at EAP.

2. Proporcionar y asegurar fuentes de recursos que permitan a hondureños calificados beneficiarse con las oportunidades de educación que

ARTICULO I

Vigencia

Este Memorándum de Entendimiento entrará en vigencia en la fecha de la firma de las partes y tendrá un periodo de ocho años.

ARTICULO II

Objetivos

Los objetivos de este Memorándum de Entendimiento son los siguientes:

1. Proporcionar y asegurar fuentes de recursos que permitan a hondureños calificados beneficiarse con las oportunidades de educación que
Proporcionar y asegurar fuentes de financiamiento para los programas de la EAP que den un impacto positivo y directo para el abastecimiento de recursos hídricos, el manejo adecuado de bosques y otros recursos naturales, y el desarrollo del potencial agrícola de Honduras; y

Ayudar y incentivar a la EAP en su programa de capitalización a largo plazo.

Los objetivos arriba indicados se realizarán con medios financieros compatibles con el Programa de Estabilización y Recuperación Económica del Gobierno.

ARTÍCULO III.

Características del Fondo Dotal Hondureño

A. Regulaciones

El Fondo Dotal Hondureño se establecerá y será manejado de acuerdo con la Constitución de leyes de la República de Honduras. Asimismo, se reconoce que la EAP es una organización que cuenta con liberación de impuestos bajo la Sección 501(c)(3) y demás disposiciones del "Internal Revenue Code" de los Estados Unidos.

Por lo tanto, la EAP manejará el Fondo Dotal Hondureño dentro de las disposiciones de su estado de institución exenta del pago de impuestos.

B. Capitalización

El Fondo Dotal Hondureño se capitalizará con fondos donados por el Gobierno de Honduras a la EAP como una donación condicionada específicamente para los propósitos del Fondo Dotal Hondureño. Los fondos necesarios para el establecimiento del Fondo Dotal Hondureño se proporcionarán de una Cuenta Especial en el Banco Central de Honduras que se

To provide an assured source of funding for programs by EAP which can have direct positive impact on water availability and the management of forests and other natural resources and agricultural potential of Honduras; and

To assist and encourage EAP in its program of long-term capitalization.

The foregoing objectives are to be accomplished through financial means which are consistent with the Government's Economic Stabilization and Recovery Program.

ARTÍCULO III

Características de the Honduran Endowment

A. Governing Law

The Honduran Endowment will be established and managed in accordance with the Constitution and laws of the Republic of Honduras. At the same time, it is recognized that EAP is qualified as a tax-exempt organization under Section 501(c)(3) and related provisions of the Internal Revenue Code of the United States. Accordingly, EAP will manage the Honduran Endowment consistently with the tax-exempt status of EAP.

B. Capitalization

The Honduran Endowment will be capitalized by funds granted by the Government of Honduras to EAP as a conditional gift for the purposes of the Honduran Endowment. The initial funds to be used to create the Honduran Endowment will be taken from a Special Account in the Central Bank of Honduras which is used for deposits of Lempiras in
La donació para EAP de los fondos para el Fondo Dotal Hondureño será irrevocable y no reembolsable, sujeto solamente a las condiciones establecidas en el Memorándum de Entendimiento.

C. Administración

El Fondo Dotal Hondureño será administrado por la Junta de Síndicos de la EAP que acepta la responsabilidad para asegurar que el capital del Fondo Dotal Hondureño, proporcionado mediante una donación condicionada del Gobierno de Honduras, se mantenga intacto y que sea invertido de acuerdo con las siguientes normas:

1. El capital del Fondo Dotal Hondureño proporcionado como donación condicionada del Gobierno de Honduras se invertirá solamente en valores fiscales del Banco Central de Honduras;

2. EAP queda autorizada para utilizar la renta generada de la inversión del capital del Fondo Dotal Hondureño, pero el capital podrá tocar excepto para reinversión del mismo;

3. Durante el período de vigencia de este Memorándum de Entendimiento, la reinversión del capital hondureño en

conjunction with the Government of Honduras' Economic Stabilization and Recovery Program II which is supported by USAID through Project No. 522-0323 (Grant Agreement 19 June, 1987, as amended 28 August 1987). The first installment of 10 million Lps. for this Honduran Endowment has already been programmed and made available for the Economic Stabilization and Recovery Program II by Project Implementation Letter No. 4, dated November 26, 1987, signed and accepted by USAID and the Government of Honduras.

The grant to EAP of funds for the Honduran Endowment will be irrevocable and non-reimbursable, subject only to the conditions contained in this Memorandum of Understanding.

C. Management

The Honduran Endowment will be managed by the Board of Trustees of EAP, who will accept the responsibility to ensure that the capital of the Honduran Endowment which is provided through conditional grant from the Government of Honduras is kept intact, and that this capital is invested in accordance with the following norms:

1. The Honduran Endowment capital provided through conditional grant from the Government of Honduras will be invested only in general revenue Government bonds of the Central Bank of Honduras;

2. EAP will be entitled to use of the income from the investment of the Honduran Endowment capital, but cannot touch the capital except for purposes of further reinvestment;

3. During the term of this Memorandum of Understanding, reinvestment of the Honduran capital into securities
valores fiscales que no sean del Gobierno podrá realizarse solamente luego de consultar con el Gobierno de Honduras para asegurar que la reinvención propuesta está en consistencia dentro del Programa de Estabilización y Recuperación Económica;

4. Cuando se realicen reinversiones se deberá establecer un balance de los siguientes objetivos:

* Las inversiones deberán generar el máximo posible de intereses;
* Las inversiones deberán tener suficiente liquidez que asegure la disponibilidad de fondos cuando sea necesario para cumplir con los objetivos del programa del Fondo Dotal;
* Las inversiones deberán ser altamente aseguradas para evitar la reducción del capital del Fondo Dotal.

ARTICULO IV

ESTABLECIMIENTO Y FINANCIACION DEL FONDO DOTAL HONDUREÑO

A. Operación del Fondo Dotal

Tan pronto como sea posible luego de la ejecución de este Memorandum de Entendimiento, la EAP deberá cumplir con los siguientes requisitos previos a la transferencia de fondos al Fondo Dotal Hondureño:

* Mediante resolución formal, la Junta de Directores de la EAP se convertirán en fiduciarios del Fondo Dotal Hondureño y aceptarán la responsabilidad para la administración del Fondo Dotal Hondureño de acuerdo a lo establecido en este Memorandum de

other than Government bonds shall be done only after consultation with the Government of Honduras to ensure that the proposed reinvestments are consistent with the Government's Economic Stabilization and Recovery Program;

4. When reinvestments are made, the following investment objectives must be balanced:

* The investments should yield the maximum possible return;
* The investments should have sufficient liquidity to ensure availability of funds when needed to meet the program objectives of the Endowment;
* The investments should be sufficiently secure to avoid reduction in the Endowment capital.

ARTICLE IV

ESTABLISHING AND FUNDING THE HONDURAN ENDOWMENT

A. The Endowment Mechanism

As soon as possible after the execution of this Memorandum of Understanding, and as condition precedent to transfer of any funds to the Honduran Endowment, EAP will accomplish the following:

* By formal resolution, the Board of Trustees of EAP will constitute themselves as trustees for the Honduran Endowment, and will accept responsibility for administration of the Honduran Endowment as provided in this Memorandum of Understanding; and
Arrangements will be made with a private bank or other suitable depository institution to hold in escrow ("en depósito regular en custodia") the Honduran Endowment's portfolio of investments and to receive Endowment income and disburse that income to EAP in accordance with this Memorandum of Understanding. The depository institution will be selected by the Board of Trustees of EAP, after comparative consideration of alternatives and in consultation with the Government of Honduras. The depository institution will serve in a custodial or non-discretionary capacity, acting pursuant to instructions from the Board of Trustees of EAP.

B. Funding The Endowment

1. The Initial Installment:

(a) The initial installment in 1988 will be 10 million Lps. Promptly after this Memorandum of Understanding is signed, USAID will send an Implementation Letter to the Minister of Finance and Public Credit and the President of the Central Bank of Honduras, confirming that this Memorandum of Understanding establishes the procedures for disbursement and management of the "Pan-American Agricultural School (Zamorano) Endowment Fund" as described in Project Implementation Letter No. 4, November 26, 1987, AID Program No. 522-0323, Economic Stabilization and Recovery Program II.

(b) Promptly after this Agreement

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firmado este Acuerdo, los miembros de la Junta de Directores de la EAP y miembros del Banco Central de Honduras negociarán una cartera de valores fiscales a ser obtenidos con los fondos del primer desembolso. Estos bonos deberán tener el máximo posible de interés para la inversión del capital del Fondo Dotal Hondureño y deberán cumplir con las normas establecidas para la administración de esta cartera (Artículo III.C).

2. Segundo Desembolso:

(a) El segundo desembolso de 10 millones de Lempiras se acreditará al Fondo Dotal Hondureño cuando la EAP satisfaga los requerimientos de aportación de acuerdo a lo establecido en el Artículo V y sujeto a la disponibilidad de fondos del Gobierno de Honduras de acuerdo con los procedimientos aquí establecidos para el primer desembolso. Cuando la EAP comunique que ha cumplido con los requerimientos de aportación para el segundo desembolso deberá comunicar a USAID y al Gobierno en forma satisfactoria para las dos partes.

(b) Si el Gobierno no cuenta con fondos suficientes para proporcionar el segundo desembolso cuando la EAP haya llenado su requerimiento de aportación, el Gobierno proporcionará los fondos tan pronto como le sea posible.

(c) Si la EAP no ha cumplido con su requisito de aportación para el segundo desembolso cuando el Gobierno son disponibles los fondos, los mismos serán reservados por el Gobierno para

2. The Second Installment:

(a) The second installment of 10 million Lps. will be made available to the Honduran Endowment upon EAP's satisfaction of the matching requirement which is a condition precedent to the second installment (Article V), and upon the availability to the Government of Honduras of sufficient funds in accordance with procedures described above for the first installment. When EAP has satisfied the matching requirement for the second installment, it shall advise USAID and the Government in a form satisfactory to each.

(b) If the Government does not have sufficient funds available to furnish the second installment when EAP has met the matching requirement, the Government will make those funds available as soon afterwards as possible.

(c) If EAP has not been able to satisfy the matching requirement for the second installment when the Government funds become available, the Government will reserve those funds for use by the Honduran
ser utilizados en el Fondo Dotal Hondureno por un periodo de por lo menos doce meses después de su disponibilidad por parte del Gobierno, desembolsarán tan pronto como la EAP cumpla con su requerimiento de aportación.

(d) Cuando la EAP haya cumplido con su requisito de aportación y el Gobierno de Honduras tenga disponible los fondos especificados, los miembros de la Junta de Síndicos y funcionarios del Banco Central negociarán una cartera de valores fiscales para el Fondo Dotal Hondureño de acuerdo a lo establecido para el primer desembolso.

3. **Tercer Desembolso**

Los procedimientos y requisitos que deberá llenar la EAP para obtener este tercer desembolso de 10 millones de Lempiras, y las acciones por parte del Gobierno de Honduras, USAID, y EAP serán como las especificadas para el segundo desembolso.

**ARTÍCULO V**

**REQUISITOS DE CUMPLIMIENTO**

A. **Requisitos de Cumplimiento como Condición Previa al Segundo Desembolso**

Previo a la transferencia del segundo desembolso de los fondos para el Fondo Dotal y antes de que la EAP pueda utilizar los ingresos obtenidos de la

**ARTICLE V**

**MATCHING REQUIREMENT**

A. **Matching Requirement As Condition Precedent To Second Installment And To Use Of Income From First Installment**

Prior to the transfer of the second installment of funds for the Endowment, and prior to EAP making use of the interest on the securities obtained for
Inversión del primer desembolso de fondos. La EAP deberá certificar en forma satisfactoria a USAID y al Gobierno de Honduras, que la EAP desde el 17 de septiembre de 1987 ha logrado aportar al desembolso inicial de 10 millones de Lempiras un 25% de contribuciones en efectivo, insumos o sea un total de 2,500,000 Lempiras de fuentes que no provengan del Gobierno de los Estados cuyas limitaciones se establecen a continuación:

- No menos de la mitad de la aportación de la EAP (es decir, 1,250,000 en Lempiras v/o su equivalente en dólares) se capitalizarán en forma adicional al fondo total en dólares de la EAP v/o el Fondo Dotal Hondureño;

- El balance de la aportación de la EAP puede utilizar la EAP para activos fijos incluyendo construcción de edificios, compra de terrenos, equipo, vehículos (pero ningún otro gasto de operación).

Debe aclararse que mientras el incremento de la capitalización de la EAP con fondos de la aportación antes indicada es parte importante de este Memorándum de Entendimiento, las restricciones para la cartera de inversión (Artículo III) y las restricciones para la utilización de los ingresos obtenidos del Fondo Dotal Hondureño (Artículo VI) no se aplicarán a la capital obtenida para el requisito de aportación.

B. Requisito de Aportación como Condiciones Previa al Tercer Desembolso de Utilización de los Ingresos Obtendos del Segundo Desembolso

Previo a la transferencia del tercer desembolso de fondos para el Fondo Dotal y previo a que la EAP pueda utilizar los ingresos generados de la inversión del segundo desembolso de fondos del Fondo Dotal Hondureño, la EAP deberá certificar satisfactoriamente tanto a USAID como al Gobierno de Honduras que ha logrado aportar al desembolso inicial de 10 millones de Lempiras un 25% de contribuciones en efectivo, insumos o sea un total de 2,500,000 Lempiras de fuentes que no provengan del Gobierno de los Estados cuyas limitaciones se establecen a continuación:

- No menos de la mitad de la aportación de la EAP (es decir, 1,250,000 en Lempiras v/o su equivalente en dólares) se capitalizarán en forma adicional al fondo total en dólares de la EAP v/o el Fondo Dotal Hondureño;

- El balance de la aportación de la EAP puede utilizar la EAP para activos fijos incluyendo construcción de edificios, compra de terrenos, equipo, vehículos (pero ningún otro gasto de operación).

Debe aclararse que mientras el incremento de la capitalización de la EAP con fondos de la aportación antes indicada es parte importante de este Memorándum de Entendimiento, las restricciones para la cartera de inversión (Artículo III) y las restricciones para la utilización de los ingresos obtenidos del Fondo Dotal Hondureño (Artículo VI) no se aplicarán a la capital obtenida para el requisito de aportación.

B. Matching Requirement As Condition Precedent To Third Installment and To Use of Income From Second Installment

Prior to the transfer of the third installment of funds for the Endowment, and prior to EAP making use of the interest on the securities obtained for the Honduran Endowment from the second installment of funds, EAP must certify to USAID and the Government of Honduras,
Prior to EAP making use of the interest on the securities obtained for the Honduran Endowment from the third installment of funds, EAP must certify to USAID and the Government of Honduras, in a form satisfactory to each, that it has, since it met the matching requirement for the third installment, secured an equal amount of matching contributions (that is, 25% of the amount of the third installment), subject to the same limitations.

The use by EAP of the interest income which it receives from the Honduran Endowment will be subject to the following restrictions:

1. Up to 70% of the income received by EAP from the Honduran Endowment, in any calendar year, will be used to cover the costs of education provided at EAP to worthy Hondurans; and

2. The remainder of the Honduran Endowment income for that year may be spent on (or reserved for) programs and activities by EAP that can have direct positive impact on water availability or on the management of forests or other natural resources and agricultural potential of Honduras.
The Honduran Endowment is intended to be irrevocable and for an indefinite term. The three parties to this Memorandum of Understanding disavow any intention or right to make a unilateral dissolution of the Honduran Endowment created by this Agreement. Should one or more parties conclude that dissolution is either warranted or desired, recourse may be had only to the judicial system of Honduras for a determination that the proposed dissolution is appropriate under the laws of Honduras.
Con disculpas a nuestros lectores en español, secciones dentro del apéndice no se han traducido.
ADDENDUM
CONVENIO DE PROYECTO
PROJECT AGREEMENT

ENTRE
BETWEEN

LA REPUBLICA DE HONDURAS
THE REPUBLIC OF HONDURAS

Y
AND

LOS ESTADOS UNIDOS DE AMERICA
THE UNITED STATES OF AMERICA

PARA
FOR

PROGRAMA DE ESTABILIZACION Y RECUPERACION ECONOMICA II
ECONOMIC STABILIZATION AND RECOVERY PROGRAM II

Tegucigalpa, Honduras
19 de junio de 1987
La A.I.D., de conformidad con la Sección 531 del Acta de Asistencia al Exterior de 1961, y sus enmiendas, conviene en donar al Gobierno de Honduras (GdeH), bajo los términos de este Convenio una cantidad que no exceda de SESENTA Y CINCO MILLONES DE DÓLARES ESTADOUNIDENSES (US$65,000,000) para asistencia al programa, en apoyo al programa de recuperación y estabilización económica del Gobierno de Honduras (la "Asistencia").

Es este Convenio proporciona apoyo financiero para un programa económico del GdeH cuya ejecución elevará el nivel de ingresos y empleo que pueda ser sostenido en Honduras.

ARTICULO II
CONDICIONES PREVIAS AL DESEMBOLSO
DE LA A.I.D.

Sección 2.1. Condiciones Previyas

A menos que sea de otra manera acordado por escrito, la A.I.D. hará los desembolsos de la Asistencia después de que el Donatario cumpla lo siguiente:

ARTICLE I
THE ASSISTANCE

A.I.D., pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, agrees to grant to the Government of Honduras (GdeH) under the terms of this Agreement an amount not to exceed SIXTY-FIVE MILLION UNITED STATES DOLLARS (U.S.$65,000,000) for program assistance in support of the Government of Honduras' economic recovery and stabilization program (the "Assistance").

This Agreement provides financial support for a GdeH economic program whose implementation will raise the level of income and employment that can be sustained in Honduras.

ARTICLE II
CONDITIONS PRECEDENT TO
DISBURSEMENT BY A.I.D.

Section 2.1 Conditions Precedent

Unless otherwise agreed in writing, A.I.D., will make the disbursement of the Assistance upon the Grantee's satisfaction of the following:
a. Primer Desembolso. Previo al


desembolso de los primeros $30,000,000 de

la Asistencia o a la emisión por parte de la A.I.D., de documentación de

conformidad a la cual se realizará el
desembolso, el Donatario deberá, excepto lo que las Partes de otra manera
acordaren por escrito, suministrar a la
A.I.D., en forma y substancia
satisfactorias a la A.I.D., lo siguiente:

(1) Un dictamen de un asesor
jurídico aceptable a la A.I.D. de que
este Convenio ha sido debidamente
autorizado y/o ratificado por, y en
nombre del Donatario, de conformidad con
las leyes de la República de Honduras, y
que constituye una obligación válida y
legalmente exigible del Donatario de
conformidad con todos sus términos.

(2) Una declaración de los nombres
de las personas que ocupan o que están
encargadas de los despachos del Donatario
especificados en la Sección 5.6 y de
 cualesquier representantes adicionales,
 junto a una muestra de la firma de cada
 persona especificada en dicha declaración.

(3) Evidencia de que el Donatario
ha cumplido con las metas del programa
monetario para el 30 de junio de 1987,
según se especifica en la carta enviada
por el Presidente Azcona al Embajador
Briggs el 7 de mayo de 1987.

(4) Evidencia de que el Donatario
ha cumplido substancialmente con el
calendar de acciones especificadas,
para ser terminadas al 15 de julio de
1987, de conformidad con lo establecido
en los Anexos 2 y 3 de la carta enviada
por el Presidente Azcona al Embajador
Briggs el 7 de mayo de 1987.

(5) Evidencia de que el Donatario
ha desarrollado un sistema de seguimiento
y un plan de contingencias diseñado para
asegurar y monitorear el cumplimiento de
la meta del déficit fiscal del GdeH.

a. First Disbursement. Prior to the


disbursement of the first $30,000,000

of the Assistance or to the issuance

by A.I.D. of documentation pursuant to

which such disbursement will be made,

the Grantee shall, except as the

Parties may otherwise agree in

writing, furnish to A.I.D., in form

and substance satisfactory to A.I.D.,

the following:

(1) An opinion of counsel
acceptable to A.I.D. that this

Agreement has been duly authorized
and/or ratified by, and on behalf of

the Grantee, in accordance with the

laws of the Republic of Honduras, and

that it constitutes a valid and

legally binding obligation of the

Grantee in accordance with all its
terms.

(2) A statement of the name of

the person holding or acting in the

office of the Grantee specified in

Section 5.6 and of any additional

representatives, together with a

specimen signature of each person

specified in such statement.

(3) Evidence that the Grantee

has complied with the goals of the

monetary program for June 30, 1987 as

specified in President Azcona’s letter

of May 7, 1987 to Ambassador Briggs.

(4) Evidence that the Grantee

has substantially complied with the

calendar of actions specified to be

completed by July 15, 1987 as set

forth in Annexes 2 and 3 to President

Azcona’s letter of May 7, 1987 to

Ambassador Briggs.

(5) Evidence that the Grantee

has developed a tracking system and

contingency plan designed to ensure

and monitor compliance with the GOH

fiscal deficit target.
(6) Evidencia de que el Donatario ha completado un estudio y hecho recomendaciones para mejorar los procedimientos relacionados con el manejo y distribución de divisas.

(7) Evidencia de que el Donatario ha establecido la Cuenta separada para fondos de Donación en dólares en una institución financiera aceptable a la A.I.D., tal como se describe en la Sección 3.1 de este Convenio, y que ha enviado una carta, en forma y substancia satisfactorias a la A.I.D., describiendo el mecanismo por medio del cual serán desembolsados los fondos de la Cuenta. El mecanismo de desembolso deberá incluir requerimientos para que la documentación de apoyo permita el monitoreo de desembolsos y requerimientos para los informes periódicos a la A.I.D. sobre los desembolsos de la cuenta.

b. Segundo Desembolso

Previo al desembolso de los segundos $30,000,000 de la Asistencia o a la emisión, por parte de la A.I.D., de documentación de conformidad a la cual serán hechos dichos los desembolsos, el Donatario deberá, excepto lo que las Partes de otra manera acuerden por escrito, suministrar a la A.I.D., en forma y substancia satisfactorias a la A.I.D., lo siguiente:

(1) Evidencia de que el Donatario ha cumplido con los objetivos del programa monetario para el 30 de septiembre de 1987, según lo especificado en la carta enviada por el Presidente Azcona al Embajador Briggs el 7 de mayo de 1987.

(2) Evidencia de que el Donatario ha cumplido substancialmente con el calendario de acciones especificados.

(6) Evidence that the Grantee has completed a study and made recommendations to improve the procedures relating to foreign exchange management and allocation.

(7) Evidence that the Grantee has established the Separate Account for dollar Grant funds in a financial institution acceptable to A.I.D. as described in Section 3.1 of this Agreement, and that it has furnished a letter, in form and substance satisfactory to A.I.D., describing the mechanism by which funds will be disbursed from the Account. The disbursement mechanism should include requirements for supporting documentation that will permit monitoring of disbursements and requirements for periodic reports to A.I.D. on disbursements from the account.

b. Second Disbursement

Prior to the disbursement of the second $30,000,000 of the Assistance or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., the following:

(1) Evidence that the Grantee has complied with the objectives of the monetary program for September 30, 1987 as specified in President Azcona's letter of May 7, 1987 to Ambassador Briggs.

(2) Evidence that the Grantee has substantially complied with the calendar of actions specified to be
para ser completadas el 15 de octubre de 1987, según lo manifestado en los Anexos 2 y 3 de la carta enviada por el Presidente Azcona al Embajador Briggs el 7 de mayo de 1987.

(3) Evidencia de que el Donatario ha cumplido substancialmente con los requerimientos para la atribución de importaciones elegibles que tengan su fuente y origen en los Estados Unidos a desembolsos de dólares estadounidenses hechos bajo el Programa de Servicios para la Estabilización Económica (522-0283).

c. Tercer Desembolso

Previo al tercer desembolso de US$5,000,000 de la Asistencia, o a la emisión, por parte de la A.I.D., de documentación de conformidad a la cual será hecho dicho desembolso, el Donatario deberá, excepto lo que las Partes de otra manera acordaren por escrito, suministrar a la A.I.D. en forma y substancia satisfactorias a la A.I.D., lo siguiente:

(1) Evidencia de que el Donatario ha cumplido con las metas del programa monetario para el 30 de diciembre de 1987, de conformidad con lo establecido en la carta enviada por el Presidente Azcona al Embajador Briggs el 7 de mayo de 1987, basada en las proyecciones hechas a mediados de diciembre de 1987.

(2) Evidencia de que el Donatario ha cumplido substancialmente con el calendario de acciones especificados para ser completadas el 15 de diciembre de 1987, de conformidad con lo establecido en los Anexos 2 y 3 de la carta enviada por el Presidente Azcona al Embajador Briggs el 7 de mayo de 1987.

(3) Evidencia de que se ha logrado un progreso satisfactorio en la implementación del Programa Económico del GdeH para 1987 contenido en la carta.
(4) Evidencia de que se ha logrado un progreso substancial en la ejecución de las acciones planificadas en el plan del GObel para mejorar el funcionamiento de la Unidad de Control de Precios en el Banco Central.

(5) Un reporte del estado de las acciones llevadas a cabo y planificadas para atender las recomendaciones del estudio, referidas en la Sección 2.1.a.(6) para mejorar el manejo de divisas y régimen de pago.

Sección 2.2. Notificación

Cuando la A.I.D. haya determinado que las Condiciones Precedent específica en la Sección 2.1. han sido cumplidas, la A.I.D. lo notificará inmediatamente al Donatario.

Sección 2.3. Fechas de Terminación para las Condiciones Precedentes

la A.I.D., a su opción, podrá dar por terminado el presente Convenio, notificándolo por escrito el Donatario, si las Condiciones Precedentes especificadas para los desembolsos no han sido cumplidas de conformidad con el siguiente horario o a más tardar en las fechas que la A.I.D. de otra manera acordare por escrito:

a. Primer Desembolso

Dentro de los noventa (90) días a partir de la fecha de este Convenio.

b. Segundo Desembolso

Dentro de los ciento ochenta (180) días a partir de la fecha de este Convenio.

Azcona’s letter of May 7, 1987 to Ambassador Briggs based on an overall review of progress made in reaching goals throughout the year.

(4) Evidence that substantial progress has been made on implementation of the planned actions in the GObel plan for improving the functioning of the Price Checking Unit in the Central Bank.

(5) A status report on actions taken and planned to address study recommendations referred to in Section 2.1.a.(6) above for improving management of the foreign exchange and payments regime.

Section 2.2. Notification

When A.I.D. has determined that the Conditions Precedent specified in Section 2.1 have been met, A.I.D. promptly notify the Grantee.

Section 2.3. Terminal Dates for Conditions Precedents

A.I.D., at its option, may terminate this Agreement by written notice to the Grantee if Conditions Precedent specified for the disbursements have not been met in accordance with the following schedule or such later dates as A.I.D. may otherwise agree in writing:

a. First Disbursement

Within ninety (90) days from the date of this Agreement.

b. Second Disbursement

Within one hundred and eighty (180) days from the date of this Agreement.
c. Tercer Desembolso

Dentro de los doscientos setenta (270) días a partir de la fecha de este Convenio.

ARTICULO III
DESEMBOLSO AL DONATARIO

Sección 3.1. Depósito en Cuentas Separadas

El Donatario, a través de su agente financiero, el Banco Central de Honduras, establecerá una Cuenta Separada en una institución financiera de los Estados Unidos, en la cual la A.I.D. depositará la Asistencia después de satisfactas las Condiciones establecidas en el Artículo II y una vez que la A.I.D. haya recibido una solicitud de desembolso por escrito del Donatario. Los fondos depositados en esta Cuenta no pueden ser mezclados con otros fondos del Donatario.

Sección 3.2. Uso de los Fondos

Los fondos depositados por la A.I.D. en la Cuenta Separada, según se describe en la Sección 3.1, y cualquier interés generado por dichos fondos, estarán disponibles para el Donatario previo al desembolso de dicha Cuenta, con el propósito de fortalecer la posición de reserva de Honduras, lo mismo que otras cuentas en moneda extranjera del GdeH.

Los desembolsos de fondos de la Cuenta Separada, incluyendo los intereses generados por dichos fondos, deberán ser efectuados por el Donatario, de conformidad con los procedimientos establecidos en la Sección 2.1.a.(7) anterior, para los siguientes propósitos; (1) importación de materia prima de los Estados Unidos, bienes capitales intermedios, y piezas de repuestos para el sector privado Hondureño; y (2) importación de productos y derivados del petróleo de los Estados Unidos, Venezuela o México.

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c. Third Disbursement

Within two hundred and seventy (270) days from the date of this Agreement.

ARTICLE III
DISBURSEMENT TO THE GRANTEE

Section 3.1. Deposit in Separate Account

The Grantee, through its financial agent, the Central Bank of Honduras, will establish a Separate Account in a financial institution in the United States in which A.I.D. will deposit the Assistance upon satisfaction of the conditions set forth in Article II herein and upon receipt by A.I.D. of a written request for disbursement by the Grantee. Funds deposited in this Account may not be commingled with other funds of the Grantee.

Section 3.2. Use of Funds

Funds deposited by A.I.D. into the Separate Account as described in Section 3.1 herein, and any interest generated by such funds, shall be available to the Grantee prior to disbursement from such Account, for the purpose of strengthening Honduras' reserve position, the same as other foreign exchange accounts owned by the GOH.

Disbursement of funds from the Separate Account, including interest generated by such funds, shall be made by the Grantee in accordance with the procedures established pursuant to Section 2.1.a.(7) above, for the following purposes; (1) importation from the United States of raw materials, and intermediate capital goods, and spare parts for the Honduran private sector; and (2) importation from the United States, Venezuela, or Mexico of petroleum products and derivatives.
Los fondos depositados en esta Cuenta no podrán ser usados para financiar requisitos militares, paramilitares de ninguna clase, incluyendo la compra de productos o servicios para tales propósitos.

Section 3.3. Fecha de Desembolso

Los desembolsos de la A.I.D. serán efectuados en la fecha en que los créditos de la Donación sean desembolsados por la A.I.D. de conformidad con la Sección 3.1 anterior.

Section 3.4. Fecha de Terminación para las Solicitudes de Desembolso

A excepción de lo que la A.I.D. de otra manera acordare por escrito, la fecha de terminación para las solicitudes de desembolso bajo este Convenio será ocho meses a partir de la fecha de este Convenio. En el caso de que el desembolso de la Donación no haya sido solicitada para esa fecha, o en una fecha posterior que la A.I.D. conviniera por escrito, la A.I.D., a su elección, podrá terminar este Convenio notificándolo por escrito al Donatario.

ARTICULO IV
ESTIPULACIONES GENERALES

A excepción de lo que las Partes de otra forma acordaren por escrito, el Donatario por este medio conviene que:

a. Depositará en la Cuenta Especial establecida en el Banco Central de Honduras para este Programa, al momento de cada desembolso de dólares bajo este Convenio, el equivalente en lempiras de dicho desembolso. El equivalente en lempiras de cada desembolso de dólares será calculado utilizando la tasa de cambio más alta, que, al momento del desembolso de dólares, no sea ilegal en Honduras.

Fundos depositados into this Account may not be used for financing military, paramilitary, or police requirements of any kind, including the procurement of commodities or services for such purposes.

Disbursement by A.I.D. will be deemed to occur on the date on which the proceeds of the Grant are disbursed by A.I.D. pursuant to Section 3.1 above.

Section 3.4. Terminal Date for Requesting Disbursements

Except as A.I.D. may otherwise agree in writing, the terminal date for requesting disbursements under this Agreement will be eight months from the date of the signing of this Agreement. In the event that disbursement of the Grant has not been requested by that date, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

ARTICLE IV
SPECIAL COVENANTS

Except as the Parties may otherwise agree to in writing, the Grantee hereby covenants that it will:

a. Deposit into the Special Account in the Central Bank of Honduras established for this Program, at the time of each dollar disbursement under this Agreement, the Lempira equivalent of each such disbursement. The Lempira equivalent of each dollar disbursement will be calculated by using the highest rate of exchange which, on the date of the dollar disbursement, is not unlawful in Honduras.
ARTÍCULO V
MISCELANEOS

Sección 5.1. Impuestos y Honorarios

Este Convenio y la cantidad de la Donación bajo el mismo estará libre de cualesquier impuestos u honorarios impuestos bajo cualquier ley en efecto, o que se haga efectiva durante el término de este Convenio, dentro de Honduras.

Sección 5.2. Cartas de Ejecución del Proyecto

Para asistir al Donatario en la ejecución de este Convenio, la A.I.D., oportunamente, emitirá Cartas de Ejecución de Proyecto que proporcionarán información sobre asuntos establecidos en este Convenio.

Sección 5.3. Reportes, Registros, Inspecciones, Auditorías

El Donatario:

a. Proporcionará a la A.I.D., en forma y substancia satisfactoria a la A.I.D. la información y reportes relacionados con este Convenio y sus Anexos según lo que la A.I.D. razonablemente pudiera solicitar.

b. Consultará regularmente con la A.I.D. a fin de revisar el progreso hacia el logro de los objetivos económicos para los cuales la ejecución del Programa Económico del GOH está diseñado y para el cual este Programa de la A.I.D. ha sido diseñado para apoyar.

ARTÍCULO V
MISCELANEOS

Section 5.1 Taxation and Fees

This Agreement and the amount of the Grant hereunder shall be free from any taxation or fees imposed under any laws in effect, or which may become effective during the term of this Agreement, within Honduras.

Section 5.2. Project Implementation Letters

To assist the Grantee in the implementation of this Agreement, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement.

Section 5.3. Reports, Records, Inspections, Audit

The Grantee will:

a. Furnish to A.I.D., in form and substance satisfactory to A.I.D., such information and reports relating to this Agreement and its Annexes as A.I.D. may reasonably request.
b. Mantendrá o volverá porque se mantenga de conformidad con los principios y prácticas contables consistentemente aplicadas y generalmente aceptadas, libros, registros, y documentación de apoyo necesaria y adecuada para asegurar, sin límite, el cumplimiento de este Convenio. Tales libros y registros serán auditados regularmente, de conformidad con los estándares de auditoría generalmente aceptados, y serán mantenidos por tres años después de la fecha del último desembolso de la A.I.D. Este requisito de mantener los libros, registros, y documentación de apoyo adecuada según lo necesario, se aplica tanto a los desembolsos en dólares hechos bajo este Convenio, como a los depósitos en moneda local hechos de conformidad con este convenio.

c. Brindará a los representantes autorizados de la A.I.D. la oportunidad, en cualquier momento oportuno, de inspeccionar los libros, registros, y otra documentación relacionada con este Convenio y el uso de los desembolsos en dólares y los depósitos en moneda local hecho de conformidad con este Convenio.

Sección 5.4 Redepósito de Fondos

Si cualquier fondo en dólares proporcionado bajo este Convenio o fondos en moneda local depositados de conformidad con este Convenio son usados para propósitos no permitidos bajo este Convenio, el Donante redepósitará dentro de 60 días después de haber recibido la notificación de la A.I.D. de tal uso no permitido, una cantidad equivalente de fondos ya sea en una Cuenta Separada de dólares, o en una Cuenta Especial en moneda local, según sea aplicable, a ser usada de conformidad con los términos de este Convenio.

b. Maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books, records, and underlying documentation as necessary and adequate to assure, without limitation, compliance with this Agreement. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and will be maintained for three years after the date of last disbursement by A.I.D. This requirement to maintain adequate books, records, and underlying documentation as necessary applies to both dollar disbursements and local currency deposits made pursuant to this Agreement.

c. Afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the books, records, and other documentation relating to this Agreement and the use of both dollar disbursements and local currency deposits made pursuant to this Agreement.

Section 5.4 Redeposit of Funds

If any dollar funds provided under this Agreement or local currency funds deposited pursuant to this Agreement are used for purposes not permitted under the Agreement, the Grantee will redeposit, within 60 days after receiving notice by A.I.D. of such impermissible use, an equivalent amount of funds in either the dollar Separate Account or the local currency Special Account, as applicable, to be used in accordance with the terms of this Agreement.
Sección 5.5 Comunicaciones

Cualquier notificación, solicitud, documento, u otra comunicación suministrada por cualquiera de las Partes a la otra bajo este Convenio se hará por escrito o por telegrafa, cable, o radiograma, y se considerará como debidamente despachada o enviada cuando sea entregada a dicha Parte en la siguiente dirección:

Para el Donatario:

Ministerio de Hacienda y Crédito Público
Tegucigalpa, D.C.
Honduras, C.A.

Dirección alternativa para cables:

HACIENDA
Tegucigalpa, Honduras

Para A.I.D.:

Agencia para el Desarrollo Internacional (A.I.D.)
c/o Embajada de los Estados Unidos
Tegucigalpa, D.C.
Honduras, C.A.

Dirección alternativa para cables:

USAID/Honduras
AMBASSADY
Tegucigalpa, D.C.
Honduras, C.A.

Todas estas comunicaciones serán en Inglés, a menos que las Partes convinieren de otra manera por escrito. Las direcciones anteriores podrán ser sustituidas por otras mediante notificación.

Sección 5.6 Representaciones

Para todos los propósitos relacionados con el presente Convenio, el Donatario

Section 5.5. Communications

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, cable, or radiogram, and will be deemed duly given or sent when delivered to such Party at the following addresses:

To the Grantee:

Ministry of Finance
and Public Credit
Tegucigalpa, D.C.
Honduras, C.A.

Alternate Address for cables:

HACIENDA
Tegucigalpa, Honduras

To A.I.D.:

Agency for International Development (A.I.D.)
c/o United States Embassy
Tegucigalpa, D.C.
Honduras, C.A.

Alternative Address for Cables:

USAID/HONDURAS
AMBASSADY
Tegucigalpa, D.C.
Honduras, C.A.

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon giving notice.

Section 5.6. Representatives

For all purposes relevant to this Agreement, the Grantee will be
Section 5.7. Idioma del Convenio

Este Convenio está preparado en inglés y en español. En caso de ambigüedad entre las dos versiones, prevalecerá la versión en el idioma inglés.

EX FE DE LO CUAL, el Gobierno de la República de Honduras y los Estados Unidos de América, cada cual actuando a través de sus representantes debidamente autorizados, celebran y entregan el presente Convenio en el día y año indicados al principio del mismo.

represented by the individual holding or acting in the position of Minister of Finance and Public Credit, and A.I.D. will be represented by the person holding or acting in the office of the Director of the USAID Mission in Honduras, each of whom may designate additional representatives. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 5.7. Language of the Agreement

This Agreement is prepared in both Spanish and English. In the event of ambiguity or conflict between the two versions, the English language version will control.

IN WITNESS WHEREOF, the Government of the Republic of Honduras and the Government of the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the date and year first above written.
REPÚBLICA DE HONDURAS

José Simbó Azcona Hoyo
Presidente Constitucional de la República

Efrain Bó Girón
Ministro de Hacienda y Crédito Público

Por Carlos Carlos Pineda
Presidente
Banco Central de Honduras

UNITED STATES OF AMERICA

Everett E. Fierros
Ambassador

John A. Sanbrailo
Mission Director
EMENDACIÓN DE CONVENIO DE PROYECTO NO. 1
PROJECT AGREEMENT AMENDMENT NO. 1

ENTRE
BETWEEN

LA REPÚBLICA DE HONDURAS
THE REPUBLIC OF HONDURAS

Y
AND

LOS ESTADOS UNIDOS DE AMÉRICA
THE UNITED STATES OF AMERICA

PARA
FOR

PROGRAMA DE ESTABILIZACIÓN Y RECUPERACIÓN ECONÓMICA II
ECONOMIC STABILIZATION AND RECOVERY PROGRAM II

Tegucigalpa, Honduras
28 de agosto de 1987

CONFORMED COPY
Esta Enmienda de Convenio No. 1, fechada 29 de agosto de 1987, entre la República de Honduras (el "Donatario") y los Estados Unidos de América, actuando a través de la Agencia para el Desarrollo Internacional ("A.I.D."), enmenda el Convenio de Donación fechado 19 de junio de 1987 y designado como Programa de la A.I.D. No. 522-0323 entre el Donatario y la A.I.D. (en lo sucesivo, según lo enmendado, denominado el "Convenio") como sigue:

(1) El Artículo 1, "La Asistencia", se enmienda borrando "SESENTA Y SEIS MILLONES DE DOLARES ESTADOUNIDENSES (US$66,000,000)" y sustituyendo en su lugar "OCHENTA MILLONES DE DOLARES ESTADOUNIDENSES (US$80,000,000)".

(2) La cantidad de "US$5,000,000" se suprime en el primer párrafo de la Sección 2.1.c y se sustituye con la cantidad de "US$20,000,000".

Exceptuando lo aquí enmendado, el Convenio, tal como ha sido enmendado, permanece en pleno vigor y efecto.

EN FE DE LO CUAL, el Donatario y la A.I.D., cada cual actuando a través de su respectivo representante autorizado, celebran y entregan el presente Convenio en el día y año indicados al principio del mismo.

REPUBLICA DE HONDURAS

[Signature]

Ministro de Hacienda y Crédito Público

UNITED STATES OF AMERICA

[Signature]

Acting Mission Director
Dear Sirs:

Per the Agreement of June 19, 1987 of the Economic Stabilization and Recovery Program II the Government of the United States, through the Agency for International Development (A.I.D.), has disbursed a total of US$30,000,000 (THIRTY MILLION UNITED STATES DOLLARS) in Grant funds, in accordance with the conditions and terms established by the Agreement.

Per the understanding of the Program, (Article IV, Section a. of the Agreement) exactly L60,000,000 (SIXTY MILLION LEMPIRAS) have been deposited in the Program Special Account for joint programming to support development programs in Honduras.

The purpose of this letter is to record the mutual agreement of the Parties on the use of these L60,000,000.

As specified in the Program Agreement, Special Account funds have been divided equally (fifty percent/fifty percent) between public sector activities and private sector/other non-governmental special activities.

Estimados Señores:

Según el Convenio del 19 de Junio de 1987 del Programa de Estabilización y Recuperación Económica II el Gobierno de los Estados Unidos, a través de la Agencia para el Desarrollo Internacional (A.I.D.), ha desembolsado un total de US$30,000,000 (TREINTA MILLONES DE DOLARES ESTADOUNIDENSES) en fondos de Donación, de conformidad con las condiciones y términos establecidos por el Convenio.

Conforme al entendimiento del Programa, (Artículo IV, Sección a. del Convenio) exactamente L60,000,000 (SESENTA MILLONES DE LEMPIRAS) han sido depositados en la Cuenta Especial del Programa para ser programados conjuntamente para apoyar programas de desarrollo en Honduras.

El propósito de esta carta es registrar el acuerdo mutuo de las Partes sobre el uso de estos L60,000,000.

Como se especifica en el Convenio de Programa, fondos de la Cuenta Especial han sido igualmente divididos (cincuenta porciento/cincuenta porciento) entre las actividades del sector público y el sector privado/otras actividades especiales no gubernamentales.
documentación adicional del programa para realizar revisiones financieras, según lo considere necesario.

En resumen esta CE programa y hace disponible las siguientes cantidades para usos del Sector Público:

<table>
<thead>
<tr>
<th>Fondo Rotatorio:</th>
<th>L1,400,000</th>
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</thead>
<tbody>
<tr>
<td>Contrapartes para IFIs</td>
<td>L12,423,700</td>
</tr>
<tr>
<td>Apoyo Presupuestario</td>
<td>L16,176,300</td>
</tr>
<tr>
<td>Subtotal de Actividades del Sector Público:</td>
<td>L30,000,000</td>
</tr>
</tbody>
</table>

II. SECTOR PRIVADO Y ACTIVIDADES ESPECIALES

A. Usos del Sector Privado

1. Fondo de Apoyo a la Iniciativa Privada. La CE No. 2 del Programa de Recuperación Económica (522-0230) estableció un mecanismo por el cual las Partes, después de un análisis inicial por parte de la A.I.D. y de un período de revisión por parte del Ministerio de Hacienda y Crédito Público, podría financiar proyectos de desarrollo llevados a cabo por organizaciones privadas voluntarias (OPV) trabajando a través de Honduras. El Programa del Fondo de Apoyo a la Iniciativa Privada que fue continuado bajo los Servicios de Estabilización Económica (522-0283), ha sido altamente exitoso al permitir al GdeH y la A.I.D. usar la capacidad de alcance de las OPVs para extender los servicios a un significante número de sectores en la sociedad hondureña. El Programa ha financiado actividades en el sector de la pequeña empresa, producción agrícola y conservación de suelos, sector de servicios educativos tales como capacitación vocacional y gerencial y fomento a la exportación.

El Programa del Fondo de Apoyo a la Iniciativa Privada continuará siendo financiado a través del Programa de

<table>
<thead>
<tr>
<th>Rotating Funds:</th>
<th>L1,400,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counterpart for IFIs:</td>
<td>L12,423,700</td>
</tr>
<tr>
<td>COH Budget Support:</td>
<td>L16,176,300</td>
</tr>
<tr>
<td>Subtotal of Public Sector Activities:</td>
<td>L30,000,000</td>
</tr>
</tbody>
</table>

II. PRIVATE SECTOR AND SPECIAL ACTIVITIES

A. Private Sector Uses

1. Private Initiative Support Fund. PIL No. 2 of the Economic Recovery Program (522-0230) established a mechanism by which the Parties, after an initial analysis by A.I.D. and a review period by the Ministry of Finance and Public Credit, could finance development projects carried out by private voluntary organizations (PVOs) working throughout Honduras. The Private Initiative Support Fund Program which was continued under the Economic Stabilization Facility (522-0283), has been highly successful in permitting the COH and A.I.D. to use the outreach capacity of PVOs to extend services to a significant number of sectors in Honduran society. The program has financed activities in the small business sector, agricultural production and soil conservation, the educational services sector such as vocational and management training, and export promotion.

The Private Initiative Support Fund Program will continue to be financed through the Economic Stabilization and
Estabilización y Recuperación Económica II. Para proporcionar un mejor entendimiento al CdeH y a la A.I.D. de los propósitos para los cuales son usados los fondos, el programa se divide en tres subcomponentes:

1. Crecimiento Económico e Inversión;
2. Servicios Educativos; y
3. Organizaciones Privadas Voluntarias.

Los procedimientos para manejo, monitoreo y desembolso de fondos, establecidos bajo el Programa de Recuperación Económica (522-0230) y los Servicios de Estabilización Económica (522-0283) permanecerán en vigor y efecto hasta que fuere acordado de otra manera por las Partes.

Como agente financiero del CdeH, la A.I.D. tendrá responsabilidad principal en revisar el diseño de estos programas y en el monitoreo de la implementación de programas específicos. Se requerirá que todos los programas y proyectos aprobados a través de estos fondos realicen auditorías/revisiones financieras con firmas privadas de auditoría y/o la USAID/Honduras. La A.I.D. pondrá a la disposición del CdeH estas auditorías y revisiones financieras, cuando así le fuere solicitado. Además, según lo considere razonable, la A.I.D. proporcionará al CdeH los informes sobre el estado de los proyectos, cuando éste lo solicite.

Esta CE por este medio programa y hace disponible L13,700,000 para el subcomponente de Crecimiento Económico e Inversión de este programa.

2. Fondo Dotatorio de la Escuela Agrícola Panamericana (El Zamorano). Según solicitud del CdeH, (carta del Ministro de Hacienda y Crédito Público, AT-033/87, fechada 27 de enero de 1987) L10,000,000 son por este medio programados y hechas disponibles para financiar un programa de dotación para la Escuela Agrícola Panamericana (El Zamorano). Los fondos serán desembolsados y manejados por A.I.D.

Recovery Program II. To give the GOH and A.I.D. a clearer understanding of the purposes for which funds are used, the program is broken down into three subcomponents:

1. Economic Growth and Investment;
2. Educational Services; and
3. Private Voluntary Organizations.

Procedures for managing, monitoring and disbursing funds, established under the Economic Recovery Program (522-0230) and the Economic Stabilization Facility (522-0283) will remain in effect until otherwise agreed to by the Parties.

As financial agent for the GOH, A.I.D. will have primary responsibility in reviewing the design of these programs and in the monitoring of the implementation of specific programs. All programs and projects approved through these funds will be required to undertake independent financial audits and/or reviews by private auditing firms and/or USAID/Honduras. A.I.D. will make these audits and financial reviews available to the GOH upon request. In addition, as deemed reasonable, A.I.D. will provide to the GOH reports on the status of projects as requested by the GOH.

This PIL hereby programs and makes available L13,700,000 for the Economic Growth and Investment subcomponent of this Program.

2. Pan-American Agricultural School (Zamorano) Endowment Fund. Per the request of the GOH, (letter from the Ministry of Finance and Public Credit, AT-033/87, dated January 27, 1987) L10,000,000 are hereby programmed and made available to finance an endowment program for the Pan-American Agricultural School (Zamorano). The funds will be disbursed and managed per procedures which will be established by
procedimientos que serán establecidos por el Cidell, la A.I.D. y la Escuela Agrícola Panamericana en el Convento de Dotación.
Ejecución de Proyecto. Una vez firmado, las partes están autorizadas para ejecutar las actividades aquí especificadas.

Atentamente,

Sincerely,

John A. Simarroto
Mission Director

ACEPTADO POR:

NOMBRE: Héctor Bú Girón
CARGO: Ministro de Hacienda y Crédito Público
FECHA: 

NOMBRE: Gonzalo Carías Pineda
CARGO: Presidente
Banco Central de Honduras
FECHA: 

Implementation Letter. On signature, the Parties are authorized to implement the activities as provided herein.
25 de septiembre de 1987

Excelentísimo Señor
Abogado Efraín Bú Girón
Ministro de Hacienda y Crédito Público
Su Despacho.

Estimado Señor Ministro:

Con referencia a su carta No. AT 266-87, fechada 14 de agosto de 1987, la presente tiene por objeto confirmar el recibo de la información que usted solicitara a la Escuela Agrícola Panamericana que nos proporcionase, e informarle que hemos revisado la solicitud de 130 millones para un Fondo de Capital y que estamos preparados para seguir adelante. En nuestra revisión consideramos cuidadosamente las sugerencias expuestas en su carta, así como el material remitido por la EAP y los resultados de reuniones sostenidas en los últimos meses con la participación de representantes de su Ministerio, de la EAP, y de la A.I.D. Por lo tanto, hemos llegado a las siguientes conclusiones:

1. El objetivo principal de nuestra propuesta participación incluye:

   a) establecer un mecanismo permanente por medio del cual se hagan disponibles una serie de becas para estudiantes hondureños en la EAP;

   b) asegurar la disponibilidad de recursos financieros para ayudar a proporcionar un mejoramiento a largo plazo de la base de manejo de recursos naturales (suelo, agua, bosques) de la cuenca del Valle del Yeguare y sobre la cual dependen la EAP y comunidades circundantes; y

   c) asistir en la recapitalización a largo plazo de la EAP durante su período de más rápido crecimiento, no solamente a través de un fondo de capital directo, sino tal vez más importante, permitiendo que la escuela utilice este fondo de capital para nivelar inversiones adicionales en el fondo de capital y en la base de capital físico de la escuela.
Excmo. Sr. Señor
Abogado Efraín Bácete
Página No. 2
25 de septiembre de 1987

2. Sujeto a la aprobación de la A.I.D./Washington y a la disponibilidad de fondos, proponemos que la A.I.D. y el Gobierno de Honduras (GdeH) hagan disponible la cantidad total de 1.30 millones, en tres desembolsos iguales de 1.10 millones cada uno, en un período de tres años. Los tres pagos serán hechos a un fondo de capital y se harían desembolsos de los intereses ganados para otorgamiento de becas, manejo de recursos naturales y otras actividades aprobadas, asumiendo que la escuela llena los requisitos descritos a continuación.

3. El primer desembolso de 1.10 millones se hará sin requisito inicial de contraparte con el fin de permitir la compra de bonos que ganen intereses en el Banco Central de Honduras. Sin embargo, los intereses ganados no serán dados a la EAP, ni el segundo desembolso será hecho, hasta que la escuela haya certificado en forma aprobada por la A.I.D., el recibo de 1.25 millones (o su equivalente en dólares estadounidenses) en efectivo adicional o donaciones en especie como se describe en el párrafo 4. Se establecerán requisitos similares para los desembolsos subsiguientes.

4. Las contribuciones de contraparte de la EAP serán efectuadas en base a una proporción de 4:1/AID-GdeH:EAP. La contribución de la EAP consistirá de no menos del 50% en donaciones en efectivo a ser depositadas en una cuenta de capital separada para incrementar los activos de capital de la escuela y reducir los efectos de inflación en el valor real de los activos de capital general de la escuela. Hasta el 50% de las contribuciones de contraparte pueden hacerse en forma de activos de capital incluyendo edificios, equipo y vehículos. Donaciones por parte de otras agencias gubernamentales americanas tales como el Programa de la ASHA, no contarán para llenar los requisitos de contribución de la EAP. Además, la A.I.D. no aceptará donaciones designadas para gastos de operación o suministros como contribuciones aceptables. La A.I.D. no pondrá ninguna restricción en el uso de los intereses ganados de la porción de contraparte de nuevas generaciones de capital.

5. Nosotros proponemos monitorear cuidadosamente la operación del fondo durante los años iniciales hasta que llegue el tiempo cuando las generaciones requeridas de contraparte hayan sido certificadas por la EAP y aprobadas por la A.I.D. También requeriremos informes periódicos de la EAP sobre el estado y utilización del fondo y sus ganancias por un período no menor de cinco años después del desembolso inicial. El fondo también estará sujeto a revisiones financieras y/o auditorías por parte de la A.I.D. durante este período.
Excmo./Señor
Abogado Virain Étiri
Página Sra.
25 de septiembre de 1987

Anotando que los términos generales y condiciones antes descritos son aceptables a usted y a la EAP, nosotros estamos preparados para seguir adelante con la preparación del borrador de convenio de donación, y de enviar la propuesta del fondo de capital a Washington para su consideración. Por lo tanto, favor indicarme por escrito su posición y la de la EAP a su más pronta conveniencia.

Con muestras de mi mayor consideración y estimo quedo de usted,

Atentamente,

[Signature]

Carl H. Leonard
Director Interino de la Misión

cc: Dr. Jorge Román, EAP
September 21, 1987

Dr. Jorge Román, Dean
Acting Director
Escuela Agrícola Panamericana (EAP)
El Zamorano

Dear Dr. Román:

The purposes of this letter are to acknowledge receipt of your letter of September 9, 1987, regarding the possible AID-funded endowment grant to the EAP, and to inform you that this Mission has met to consider the endowment. I am pleased to inform you that our determination at the Mission level is positive, and that we intend to move ahead accordingly, consistent with the results of discussions we plan to have with the Ministry of Finance on the endowment. We will communicate the results of our talks with the Ministry to you in the near future.

As we have indicated in the past, we share a concern for the future of the school and its ability to continue to provide leadership in agricultural education and resource management in Honduras. We intend to communicate our recommendation formally to AID offices in Washington in the near future, provided all parties are in agreement with the draft terms and conditions. We look forward to hearing from you on this issue in the near future.

Sincerely,

Carl H. Leonard
Acting Mission Director
September 24, 1987

His Excellency
Abogado Efrain Bú Girón
Minister of Finance and
Public Credit
Tegucigalpa, D. C.

Dear Mr. Minister:

With reference to your letter No. AT 266-87 dated August 14, 1987, this is to confirm our receipt from the Escuela Agrícola Panamericana (EAP) of the information which you requested they provide us, and to inform you that we have reviewed the request for the endowment fund of L30 million and are prepared to move forward. In our review we considered carefully the suggestions you provided in your letter, as well as the material submitted by EAP and the results of meetings held over the past few months involving representatives of your Ministry, EAP, and AID. Accordingly, we have come to the following conclusions:

1. The major objectives of our proposed participation include:

   a) to establish a permanent mechanism by which a series of scholarships can be made available for Honduran students at EAP;

   b) to ensure the availability of financial resources to help provide for the long-term enhancement of the management of the natural resource base (soils, water, forests) of the watershed of the Yeguare Valley, upon which the EAP and surrounding communities depend; and

   c) to assist in the long-term recapitalization of the EAP during its period of most rapid growth, not only through the direct endowment, but perhaps more importantly, by enabling the school to utilize this endowment fund to leverage additional investments in the school’s financial endowment and physical capital base.

2. Contingent upon AID/Washington approval, and the availability of funds we propose that AID and the GOH make available the full L30 million, in three equal installments of L10 million over a three-year period. The three installments would be paid into an endowment fund and disbursements made from interest earnings for scholarships, natural resources management and other approved activities assuming that the school meets the requirements discussed below.
3. The first disbursement of $10 million will be made with no initial counterpart requirement in order to allow the purchase of interest-bearing bonds from the Central Bank of Honduras. However, the accrued interest proceeds will not be released to EAP, nor will a second disbursement be made, until the school has certified in a manner approved by AID, the receipt of $2.5 million (or its equivalent in U.S. Dollars) in additional cash or in-kind donations as described in Paragraph 4. Similar requirements will be placed on subsequent disbursements.

4. The EAP counterpart contributions will be made on the basis of a 4:1/AID-GOB:EAP ratio. The EAP contribution will consist of not less than 50 percent cash donations to be deposited in a separate endowment account to increase the school's capital assets and reduce the effects of inflation on the real value of the school's overall endowment assets. Up to 50 percent of the counterpart contributions can be made in the form of capital assets including buildings, equipment, and vehicles. Donations by other U.S. Government Agencies such as from ASRA (American Schools and Hospitals Abroad), will not count toward meeting EAP's contribution requirements. In addition, AID will not accept donations designated for operating expenses or supplies as an eligible contribution. AID will place no such restriction on the use of interest proceeds from the counterpart portion of new capital generations.

5. We propose to monitor the operation of the fund closely in the initial years until such time as the required counterpart generations have been certified by EAP and approved by AID. We will also require periodic reports from EAP on the status and utilization of the fund and its proceeds for a period of not less than five years after the initial disbursement. The fund will also be subject to financial reviews and/or audits by AID during this period.

Provided that the above general terms and conditions are acceptable to you and the EAP, we are prepared to move forward with the preparation of the draft grant agreement, and to forward the endowment proposal to Washington for consideration. Accordingly, please indicate to us in writing your position and that of the EAP as soon as possible.

Sincerely,

Carl H. Leonard
Acting Mission Director

cc: Dr. Jorge Román, EAP
September 8, 1987

Mr. John Sanbrailo, Director
USAID/Honduras
American Embassy
Tegucigalpa

Dear Mr. Sanbrailo:

In reference to the proposed endowment grant requested jointly from your offices by the Government of Honduras and Escuela Agrícola Panamericana, a fifteen year financial projection was requested by the Ministry of Hacienda of the School's administration. Attached, please find that financial report.

Zamorano's dedication to Latin America's rural development, and its service to improved farm management and agricultural productivity in this region have been recognized and lauded by leaders throughout this hemisphere. With a track record clearly and soundly established, the School has deliberately initiated an expansion of its programs.

The establishment of this endowment fund was proposed for the purpose of supporting the School "to meet the increasing annual operating expenses" (letter of November 1, 1986, signed by Mr. Bu Ciron to Mr. Carl Leonard). In another letter to your office signed January 27, 1987, Mr. Bu Ciron added that this fund would assist in the "execution of important agricultural projects contemplated in the development plan of the School". A report has already been submitted to the Ministry of Hacienda and to USAID/Honduras proposing in detail the investment of the interest gained from this endowment fund for more scholarships for deserving Honduran youth and for the support of specific programs initiated by the School.

The attached financial projection incorporates the proposed endowment fund in its analysis. Please note that for the years 1988 through 1992, a surplus is projected. This grace period would allow Zamorano to push ahead professionally with fund raising activities which will be necessary to cover the increasing expenses projected over the next eighteen years.

I would like to take the opportunity to point out that in the past five years Zamorano has assumed a greater responsibility for its financial solvency. Funds raised in the private and the public sectors have increased significantly. Two major activities have been undertaken recently. First, the School's trustees have decided to establish an office for public relations and fund raising in the U.S., in Washington, D.C. A professional fund raiser, Mr. David Jones, has joined our board as a trustee,
and he will help guide this initiative. Secondly, a campaign is underway to promote greater alumni support for their Alma Mater.

We are in the early stages of a growing fund raising program. An endowment grant from USAID/Honduras would be tremendous boost to this effort. It will increase the financial security and stability of this institution, and support the School's growth and program development. It would serve as an impetus for the formulation and implementation of a long-term program for institutional development.

On behalf of Escuela Agricola Panamericana, I would like to express our appreciation to you and your staff for your interest in and support of this institution.

Sincerely Yours,

[Signature]

Jorge Roman
Dean, Acting Director
Señor

JOHN A. SANDRAILLO

Director

Agencia Internacional para el Desarrollo AID

Su Oficina

Estimado señor Director:

Con referencia a su carta del 22 de junio de 1987, por medio de la cual nos indica que están de acuerdo en considerar positivamente nuestra solicitud de asignación de 30 millones de lempiras para establecer un fondo de capital para la Escuela Agrícola Panamericana (EAP), Zamorano, deseo manifestarle que hemos sostenido reuniones con las autoridades de la Escuela en las cuales hemos discutido sobre los siguientes puntos, que sometemos a su consideración.

- Para la programación y desembolso de los recursos sugerimos que se inicien en el corriente año, con un monto de L.10 millones de lempiras, reservándose los 20 restantes para 1988 y 1989.

- Estos recursos serán administrados por la Junta de Directores de la Escuela Agrícola Panamericana, tomando en consideración las sugerencias y opiniones que emita el Ministerio de Hacienda y Banco Central, de tal forma que este fondo tenga un impacto positivo tanto para la Escuela como para el desarrollo del país.

- El fondo de capital se mantendrá invertido en valores del Estado, y la Escuela únicamente podrá hacer uso del rendimiento de los intereses generados, los que serán utilizados en los programas y proyectos siguientes:

Para financiar los estudios de jóvenes hondureños de recursos limitados que tengan interés en prepararse en tan importante disciplina como es la de las Ciencias Agrícolas; por lo menos un 70% de los intereses generados serán invertidos en la formación de recursos humanos, el resto o sea el 30% de los rendimientos de las inversiones serán destinados a programas que tienen un impacto directo en el desarrollo de nuestro país, entre los cuales se enumeran los siguientes:
Proceso de Preservación de Recursos Naturales y de Reforestación del Valle del Zamorano.

Centro de Información Científica (Biblioteca, Herbario y Centro de Cómputo para la Agricultura).

Mantenimiento de la Infraestructura Institucional.

Programa de Mejoramiento Genético, Producción de Semillas de Granos Básicos y de Mantenimiento de Granos Post-Cosecha.

Centro de Procesamiento y Tecnología de Alimentos.

Los fondos objeto de nuestra solicitud permitirán sostener un ritmo de crecimiento de la Escuela, de acuerdo a las necesidades del país, permitiendo aumentar la participación en la difusión de los conocimientos requeridos por los diferentes programas de apoyo a la producción agrícola de Honduras. De acuerdo a las estimaciones realizadas, el rendimiento del fondo de capital cuando éste haya sido desembolsado permitirá completar los recursos que se obtienen de las diferentes fuentes de financiamiento, en una proporción equivalente a un 15%; es decir que la Escuela intensificará sus esfuerzos para recaudar el 85% restante para su sostenimiento anual, haciendo uso de diferentes fuentes, tales como los rendimientos del Fondo Dotal que actualmente existe, de otras donaciones y contribuciones corrientes incluida la del Gobierno, de las recaudaciones por matrícula y de la venta y autoconsumo de los bienes que produce la Escuela.

Estamos además solicitando a la EAP que presente a su Oficina un Plan Administrativo y Financiero detallado en el que se describan cómo serán utilizados los ingresos generados por este fondo y a la vez que presenten una proyección financiera de la Institución para los próximos 15 años.

Para concluir deseo agradecer a usted, señor Director, a nombre del Gobierno de la República y del Pueblo de Honduras por su valiosa contribución y ayuda al desarrollo de nuestro país así como por su interés en fortalecer el desarrollo de la Escuela Agrícola Panamericana, una de las Instituciones más valiosas de Educación y Desarrollo Agrícola con que cuenta Honduras y la región.
El señor Presidente de la República encargó el planteamiento suscitado a su consideración por la Escuela Agrícola Panamericana y se aconsejó a que esta asociación ha venido trabajando en la formación de profesionales en el campo agrícola y que los planes actuales, si cuentan con el financiamiento adecuado, estarán diseñados para lograr una mayor participación en el desarrollo agropecuario de Honduras, ha considerado brindar el apoyo del Gobierno en sus gestiones para la obtención de recursos financieros.

En consideración a lo anterior, presento a usted la solicitud del apoyo económico de la Escuela Agrícola Panamericana, la cual exigiría en la asignación de L. 30,000 millones de los fondos provenientes del Programa de Reactivación Económica correspondiente al sector agrícola. Con estos recursos la institución tiene planeado constituir un fondo de capital que puede ser invertido en valores financieros y utilizar los rendimientos por intereses en la ejecución de importantes proyectos agrícolas contemplados en el Plan de Reactivación de la Escuela. El Gobierno comparte este planteamiento, entendiendo que la asignación de fondos de efectivo en forma gradual de manera que esté consistente con la política económica que sigue el país.

Aprecio la consideración que usted siempre ha manifestado en favor de la escuela y esta solicitud.

Suscribido: 

[Signature]
For your information and pertinent action the following is transcribed:

"Deedee No. 47. The National Congress decrees:

Sole Article. To Approve the Executive Power Agreement No. 1077.

Tepeapalpa, D.C. 72nd, January 1942. THE PRESIDENT OF THE

REPUBLIC AGREES: - FIRST. - To approve the Contract that says

CONTRACT. Juan Jose Umaña Main Officer of the Development,

Agriculture and Labour Ministry, in representation of the Executive

Power, duly authorized and from now on to the called the

Executive Power, on one side and on the other side Dr. Wilson

Lowen in representation of the Ian American Agriculture

School, Inc., Society with recognized legal status under

agreement of the Government, Justice, Health and Welfare Ministry

No. 1016 dated the 13th. of this month and from now on to be

called "The School" and considering that The School has the

purpose of establishing in the country by its own resources

and expense an Agronomy School for teaching agronomic, agricultural,

cattle, poultry arts and sciences and related industrial practices,

in order to use and take advantage of natural fertility and

regional knowledge of the nation, and considering that in

order to implement the educational plan The School needs the

authorization, support and guarantees of the Executive Power

to develop the activities and to work in a free frame of action,

and last having in mind that the establishment of such a

school will benefit the country and will provide opportunities

for the Honduran youth and citizens of other Hispanic-American

countries to acquire scientific-agricultural knowledge to

be later used for the benefit of the national economy. The

Executive Power and the School considering the aforementioned

facts have agreed to celebrate the following contract:

1. The Executive Power authorizes the School to establish,

to maintain, equip and operate in a site of its choice anywhere

in the country, a school or teaching center for the study and

teaching of agronomic, agricultural, cattle and poultry sciences

and related knowledge and practices. 2. The School will select

its name and subjects to be taught as well educational methods

and practices that it considers necessary to reach its goal

and educational mission. 3. The School will be free to act

in all matters regarding its operation and support, will be

solely responsible and will have absolute and exclusive control

and management: a) Unrestricted organization, administration,

and operation of the School. b) Free designation, nomination,

or removal of teaching and administrative personnel and all

employees and laborers of the institution as well as the

establishment of salaries, fees and other fringe benefits.
c) Selection, necessary admission requirements and internal discipline of the students as well as expelling or suspension and consideration of the reasons for such action. d) Preparation and adoption of the study plan (curriculum) of the School and the necessary rules and regulations for its internal operation and discipline, and e) The number of students to be admitted and provided with room and board. 4. The School is granted absolute autonomy and independence for the internal operation but the Executive Power retains the right to inspect the School during the year to certify the fulfillment of the contract and observe the moral and sanitary conditions of the grounds. 5. At the end of every school year, the School will submit to the Executive Power, for statistical records, a report containing progress, enrollment, attendance, instruction methods and other data considered of public interest. 5. The School is free to establish and charge registration fees, title charges, and other related costs that it considers convenient in accordance with the law as well as to sell surplus products but the profits will become part of the School funds and under no circumstances can be distributed as dividends among the personnel, these funds are to be allotted for the upkeep and improvement of the School. 6. The School is authorized, during the term of this contract, to employ and contract teaching and administrative personnel deemed necessary and can bring foreign technicians as long as they do not come from countries from where immigration is prohibited and whom the School considers necessary for the operation. 7. The Executive Power will allow, during the term of this contract, the admittance into the country of students from countries from where immigration is allowed with the sole purpose of enrolling and attending the School and the Honduran government will require only the passport and a certificate of the School indicating his status as student of the institution. 8. The School is authorized and empowered, under pertinent laws, to issue professional titles to the students that have attended and satisfactorily completed the established and required courses. 9. The School can purchase, acquire, keep and rent in accordance with established laws, in any part of the country, privately owned land required for buildings and installations. 10. The School can build, maintain, equip and operate administration buildings, recreational rooms, dormitories, cafeterias, libraries, infirmary, hospitals, laboratories, gym, recreation centers and athletic fields, experiment stations, mechanical shops, carpenters shops, sawmills, dairy plant, water plants, ice and refrigeration units and other installations deemed necessary and useful for the service of the school and for students instruction and is free to handle the goods produced in such teaching centers. The School, with prior permit from the Executive Power, can also install, maintain, equip and operate telephone and telegraph services for its exclusive and public service and can connect the lines to the national system.
11. The installations and goods, maintenance, operation and activities of the School as well as services established for its use, will be exempt during the term of this contract from all types of taxes, contributions, rights, fiscal or national fees, with the exception of district and municipal fees, regardless of the assigned name or purpose. 12. The Executive Power grants the School, during the term of this contract, for its exclusive use the right to import free of duty, trade both marine and land with the exception of consular, State and district-municipal charges, all machinery, tools, agriculture articles, furniture, books, publications, medicines, chemical substances, insecticides to combat diseases or agricultural plagues, construction materials, animals to raise or to improve breeds, bulls, seeds, fertilizer, feed and in general any article necessary for maintenance and operation of the center. For this purpose the School will present to the Development Ministry a list of the materials to be imported into the country and the Ministry of Economy and Public Credit will grant permit to import the goods into the country. 13. The Executive Power grants the School the right to use without detriment to third parties, the water of the rivers, lakes, ponds, streamlets, and springs to be found on the School grounds or near them. The School will use these sources for the benefit of its installations, school buildings, electrical installations, hydroelectrical, hydraulic, irrigation, sanitary services and water sources. A request for authorization to use these sources must be submitted by the School to the Executive Power including plans and projects and with the understanding that the request can be considered granted if it is not objected or rejected within ninety days after presentation. 14. Any differences that can arise between the Executive Power and the School regarding interpretation or application of this contract will be handled by two friendly representatives, one for each part and in accordance with the law. In case of disagreement of the parts, a third negotiator can be nominated. If one of the two parts does not name its negotiator or is in disagreement with regard to the nomination of the third party within ninety days of the presentation of the demand, the case will be handled in accordance with the Civil Code of laws. The decision of the two representatives or of the third nominee will be definite and enforced without appeal and considered as final verdict, closed affair or tried matter. 15. The School renounces the right to submit actions or claims through diplomatic channels regarding rights or obligations established in the contract except in cases of refusal of justice. 16. The present contract, with previous authorization of the Executive Power, can at any time be transferred or granted to a natural or legal party but under no circumstances to a foreign public corporation or government. 17. This contract will lapse if the School is not established within five years after the approval by the Executive Power or if after its establishment it suspends its courses or activities during three consecutive years, except due to unexpected or major force or through acts of the Executive Power beyond the control of the School.
16. The duration of this contract will be fifty years after the approval of the legislative council. Consequently as agreed herewith the contract is signed in the City of Veracruz, in this Central District, on Twenty January 1952. (Signed) Juan Jose Omana (Signed) Wilson Fopencoe.
Gentlemen:

This is in reply to your recent letter, requesting a copy of an exemption letter for the above organization.

Due to our records retention program, a copy of the original letter is not available.

However, records in this office indicate that a determination letter was issued on [DATE 1942] to the above organization ruling that they were exempt from Federal income tax under Section [SECTION 501c] of the Internal Revenue Code of 1954.

This ruling remains in effect as long as there are no changes in their character, purposes, or method of operation.

I trust that the foregoing information will serve your purpose.

Very truly yours,

William F. Wilke
State of Delaware

Office of Secretary of State

I, Glenn C. Kenton, Secretary of State of the State of Delaware do hereby certify the attached is a true and correct copy of the certificate of restated certificate of incorporation of Escuela Agricola Pan-Americana, Inc. filed in this office on the twenty-third day of November, A.D. 1984, at 9 O’clock A.M.

AUTHENTICATION: 10383364
DATE: 12/03/1984
RESTATED CERTIFICATE OF INCORPORATION
OF
ESCUELA AGRICOLA PAN AMERICANA, INC.
(A corporation without capital stock)

ESCUELA AGRICOLA PAN-AMERICANA, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is ESCUELA AGRICOLA PAN-AMERICANA, INC.

The date of filing of the original Certificate of Incorporation with the Secretary of State was December 3, 1941. An amendment of the original Certificate of Incorporation was filed with the Secretary of State on April 17, 1961.

2. This Restated Certificate of Incorporation restates and integrates and further amends the Certificate of Incorporation as heretofore amended (a) by eliminating from Article THIRD (relating to the purposes for which the corporation is formed) those provisions which are merely statements of powers enjoyed by all Delaware corporations and by redefining the geographical area to which the corporation is to devote its activities, (b) by adding, at the end of Article THIRD, a paragraph expressly limiting the exercise by this corporation of its powers to activities permissible to organizations exempt under Section 501(c)(3) of the Internal Revenue Code of 1954 and Regulations thereunder, (c) by clarifying the language of Article FOURTH and adding thereto language specifically requiring that distributees of corporate property upon the dissolution of this corporation must be organizations exempted under Section 501(c)(3) of the Internal Revenue Code of 1954 and Regulations thereunder, (d) by modifying the provisions relating to membership in the corporation, (e) by eliminating the provision (former Article NINTH and now covered by statute) exempting the private property of members from liability for debts of the corporation and (f) by making, for the sake of clarity, certain editorial changes in, and amplifications of, language previously used in the Certificate of Incorporation.

3. The text of the Certificate of Incorporation as amended or supplemented heretofore is further amended hereby to read as herein set forth in full:

FIRST: The name of the corporation is ESCUELA AGRICOLA PAN-AMERICANA, INC.

SECOND: The registered office of the corporation in the State of Delaware shall be located at 10th floor, One Rodney Square, Tenth and King Streets in the City of Wilmington, Zip Code 19801, County of New
CASTLE. The registered agent in charge thereof at such address is "TAF Service Corp."

THIRD: The objects and purposes of the corporation are

(1) to promote the science of agriculture and advance the knowledge thereof in Western Hemisphere countries other than the United States of America and Canada by educational means; to establish and maintain in any or all such countries institutions of learning, agricultural or farm schools and colleges, experimental or training farms or plantations, agricultural field stations and other educational establishments or organizations for the accumulation of knowledge, dissemination of learning or instruction and training of students in agricultural and related subjects; to impart such knowledge, learning, instruction and training to any persons in any part of the world, whether attending such aforesaid establishments or otherwise, by personal tuition, correspondence, publication or other means whatsoever; to teach such other subjects and furnish such other courses of study both academic and technical as may be advisable or appropriate in connection with the study of agriculture; and to grant scholarships and to make its educational facilities available to such persons, with or without charge or compensation therefor, and upon such terms, as the Board of Trustees may deem expedient; and

(2) in furtherance of its purposes aforesaid, to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

Notwithstanding any other provisions of this Certificate of Incorporation, the corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Internal Revenue Code of 1954 and Regulations thereunder as they now exist or as they may hereafter be amended (or under corresponding provisions of any future United States internal revenue law and regulations thereunder), or by an organization contributions to which are deductible under Section 170(c)(2) of such Code and Regulations thereunder as they now exist or as they may hereafter be amended (or under corresponding provisions of any future United States internal revenue law and regulations thereunder).

FOURTH: The corporation shall not have any capital stock. It shall pay no dividends and no part of the net income of the corporation shall directly or indirectly be used for or diverted to purposes other than the charitable purposes for which the corporation was formed. No member, trustee, officer, employee or agent of the corporation shall, directly or indirectly, receive or be entitled to any pecuniary profit from the operations thereof beyond reasonable remuneration for services actually
FIFTH: Any natural person may be elected by a majority of the whole membership to be a member of the corporation at any annual meeting or at any special meeting called for the purpose, inter alia, of electing members. The number of members shall not be less than nine or such larger number as may be fixed by vote of the members at any annual meeting or at any special meeting of the members called for the purpose, inter alia, of electing members. Membership in the corporation shall be terminated automatically by death or failure to attend in person three consecutive annual meetings of the members held after December 31, 1984 (any meeting of the members held in lieu of and for the purposes of an annual meeting shall constitute an annual meeting for the purposes of this sentence). A member may resign at any time by notice to such effect directed to the corporation. Any such resignation shall take effect without necessity for its acceptance by the corporation.

SIXTH: The members of the corporation shall meet at least once a year, each such meeting being held at such place, at such time and upon such notice as the by-laws of the corporation may provide. The presence in person or by proxy at any meeting of a majority of the members shall constitute a quorum for the transaction of business and the action of a majority of the members present in person or represented by proxy at any meeting and constituting a quorum shall be deemed the action of the entire membership.

SEVENTH: The power to make, alter and repeal by-laws shall be in the members, but the members may, in the by-laws, confer that power upon the trustees.

EIGHTH: To the extent provided in the by-laws, the affairs of the corporation shall be governed by a board of trustees elected by the members, of such number (not less than three nor more than twenty-five), and with such powers, duties and tenure of office, as may be provided in the by-laws.

NINTH: The trustees may hold their meetings and have an office or offices within or without the State of Delaware. The books and records of the corporation may be kept (subject to legal requirements) outside
the State of Delaware at such place or places as may be from time to time designated by the members or by the board of trustees.

4. This Restated Certificate of Incorporation was declared advisable by the Board of Trustees of said corporation at a meeting duly called and held on September 7, 1984 and was duly adopted by vote of at least two-thirds of the members of the corporation at a meeting duly called and held on October 26, 1984, all in accordance with the applicable provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware and of the Certificate of Incorporation (as heretofore amended) and By-Laws of the corporation.

IN WITNESS WHEREOF, said ESCUELA AGRICOLA PAN-AMERICANA, INC., has caused this Restated Certificate of Incorporation to be signed by John G. Smith, the Chairman of its Board of Trustees and its corporate seal to be affixed hereto and attested by J. Wayne Reitz, its Secretary, each thereunto duly authorized, this 36th day of October, 1984.

ESCUELA AGRICOLA PAN-AMERICANA, INC.

By [Signature]
Chairman

ATTEST:

By [Signature]
Secretary
STATE OF FLORIDA  

COUNTY  

I, the undersigned, a Notary Public duly authorized to take acknowledgements in and for said State and County, do hereby certify that John G. Smith, to me well known and known to me to be one of the individuals described in and who executed the foregoing instrument, personally appeared before me this day, and did declare that he is the Chairman of the Board of Trustees of Escuela Agricola Pan-Americana, Inc., the corporation referred to in said instrument, and he did acknowledge to and before me that he executed said instrument on the behalf of the corporation pursuant to authority conferred upon him by the members of said corporation and that said instrument is his free act and deed and the free act and deed of said corporation and that the facts stated in said instrument are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at in said State and County this day of 1984.

Peggy Sue Smith  
Notary Public  

STATE OF FLORIDA  

ALACHUA COUNTY  

I, the undersigned, a Notary Public duly authorized to take acknowledgements in and for said State and County, do hereby certify that J. Wayne Reitz, to me well known and known to me to be one of the individuals described in and who executed the foregoing instrument, personally appeared before me this day, and did declare that he is the Secretary of the Board of Trustees of Escuela Agricola Pan-Americana, Inc., the corporation referred to in said instrument, and he did acknowledge to and before me that he executed said instrument on the behalf of the corporation pursuant to authority conferred upon him by the members of said corporation and that said instrument is his free act and deed and the free act and deed of said corporation and that the facts stated in said instrument are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at in said State and County this 30 day of October, 1984.

Gladys E. Calton  
Notary Public  

Notary Public, State of Florida  
My Commission Expires Oct. 16, 1988  
Bonded thru Terry Fink Insurance, Inc.
ESCUELA AGROICOLA PANAMERICANA

HISTORY AND BACKGROUND

The Escuela Agricola Panamericana (EAP) is an autonomous, international institution established in 1942 under the laws of the State of Delaware as a non-profit entity with the cooperation of the government of Honduras. Under an Act of its Congress (Decree No. 47 of January 22, 1942), Honduras recognized EAP as a private, independent center for agricultural studies with its own internal regulations and policies established by its Board of Trustees. The Decree also accords numerous tariff advantages and privileges to facilitate EAP's operation.

On August 10, 1979 the Government of Honduras, through Decree No. 795, recognized EAP's contribution to their country in particular and to Latin America in general, and granted it an expanded international status with increased tariff exemptions and tax benefits similar to those accorded to the specialized agencies of the United Nations. On August 14, 1980, Government Decree No. 962 extended the original agreement for the operation of EAP for 50 more years, until the year 2040. On December 1987, the Congress of Honduras through Decree 194-867 expanded and reiterated the international character of EAP, an additional privilege to the institution and its faculty.

Between 1942 and 1957 EAP was financed almost entirely by the United Fruit Company. The company established a trust fund, and until 1957 supplemented the earnings of the trust fund with enough to cover expenses. Since 1957 EAP has continued to function as an independent, privately-endowed institution with its own legal identity and governed by an international Board of Trustees. At the present, EAP is operated with income derived from an existing endowment fund, the sale of agricultural products grown at the School, student fees, and private and public donations.

Prominent cooperating institutions are the International Center for Tropical Agriculture (CIAT) and the International Center for Corn and Wheat Improvement (CIMMYT). Recently, EAP has joined forces with Centro de Agricola Tropical de Investigaciones y Enseñanza (CATIE) in "farming systems" research, forestry, watershed management, and integrated pest management. Its ties with the University of Florida (UF) date back to the early 1950's.

In 1984, following the example of UF an agreement was established with Kansas State University (KSU), wherein EAP graduates are accepted for undergraduate and graduate studies without having to pay out-of-state fees. It is hoped that EAP's relationship with KSU will be further strengthened by the establishment of the "International Seed and Grain Science Center" with the additional active collaboration of Mississippi State University. EAP is
collaborating on research projects with the following universities in the United States: Cornell, Hawaii, Minnesota, Nebraska, Puerto Rico, Rutgers, and Texas A. & M.

ADMINISTRATION

Escuela Agricola Panamericana is administered by a Director and his staff which carries out the policies set forth by the Board of Trustees. Presently, the Board consists of 22 active and five honorary members. Of the active members, seven live in Latin America and 15 in the United States of America. Officers of the Board include a Chairman, two Vice-Chairmen, a Secretary, and a Treasurer. The Board has the following committees: Executive, Portfolio, Nominating, Audit, Host country, Academic, Development (U.S.A.), Development (Latin America), and Administrative. The director of the school participates in all the meetings and deliberations of the Board. Meetings of the entire Board take place twice a year: during May at EAP and in November in the U.S. The Executive Committee meets several times a year as is deemed necessary.

Administration of the School consists of the following units: Offices of the Dean, Business Manager, Comptroller, Development and the Legal Advisor in the Tegucigalpa office. The Superintendent's office is in charge of maintenance, shops, and overall facilities. The library, herbarium, computer center and the academic programs of animal science, horticulture, agronomy, agricultural economics, plant protection, and basic sciences are supervised by the dean. The production programs are supervised by the Business Manager and his staff.

FACULTY

At present, EAP has over 60 faculty members including the Director and Dean who also teach. Faculty posts include full, associate and assistant professors, field instructors, and the campus and farm superintendents. Academic degrees held by the faculty are as follows:

<table>
<thead>
<tr>
<th>Department</th>
<th>Ph.D</th>
<th>MSA</th>
<th>BSA</th>
<th>Agronomo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Economics &amp; Agribus.</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Basic Sciences</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Horticulture</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Agronomy</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Plant Protection</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Animal Science</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Development and Planning</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Agriculture Production</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24</td>
<td>21</td>
<td>17</td>
<td>43</td>
</tr>
</tbody>
</table>
Over 50 disciplinary specialties are represented by the School's teaching staff. Staff members come from at least 15 countries. All Zamorano faculty are involved in both basic and applied research.

The School's traditional program includes 33 months of education and results in a technical degree (agronomo). In 1987, a fourth year was added. The emphasis on both research and theory is much greater in the fourth-year program. Graduates of the program receive a bachelor's degree and are required to complete a research project. United States universities have already honored this degree and will accept Zamorano graduates of the four years straight into a Masters Program.
### Table A: Grants and Contracts for Official Projects

<table>
<thead>
<tr>
<th>Sponsor</th>
<th>Purpose Project</th>
<th>Dates</th>
<th>Indirect Cost Recovery</th>
<th>Total Project Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 USAID/Honduras</td>
<td>Integrated Pest Management in Honduras</td>
<td>Oct. 1987 to Sept. 1988</td>
<td>$ 1,025,000.00</td>
<td></td>
</tr>
<tr>
<td>2 University of Puerto Rico</td>
<td>Bean Coffee Research-CRSP</td>
<td>Oct. 1987 to Sept. 1988</td>
<td>$ 43,441.00</td>
<td></td>
</tr>
<tr>
<td>3 University of Minnesota</td>
<td>Bean &amp; Nitrogen Fixation</td>
<td>May 1987 to Apr. 1988</td>
<td>$ 9,642.00</td>
<td>$ 10,453.00</td>
</tr>
<tr>
<td>4 AID/Honduras</td>
<td>Regional Research Agreement</td>
<td>Intosmal (Sorghum Research)-CRSP</td>
<td></td>
<td>$ 110,100.63</td>
</tr>
<tr>
<td>6 W.K. Kellogg Foundation</td>
<td>Rural Development Center</td>
<td>Feb. 1989 to Jan. 1989</td>
<td>463,600.00</td>
<td></td>
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<tr>
<td>7 InterAmerican Foundation</td>
<td>Rural Development Program</td>
<td>Oct. 1987 to Sept. 1989</td>
<td>146,000.00</td>
<td></td>
</tr>
<tr>
<td>8 Fish Culture Extension Program</td>
<td>Fish Culture Extension Program</td>
<td>Jun. 1987 to May 1988</td>
<td>34,650.00</td>
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<tr>
<td>9 Rutgers University of New Jersey</td>
<td>Dry Resistance for Beans Program</td>
<td>Aug. 1987 to Jul. 1988</td>
<td>19,692.00</td>
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<tr>
<td>10 AID/Asia</td>
<td>Campus Buildings</td>
<td>Jan. 1988 to Dec. 1988</td>
<td>943,000.00</td>
<td></td>
</tr>
<tr>
<td>11 Banco Central de Honduras</td>
<td>Development of Dual-Purpose Operations (Milk-Beef)</td>
<td>1988</td>
<td>$ 12,500.00</td>
<td></td>
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<tr>
<td>12 University of Hawaii</td>
<td>Nitrogen Fixation</td>
<td>1988</td>
<td>2,000.00</td>
<td></td>
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<tr>
<td>13 Central American Peace Scholarships Projects</td>
<td>Central American Peace Scholarships Projects</td>
<td>1988</td>
<td>233,765.00</td>
<td></td>
</tr>
<tr>
<td>14 Convenio Hacienda El Tumador</td>
<td>Embryo Implant-Beef Cattle</td>
<td>1988</td>
<td>30,000.00</td>
<td></td>
</tr>
<tr>
<td>15 Instituto Hondureño del CAFE</td>
<td>Training</td>
<td>1988</td>
<td>187,522.00</td>
<td></td>
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<tr>
<td>16 Banco InterAmerican de Desarrollo</td>
<td>Scholarships</td>
<td>1988</td>
<td>11,430.00</td>
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Total: $3,718,970.67
Table B
CURRENT CONTRIBUTORS -- 1987

B. Corporations and Foundations

- A. F. Smith Funds
- Auburn University
- Bank of Boston
- Cargill Incorporated
- CATIE
- Contep de R.L.
- Emily Bendaña Fund
- Fertica
- G.B. Wright Memorial Fund
- Grace Foundation
- Zemlyrav Foundation
- Kirchoff Memorial Fund
- La Curacao
- Merosa Holding S.A.
- Mobay Corporation
- Oliver Grace Trust
- Pacific Fruit Inc.
- Pfizer International
- Rutgers University
- Shell Honduras
- Texaco Caribbean Inc.
- University of Hawaii
- University of Wisconsin
- University of Puerto Rico
- W. K. Kellogg Foundation

- Agrigenetic Corporation
- Banco Central de Honduras
- Banco de Republica Colombia
- Cabot Family Charitable Trust
- Cerveceria Hondureña
- Coca-Cola International S.A.
- CIM (International Committee for Migration)
- Esso Standard Oil S.A., Honduras
- Garner Charitable Trust
- Grupo de Ahorro Hondureño
- International Foundation
- Hershey Foods Corporation Fund
- ICAITI (C. American Institute for Research & Technology
- Industrial Research & Technology
- National Research Council
- National Science Foundation
- Pacific Bank
- Public Welfare Foundation Inc.
- Quimica Integrada Hondureña
- Tela Railroad Co.
- Twilley Seed Co.
- United Brands Foundation
- University of Minnesota
- Wallace Genetic Foundation
- W. K. Kellogg Foundation
### C. Government Groups and International Agencies

- ASHA/USAID (American Schools and Hospitals Abroad)  
  - German Ministry for Economic Cooperation (BMZ)  
  - Government of Great Britain  
  - Inter-American Development Bank (IDB)  
  - USAID, FGAP  
  - USAID Mission to Honduras  

- German Foundation for International Development (GIZ)  
  - Government of Belize  
  - Government of El Salvador  
  - Government of Honduras  
  - USAID Mission to Ecuador  
  - USAID Mission to Panama
### Table D

#### Individuals

<table>
<thead>
<tr>
<th>Aguilar, Rafael</th>
<th>Arango, Andres</th>
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<tr>
<td>Alice, Charles B.</td>
<td>Baldwin, Richard</td>
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<td>Bollin, David</td>
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<td>Cook, Jane E.</td>
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<td>Connelly Gaviord</td>
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<td>Heras Juan J.</td>
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<td>Oster Merrill</td>
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<td>Oyuela, Rivaldo</td>
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<td>Popencoe, Hugh</td>
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<td>Rockefeller, Rodman</td>
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<td>Rosengarten Jr. Frederic</td>
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<td>Ruchs, Fabio</td>
<td>Cawyer, Raymond H.</td>
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<td>Segovia, Jose</td>
<td>Sempe, Roberto</td>
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<td>Smathers Jr., Frank</td>
<td>Smith, John G.</td>
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<td>Thomas S. Alexander</td>
<td>Varela, Hugo</td>
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<td>Weeks, John W.</td>
<td>Williams, Emilio</td>
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<td>Wills, Manuel</td>
<td>Wright, Burke</td>
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