

No. 5973

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
HONDURAS**

Development Credit Agreement—*Western Highway Extension Project.* Signed at Washington, on 12 May 1961

Official text: English.

Registered by the International Development Association on 20 November 1961.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et HONDURAS**

Contrat de crédit de développement *Projet de prolongement de la grande route de l'ouest.* Signé à Washington, le 12 mai 1961

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 20 novembre 1961.

No. 5973. DEVELOPMENT CREDIT AGREEMENT¹ (*WESTERN HIGHWAY EXTENSION PROJECT*) BETWEEN THE REPUBLIC OF HONDURAS AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 12 MAY 1961

AGREEMENT, dated May 12, 1961, between REPUBLIC OF HONDURAS and INTERNATIONAL DEVELOPMENT ASSOCIATION.

Article I

DEFINITIONS ; HEADINGS

Section 1.01. Wherever used in this Agreement or any schedule or any agreement supplemental to this Agreement, unless the context shall otherwise require, the following terms shall have the following meanings :

1. The term "Borrower" means Republic of Honduras.
2. The term "Association" means International Development Association.
3. The term "Bank" means International Bank for Reconstruction and Development.
4. The term "Credit" means the development credit provided for in this Agreement.
5. The term "currency" means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the territories of the government referred to. Whenever reference is made to the currency of the Borrower, the term "currency" includes the currencies of all territories on whose behalf at the time referred to the Borrower has accepted membership in the Association.
6. The term "dollars" and the sign "\$" means dollars in currency of the United States of America.
7. The term "Credit Account" means the account on the books of the Association to which the amount of the Credit is to be credited as provided in Section 2.02.

¹ Came into force on 29 June 1961, upon notification by the Association to the Government of Honduras.

8. The term "Project" means the project or projects or program or programs for which the Credit is granted, as described in Schedule 2¹ to this Agreement and as the description thereof shall be amended from time to time by agreement between the Association and the Borrower.

9. The term "goods" means equipment, supplies and services which are required for the Project. Wherever reference is made to the cost of any goods, such cost shall be deemed to include the cost of importing such goods into the territories of the Borrower.

10. The term "Effective Date" means the date on which this Development Credit Agreement shall come into force and effect as provided in Section 9.03.

11. The term "tax" and "taxes" shall include imposts, levies fees and duties of any nature, whether in effect at the date of this Agreement or thereafter imposed.

12. The term "Highway Maintenance Loan Agreement" means the loan agreement dated December 22, 1955² between the Borrower and the Bank, as amended by further agreement between them.

13. The term "Highway Construction Loan Agreement" means the loan agreement dated May 9, 1958³ between the Borrower and the Bank.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth, a development credit in various currencies equivalent to nine million dollars (\$9,000,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in this Agreement.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Credit Account (i) amounts expended for the reasonable cost of goods to be financed under this Agreement, and (ii), if the Association shall so agree, amounts required to meet payments to be made for the reasonable cost of such goods.

¹ See p. 208 of this volume.

² United Nations, *Treaty Series*, Vol. 230, p. 261.

³ United Nations, *Treaty Series*, Vol. 323, p. 3.

(b) Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made on account of (i) expenditures prior to the date of this Agreement or (ii) expenditures in the territories of any country (other than Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

(c) Withdrawals shall be made either in the respective currencies in which the cost of goods has been paid or is payable, or in any currency or currencies which the Association reasonably determines to be freely convertible at the time of withdrawal, as the Association shall from time to time elect.

Section 2.04. Upon the Borrower's request and upon such terms and conditions as shall be agreed upon between the Association and the Borrower, the Association may enter into special commitments in writing to pay amounts to the Borrower or others in respect of the cost of goods notwithstanding any subsequent suspension or cancellation.

Section 2.05. When the Borrower shall desire to withdraw any amount from the Credit Account or to request the Association to enter into a special commitment pursuant to Section 2.04, the Borrower shall deliver to the Association a written application in such form, and containing such statements and agreements, as the Association shall reasonably request. Applications for withdrawal, with the necessary documentaion as hereinafter in this Article provided, shall, except as the Association and the Borrower shall otherwise agree, be made promptly in relation to expenditures for the Project.

Section 2.06. The Borrower shall furnish to the Association such documents and other evidence in support of the application as the Association shall reasonably request, whether before or after the Association shall have permitted any withdrawal requested in the application.

Section 2.07. Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Association that the Borrower is entitled to withdraw from the Credit Account the amount applied for and that the amount to be withdrawn from the Credit Account is to be used only for the purposes specified in this Agreement.

Section 2.08. Payment by the Association of amounts which the Borrower is entitled to withdraw from the Credit Account shall be made to or on the order of the Borrower.

Section 2.09. The Borrower shall pay in dollars to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay in dollars to the Association a service charge at the same rate on the principal amount of any special commitment entered into by the Association pursuant to Section 2.04 and outstanding from time to time.

Section 2.10. (a) Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Service charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.11. (a) The Borrower shall repay the principal of the Credit in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

(b) The Borrower shall have the right to repay in advance of maturity all or any part of the principal amount of one or more outstanding maturities of the Credit specified by the Borrower.

(c) The principal of the Credit shall be repaid in dollars and the amount so repayable shall be the equivalent in dollars of the currency or currencies withdrawn from the Credit Account, determined as of the respective dates of withdrawal.

Section 2.12. The principal of, and service charges on, the Credit shall be paid at such place or places as the Association shall reasonably request.

Section 2.13. Whenever it shall be necessary for the purposes of this Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Association.

Section 2.14. If, at any time after the date of this Agreement and before December 31, 1961, the Association shall adopt terms and conditions of withdrawal and repayment generally applicable to development credits made by the Association to its members which would be more favorable to the Borrower than the terms and conditions of withdrawal and repayment set forth in this Agreement, then, if the Borrower shall so request the Association within one year from the date of such adoption, such more favorable terms and conditions shall be made applicable to the Credit as of the date of such request or such other date as shall be agreed between the Borrower and the Association.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

¹ See p. 206 of this volume.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) In the carrying out of parts I, II and III of the Project the Borrower shall employ competent and experienced engineering consultants satisfactory to the Borrower and the Association upon terms and conditions satisfactory to the Borrower and the Association.

(c) Except as the Association shall otherwise agree, the roads and structures included in parts I and III of the Project shall be constructed by contractors satisfactory to the Borrower and the Association, employed under contracts satisfactory to the Borrower and the Association awarded on the basis of international competitive bidding and the Borrower shall, before inviting bids for any such contract, secure the rights of way required for the road or structure to be constructed under such contract.

(d) The general design standards to be used for the roads and structures the construction of which is included in the Project shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

(e) The timing and the terms of reference of the survey described in part IV of the Project shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

(f) The survey described in part IV of the Project shall be carried out by consultants or advisors satisfactory to the Borrower and the Association employed on terms and conditions satisfactory to the Borrower and the Association.

(g) The Borrower shall cause to be furnished to the Association, promptly upon their preparation, the plans and specifications and work program for each part of the Project and any material modifications subsequently made therein, in such detail as the Association shall from time to time request.

Section 4.02. (a) The Borrower shall maintain or cause to be maintained records adequate to show the application of the proceeds of the Credit, to identify the imported goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or agencies of the Borrower respon-

sible for the construction or operation of the Project or any part thereof ; shall enable the Association's representatives to inspect the Project, the imported goods and any relevant records and documents ; and shall furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the imported goods and the operations and financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof.

(b) The Borrower shall at all times make available promptly as needed all sums which shall be required for the carrying out of the Project.

Section 4.03. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

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

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

Section 4.05. This Development Credit Agreement shall be free from any taxes or fees that be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 4.06. The principal of, and service charges on, the Credit shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.07. The Borrower shall satisfy the Association that adequate arrangements have been made to insure the goods financed out of the proceeds of the Credit against risks incident to their purchase and importation into the territories of the Borrower.

Section 4.08. The Borrower shall cause the roads constructed with the proceeds of the Credit to be adequately maintained and shall cause all necessary repairs thereof to be made, all in accordance with sound engineering practices.

Section 4.09. (a) The Borrower shall cause all maintenance equipment, materials and spare parts financed out of the proceeds of the Credit to be used exclusively in the carrying out of part II of the Project and thereafter shall cause all such equipment, materials and spare parts to be used exclusively for the purposes of road maintenance.

(b) The Borrower shall cause all its machinery and equipment for highway construction and maintenance to be adequately maintained and repaired, and shall cause suitable workshops to be maintained in suitable places for that purpose.

Section 4.10. In order to carry out efficiently the Project and the projects provided for under the Highway Maintenance Loan Agreement and the Highway Construction Loan Agreement, until the Project shall have been completed, the Borrower shall give priority in the allocation of highway funds and resources to the construction or reconstruction of roads included in the Project and in the projects provided for under said loan agreements.

Article V

CANCELLATION AND SUSPENSION

Section 5.01. The Borrower may by notice to the Association cancel all or any part of the Credit which the Borrower shall not have withdrawn prior to the giving of such notice, except that the Borrower may not so cancel any amount of the Credit in respect of which the Association shall have entered into a special commitment pursuant to Section 2.04.

Section 5.02. If any of the following events shall have happened and be continuing, the Association may by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account :

(a) A default shall have occurred in the payment of principal or service charges or any other payment required under this Agreement or any other development credit agreement or any guarantee agreement between the Borrower and the Association.

(b) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under this Agreement or any other development credit agreement or any guarantee agreement between the Borrower and the Association.

(c) A default shall have occurred in the payment of principal or interest or any other payment required under any loan agreement or guarantee agreement between the Borrower and the Bank or any bonds issued thereunder.

(d) The Bank (i) shall have suspended in whole or in part the right of the Borrower to make withdrawals under any loan agreement between the Borrower and the Bank because of a default on the part of the Borrower, or (ii) shall have suspended in whole or in part the right of the borrower to make withdrawals under any loan agreement with the Bank guaranteed by the Borrower because of a default on the part of the Borrower.

(e) An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under this Agreement.

(f) The Borrower shall have been suspended from membership in or ceased to be a member of the Association.

(g) The Borrower shall have ceased to be a member of the International Monetary Fund or shall have become ineligible to use the resources of said Fund under Section 6 of Article IV of the Articles of Agreement of said Fund¹ or shall have been declared ineligible to use said resources under Section 5 of Article V, Section 1 of Article VI or Section 2 (a) of Article XV of the Articles of Agreement of said Fund.

(h) After the date of this Agreement and prior to the Effective Date any event shall have occurred which would have entitled the Association to suspend the Borrower's right to make withdrawals from the Credit Account if this Agreement had been effective on the date such event occurred.

The right of the Borrower to make withdrawals from the Credit Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Association shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall impair any right, power or remedy of the Association in respect of any other or subsequent event described in this Section.

Section 5.03. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days or (b) by September 30, 1965, or such other date as shall be agreed between the Borrower and the Association, an amount of the Credit

¹ United Nations, *Treaty Series*, Vol. 2, p. 40; Vol. 19, p. 280; Vol. 141, p. 355; Vol. 199, p. 308; Vol. 260, p. 432; Vol. 287, p. 260; Vol. 303, p. 284; Vol. 316, p. 269, and Vol. 406.

shall remain unwithdrawn from the Credit Account, the Association may by notice to the Borrower terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice such amount of the Credit shall be cancelled.

Section 5.04. No cancellation or suspension pursuant to this Article shall apply to amounts subject to any special commitment entered into by the Association pursuant to Section 2.04 except as expressly provided in such commitment.

Section 5.05. Except as otherwise agreed between the Association and the Borrower, any cancellation shall be applied *pro rata* to the several maturities of the principal amount of the Credit as set forth in the Schedule 1 to this Agreement.

Section 5.06. Notwithstanding any cancellation or suspension all the provisions of this Agreement shall continue in full force and effect except as in this Article specifically provided.

Article VI

REMEDIES OF THE ASSOCIATION

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 shall occur and shall continue for a period of 30 days, or (ii) if any event specified in paragraph (b) of Section 5.02 shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time thereafter the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately and upon any such declaration such principal shall become due and payable immediately anything in this Agreement to the contrary notwithstanding.

Article VII

ENFORCEABILITY OF DEVELOPMENT CREDIT AGREEMENT ; FAILURE TO EXERCISE RIGHTS ; ARBITRATION

Section 7.01. The rights and obligations of the Association and the Borrower under this Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any state, or political subdivision thereof, to the contrary. Neither the Association nor the Borrower shall be entitled in any proceedings under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Association or for any other reason.

Section 7.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default ; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 7.03. (a) Any controversy between the parties to this Agreement and any claim by either such party against the other arising under this Agreement which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Association and the Borrower.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows : one arbitrator shall be appointed by the Association ; a second arbitrator shall be appointed by the Borrower ; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within 30 days after the giving of such notice, the adverse party shall notify the party instituting the proceeding of the name of the arbitrator appointed by such adverse party.

(e) If, within 60 days after the giving of such notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph *(c)* of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence

and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to this Development Credit Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties to this Agreement and any claim by either party against the other party arising thereunder.

(k) The Association shall not be entitled to enter judgment against the Borrower upon the award, to enforce the award against the Borrower by execution or to pursue any other remedy against the Borrower for the enforcement of the award, except as such procedure may be available against the Borrower otherwise than by reason of the provisions of this Section. If, within 30 days after counterparts of the award shall be delivered to the parties, the award shall not be complied with by the Association, the Borrower may take any such action for the enforcement of the award against the Association.

(l) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 8.01. The parties to this Agreement waive any and all other requirements for the service of any such notice or process.

Article VIII

MISCELLANEOUS PROVISIONS

Section 8.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this

Agreement shall be in writing. Except as otherwise provided in Section 9.03 such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified hereinafter, or at such other address as such party shall have designated by notice to the party giving such notice or making such request :

Address of the Borrower :

Secretario de Economia y Hacienda
Palacio de Hacienda
Tegucigalpa D. C.
Honduras

Alternative address for cablegrams and radiograms :

Hacienda
Tegucigalpa

Address of the Association :

International Development Association
1818 H Street, N. W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D. C.

Section 8.02. The Borrower shall furnish to the Association sufficient evidence of the authority of the person or persons who will sign the applications provided for in Article II or who will, on behalf of the Borrower, take any other action or execute any other documents required or permitted to be taken or executed by the Borrower under this Agreement, and the authenticated specimen signature of each such person.

Section 8.03. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Borrower may be taken or executed by the *Secretario de Estado en el Despacho de Economia y Hacienda* of the Borrower or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of this Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by said *Secretario de Estado* or any person thereunto authorized in writing by him ; pro-

vided that, in the opinion of said *Secretario de Estado*, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under this Agreement. The Association may accept the execution by said *Secretario de Estado* or any person thereunto authorized in writing by him of any such instrument as conclusive evidence that in the opinion of said *Secretario de Estado* any modification or amplification of the provisions of this Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder.

Section 8.04. This Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

Article IX

EFFECTIVE DATE ; TERMINATION

Section 9.01. This Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that the execution and delivery of this Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action.

Section 9.02. As part of the evidence to be furnished pursuant to Section 9.01, the Borrower shall furnish to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms.

Section 9.03. Except as shall be otherwise agreed by the Association and the Borrower, this Agreement shall come into force and effect on the date upon which the Association dispatches to the Borrower notice of its acceptance of the evidence required by Section 9.01.

Section 9.04. If all acts required to be performed pursuant to Section 9.01 shall not have been performed before a date ninety days after the date of this Agreement or such other date as shall be agreed upon by the Association and the Borrower, the Association may at any time thereafter at its option terminate this Agreement by notice to the Borrower. Upon the giving of such notice this Agreement and all obligations of the parties thereunder shall forthwith terminate.

Section 9.05. If and when the entire principal amount of the Credit and all charges which shall have accrued on the Credit shall have been paid, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

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

Republic of Honduras :

By Celeo DAVILA
Authorized Representative

International Development Association :

By W. A. B. ILIFF
Vice President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>
September 1, 1971	\$ 45,000	September 1, 1991	135,000
March 1, 1972	45,000	March 1, 1992	135,000
September 1, 1972	45,000	September 1, 1992	135,000
March 1, 1973	45,000	March 1, 1993	135,000
September 1, 1973	45,000	September 1, 1993	135,000
March 1, 1974	45,000	March 1, 1994	135,000
September 1, 1974	45,000	September 1, 1994	135,000
March 1, 1975	45,000	March 1, 1995	135,000
September 1, 1975	45,000	September 1, 1995	135,000
March 1, 1976	45,000	March 1, 1996	135,000
September 1, 1976	45,000	September 1, 1996	135,000
March 1, 1977	45,000	March 1, 1997	135,000
September 1, 1977	45,000	September 1, 1997	135,000
March 1, 1978	45,000	March 1, 1998	135,000
September 1, 1978	45,000	September 1, 1998	135,000
March 1, 1979	45,000	March 1, 1999	135,000
September 1, 1979	45,000	September 1, 1999	135,000
March 1, 1980	45,000	March 1, 2000	135,000
September 1, 1980	45,000	September 1, 2000	135,000
March 1, 1981	45,000	March 1, 2001	135,000
September 1, 1981	135,000	September 1, 2001	135,000
March 1, 1982	135,000	March 1, 2002	135,000
September 1, 1982	135,000	September 1, 2002	135,000
March 1, 1983	135,000	March 1, 2003	135,000
September 1, 1983	135,000	September 1, 2003	135,000
March 1, 1984	135,000	March 1, 2004	135,000
September 1, 1984	135,000	September 1, 2004	135,000
March 1, 1985	135,000	March 1, 2005	135,000
September 1, 1985	135,000	September 1, 2005	135,000
March 1, 1986	135,000	March 1, 2006	135,000
September 1, 1986	135,000	September 1, 2006	135,000

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>
March 1, 1987	\$ 135,000	March 1, 2007	\$ 135,000
September 1, 1987	135,000	September 1, 2007	135,000
March 1, 1988	135,000	March 1, 2008	135,000
September 1, 1988	135,000	September 1, 2008	135,000
March 1, 1989	135,000	March 1, 2009	135,000
September 1, 1989	135,000	September 1, 2009	135,000
March 1, 1990	135,000	March 1, 2010	135,000
September 1, 1990	135,000	September 1, 2010	135,000
March 1, 1991	135,000	March 1, 2011	135,000

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of :

Part I. The engineering and construction of an all-weather unpaved highway, approximately 100 kilometers long, as an Extension of the Western Highway from its terminus at Santa Rosa de Copan to Nueva Ocotepeque, and of a connection with the Northern Highway of El Salvador at the border between Honduras and El Salvador, a few kilometers south of Nueva Ocotepeque. The location of the Extension will be determined by agreement between the Borrower and the Association.

Part II. The continuation for a period of two years from September 1, 1961, or for such longer period as shall be agreed between the Borrower and the Association, of the improvement of the Borrower's highway organization and of the program of highway repair and maintenance described in paragraphs 1 and 2 of Schedule 2 to the Highway Maintenance Loan Agreement.

Part III. The engineering and construction of feeder roads to connect with the Western Highway and its Extension and for the development of the Western Region. The program for, and the general location of, these roads will be determined by agreement between the Borrower and the Association.

Part IV. A highway survey to provide the Borrower with a long-term guide for development of a balanced highway system in Honduras. The scope of the survey will include, but will not necessarily be limited to :

- (i) studies of the priority of investment in expanding and improving the highway network (primary, secondary, feeder and penetration roads), the cost and benefits ;
- (ii) studies of the need of a planning office and the basis on which it should be established in the Highway Department of the Borrower ;
- (iii) studies of the need of, and the proper basis for, the regulation of road transport in Honduras ; and
- (iv) preliminary engineering studies for high-priority roads to be selected from time to time by agreement between the Borrower and the Association.