

No. 8189

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
HONDURAS**

**Development Credit Agreement — *North Road Project*
(with related letter and annexed Development Credit
Regulations No. 1). Signed at Washington, on
2 February 1965**

Official text : English.

Registered by the International Development Association on 28 April 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
HONDURAS**

**Contrat de crédit de développement — *Projet relatif à
la route du Nord* (avec lettre y relative et, en annexe,
le Règlement n° 1 sur les crédits de développement).
Signé à Washington, le 2 février 1965**

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 28 avril 1966.

No. 8189. DEVELOPMENT CREDIT AGREEMENT ¹ (*NORTH ROAD PROJECT*) BETWEEN THE REPUBLIC OF HONDURAS AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 2 FEBRUARY 1965

AGREEMENT, dated February 2, 1965, between REPUBLIC OF HONDURAS (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Association has agreed, on the basis of the financing arrangements described in the Recitals to the agreement of even date herewith (hereinafter called the Loan Agreement) ² between the Borrower and the International Bank for Reconstruction and Development (hereinafter called the Bank), to make a credit to the Borrower in an amount in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000) on the terms and conditions hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article 1

CREDIT REGULATIONS ; SPECIAL DEFINITION

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961, ³ with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

- (a) The second sentence of Section 2.02 is deleted.
- (b) Section 3.01 is deleted and the following new section is substituted therefor :

“SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

¹ Came into force on 1 February 1966, upon notification by the Association to the Government of Honduras.

² See p. 255 of this volume.

³ See p. 292 of this volume.

“ (b) The proceeds of the Credit shall be withdrawn from the Credit Account :

“ (i) on account of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select ;

“ (ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

“ (c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made. ”

(c) A new Section 3.04 is inserted after Section 3.03 as follows :

“ SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03. ”

(d) Section 3.04 is renumbered as Section 3.05.

Section 1.02. Except where the context otherwise requires, the terms defined in the Loan Agreement shall have the same meanings as in such Loan Agreement wherever used in the Development Credit Agreement.

Section 1.03. Except where the context otherwise requires, the term “ Project ” wherever used in the Development Credit Agreement means the project for which the Credit is made as described in Schedule 2 of the Loan Agreement and as the description thereof shall be amended from time to time by Agreement among the Borrower, the Inter-American Development Bank, the Association 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 the Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Development Credit Agreement.

Section 2.03. Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Development Credit Agreement, to withdraw from the Credit Account :

- (a) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association of such amounts as shall have been expended for the reasonable cost of goods required for carrying out the Project ; and
- (b) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under subsection (a) hereof ;

provided, however, that withdrawals shall not be made on account of expenditures prior to the date of this Agreement ; and

provided, further, that withdrawals shall not be made with respect to any part of the Project until consultants are employed in accordance with Section 4.01 of this Agreement to provide the engineering services referred to in Part C of the Project.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($3/4$ of 1 %) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the rate of one-half of one per cent ($1/2$ of 1 %) on the principal amount of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations and outstanding from time to time.

Section 2.05. Service charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each April 1 and October 1 commencing April 1, 1975 and ending October 1, 2014, each instalment to and including the instalment payable on October 1, 1984 to be one-half of one per cent ($1/2$ of 1 %) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1 1/2$ %) of such principal amount.

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. 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.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, 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) Sections 5.01, 5.02, 5.03, 5.04, 5.05 and 5.06 of the Loan Agreement are hereby incorporated into this Agreement with the same force and effect as if they were fully set forth herein, provided, however, that : (i) all references to the Bank in such Sections or any of them shall be deemed to be references to the Association ; (ii) all references in such Sections or any of them to the Loan shall be deemed to be references to the Credit ; and (iii) all references to the Credit in such Sections or any of them shall be deemed to be references to the Loan.

(b) Until the Loan provided for under the Loan Agreement or the Bonds executed and delivered pursuant to provisions of Article IV of such Loan Agreement shall have been repaid or cancelled, all action taken, including approvals given, by the Bank pursuant to Sections 5.01, 5.02, 5.03, 5.04, 5.05 and 5.06 if the Loan Agreement shall be deemed to be taken or given in the name and on behalf of both the Bank and the Association ; and all information furnished by the Borrower to the Bank, pursuant to the provisions of such Sections, shall be deemed to be furnished to both the Bank and the Association.

Section 4.02. The provisions of the Sections of the Loan Agreement enumerated in paragraph (a) of Section 4.01 of this Agreement (except Sections 5.03, 5.05 and 5.06) and the obligations thereunder shall terminate on April 1, 1990 or on the date when the Loan Agreement and all the obligations thereunder shall terminate, whichever is the later.

Section 4.03. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.04. This Agreement shall be free from any taxes that shall 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.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (c) of Section 5.02 of this Agreement shall occur, or (ii) if any event specified in paragraphs (a) or (c) of Section 5.02 of the Credit Regulations shall occur and shall continue for a period of thirty days, or (iii) if any event specified in paragraph (b) of Section 5.02 of the Credit Regulations or in paragraphs (a) or (d) of Section 5.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time 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.

Section 5.02. The following additional events are specified for the purposes of paragraph (j) of Section 5.02 of the Regulations :

(a) Subject to the provisions of paragraph (c) of this Section, the IADB Loan Agreements or the Loan Agreement shall have been, in any material respect, amended, assigned, waived or terminated (otherwise than after full repayment at the agreed maturity or repayment made at the option of the Borrower prior to such maturity) without the agreement of the Association ;

(b) Any event shall have operated to suspend the right of the Borrower to withdraw amounts under the IADB Loan Agreements or the Loan Agreement ;

(c) The Bank or IADB respectively, shall, in accordance with the terms of the Bank Loan or the IADB Loans, demand payment from the Borrower of moneys lent to the Borrower prior to the agreed maturity thereof ; and

(d) A default shall have occurred in the performance of any covenant or agreement on the part of the Borrower under the Loan Agreement.

Article VI

EFFECTIVE DATE ; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations :

(a) the IADB shall have given notice to the Association that all conditions precedent to initial disbursement of the IADB Loans have been fulfilled ; and

(b) the Loan Agreement shall have been declared effective.

Section 6.02. A date 120 days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1968, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministerio de Economia y Hacienda
Tegucigalpa
Honduras

For the Association :

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

Alternative address for cablegrams and radiograms :

Indevas
Washington, D. C.

Section 7.03. The *Ministro de Comunicaciones y Obras Publicas* is designated for the purposes of Section 7.03 of the Regulations.

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 R. MIDENCE SOTO
Authorized Representative

International Development Association :

By J. Burke KNAPP
Vice President

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 415, p. 68.*]

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBAJADA DE HONDURAS ¹
WASHINGTON, D. C.

February 2, 1965

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Re : *Currency of Repayment*

Gentlemen :

We refer to the Development Credit Agreement (*North Road Project*) of even date between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United States of America.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) or than one theretofore designated pursuant to this clause (ii) or selected pursuant to clause (iv), we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.

¹ Embassy of Honduras.

- (iv) Within thirty days from the date of such notice, we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty-day period, be payable in the currency so selected.
- (v) For the purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of Honduras :

By R. MIDENCE
Authorized Representative

Confirmed :

International Development
Association :

By Gerald ALTER
