

No. 8188

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
HONDURAS**

**Loan Agreement — *North Road Project* (with annexed  
Loan Regulations No. 3). Signed at Washington,  
on 2 February 1965**

*Official text : English.*

*Registered by the International Bank for Reconstruction and Development on  
28 April 1966.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
HONDURAS**

**Contrat d'emprunt — *Projet relatif à la route du Nord*  
(avec, en annexe, le Règlement n° 3 sur les emprunts).  
Signé à Washington, le 2 février 1965**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 28 avril 1966.*

No. 8188. LOAN AGREEMENT<sup>1</sup> (*NORTH ROAD PROJECT*)  
BETWEEN THE REPUBLIC OF HONDURAS AND THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT. SIGNED AT WASHINGTON, ON 2  
FEBRUARY 1965

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AGREEMENT, dated February 2, 1965, between REPUBLIC OF HONDURAS (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower has requested the Bank and other lenders to assist in the financing of construction and maintenance of the North Road as follows :

(i) The Inter-American Development Bank (hereinafter called the IADB) will make loans (hereinafter called the IADB Loans) to the Borrower in a total amount in various currencies equivalent to nine million five hundred thousand dollars ((\$9,500,000)) on the terms and conditions to be set forth in agreements (hereinafter called the IADB Loan Agreements) ; and

(ii) By Agreement of even date herewith (hereinafter called the Credit Agreement,<sup>2</sup> the International Development Association (hereinafter called the Association) has agreed to make a credit (hereinafter called the 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 set forth in such Credit Agreement ;

WHEREAS the Bank has agreed to make a loan to the Borrower in an amount in various currencies equivalent to six million dollars (\$6,000,000) on the terms and conditions hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article 1*

LOAN REGULATIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,<sup>3</sup> subject, however, to the modifications set forth in Schedule 3 to this Agree-

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<sup>1</sup> Came into force on 1 February 1966, upon notification by the Bank to the Government of Honduras.

<sup>2</sup> See p. 279 of this volume.

<sup>3</sup> See p. 276 of this volume.

ment (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

## Article II

### THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to six million dollars (\$6,000,000).

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

*Section 2.03.* Except as the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Loan Agreement, to withdraw from the Loan Account :

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

provided, however, that no withdrawals shall be made on account fo : (i) payments made prior to the date of this Agreement ; or (ii) expenditures made in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories ; or (iii) any expenditures unless and until all amounts under the Credit Agreement shall have been disbursed or cancelled.

*Section 2.04.* Withdrawals from the Loan Account pursuant to Section 2.03 of this Agreement shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

*Section 2.05.* The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ( $\frac{3}{8}$  of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.06.* The Borrower shall pay interest at the rate of five and one-half per cent ( $5\frac{1}{2}$  %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.07.* Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1 %) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.08.* Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

*Section 2.09.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall cause the proceeds of the Loan 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 Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

*Section 3.02.* Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

### *Article IV*

#### BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

### *Article V*

#### PARTICULAR COVENANTS

*Section 5.01. (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 carrying out the Project, the Borrower shall employ, or cause to be employed, qualified and experienced consultants, acceptable to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank.

(c) Except as the Bank shall otherwise agree, the Borrower shall cause all construction included in the Project to be carried out by contractors acceptable to the Bank and employed under contracts satisfactory to the Bank.

(d) The general design standards including the type of surfacing (pavement) to be used for Parts A and B of the Project shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

(e) Upon request from time to time by the Bank, the Borrower shall promptly furnish or cause to be furnished to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

(f) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, 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, administration and financial condition of the agency or agencies responsible for the carrying out of the Project or any part thereof; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods and the operations, administration and financial condition of the agency or agencies responsible for the carrying out of the Project or any part thereof.

*Section 5.02.* The Borrower shall at all times make or cause to be made available, promptly as needed, all sums and other resources required for the carrying out of the Project.

*Section 5.03.* (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan 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 Loan. 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 Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof and the operations, administration and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

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

*Section 5.04.* (a) The Borrower shall cause the public roads of the Borrower to be adequately maintained and shall cause all necessary repairs thereof promptly to be made, all in accordance with sound engineering practices.

(b) The Borrower shall cause all its road maintenance equipment to be adequately maintained and all necessary repairs and renewals thereof to be made and suitable workshops to be provided and maintained for that purpose.

(c) The Borrower shall take all steps that may be necessary, including enactment and enforcement of highway regulations, and the strengthening of highway administration, to ensure the proper use of the road and the bridge included in the Project.

*Section 5.05.* (a) Except as otherwise agreed by the Bank and the Borrower :

(i) the Borrower shall appropriate from sources other than this Loan, the IADB Loans and the Credit in its annual budgets for the calendar years 1965 through 1969 for the execution of the Project not less than the following amounts :

1965	.....	0.5 million lempiras
1966	.....	2.5 million lempiras
1967	.....	3.0 million lempiras
1968	.....	3.0 million lempiras
1969	.....	0.5 million lempiras

(ii) if the total amount expended for carrying out the Project in 1965, 1966 and 1967 from sources other than this Loan, the IADB Loans and the Credit exceeds the total amount specified above for such years, the Bank and the Borrower shall consult to determine what changes, if any, should be made with respect to the budget allocations specified above for 1968 and 1969 ;

(iii) any sums appropriated as provided herein shall be used only for the Project and, if not completely expended in one calendar year, shall

be transferred to the Banco Central de Honduras to be deposited in a special account to be disbursed in the next calendar year or years and to be used exclusively for the Project.

(b) The obligations contained in this Section shall in no way prejudice any other obligations of the Borrower under this Agreement.

*Section 5.06.* Except as the Bank and the Borrower shall otherwise agree, the Borrower shall give priority in the allocation of highway funds and resources to the construction of the road and the bridge included in the Project and, until the Project shall have been carried out, shall not undertake any highway construction project or program of such magnitude as may adversely affect the execution of the Project.

*Section 5.07.* It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term “ assets of the Borrower ” as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Banco Central de Honduras or any other institution performing the functions of a central bank for the Borrower.

*Section 5.08.* The principal of, and interest and other charges on, the Loan and the Bonds 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 ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

*Section 5.09.* The Loan Agreement and the Bonds 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 and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

*Section 5.10.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

*Section 5.11.* Until the Loan provided for under the Loan Agreement and the Bonds executed and delivered pursuant to the provisions of Article IV of this Agreement shall have been repaid or cancelled, all action taken, including approvals given, by the Association pursuant to Section 4.01 of the Credit Agreement shall be deemed to be taken or given in the name and on behalf of both the Association and the Bank ; and all information furnished by the Borrower to the Association pursuant to the provisions of such Section, shall be deemed to be furnished to both the Association and the Bank.

*Section 5.12.* Except as the Borrower and the Bank shall otherwise agree, if the Borrower shall repay in advance of maturity any part of its indebtedness under the Credit Agreement or the IADB Loan Agreements, the Borrower shall simultaneously repay not less than a proportionate amount of the Loan then outstanding. All the provisions of the Loan Agreement, relating to repayment in advance of maturity, shall be applicable to any repayment by the Borrower in accordance with this Section.

## *Article VI*

### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (c) of Section 6.02 of this Agreement shall occur, or (ii) if any event specified in paragraph (a) or (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (iii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in paragraph (a) of Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds 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 or in the Bonds to the contrary notwithstanding.



*Section 6.02.* The following additional events are specified for the purposes of paragraph (h) of Section 5.02 of the Loan Regulations :

(a) Subject to the provisions of paragraph (c) of this Section, the IADB Loan Agreements or the Credit 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 Bank ;

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

(c) The IADB or the Association respectively, shall, in accordance with the terms of the IADB Loan Agreements or the Credit Agreement respectively, demand payment from the Borrower of moneys lent to the Borrower prior to the agreed maturity thereof.

#### *Article VII*

##### EFFECTIVE DATE ; TERMINATION

*Section 7.01.* The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations, namely, the IADB Loan Agreements shall have been entered into on terms and conditions satisfactory to the Bank and the IADB shall have given notice to the Bank that all conditions precedent to initial disbursement of the IADB Loans have been fulfilled.

*Section 7.02.* A date 120 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

#### *Article VIII*

##### MISCELLANEOUS

*Section 8.01.* The Closing Date shall be December 31, 1970, or such other date as shall be agreed between the Borrower and the Bank as the Closing Date.

*Section 8.02.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Ministerio de Economia y Hacienda  
Tegucigalpa, Honduras

For the Bank :

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

Alternative address for cables and radiograms :

Intbafrad  
Washington, D.C.

*Section 8.03.* The Ministro de Comunicaciones y Obras Publicas is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan 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 Bank for Reconstruction and Development :  
By J. Burke KNAPP  
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>
April 1, 1971 . . . . .	\$ 90,000	April 1, 1981 . . . . .	\$150,000
October 1, 1971 . . . . .	90,000	October 1, 1981 . . . . .	155,000
April 1, 1972 . . . . .	90,000	April 1, 1982 . . . . .	160,000
October 1, 1972 . . . . .	95,000	October 1, 1982 . . . . .	165,000
April 1, 1973 . . . . .	100,000	April 1, 1983 . . . . .	170,000
October 1, 1973 . . . . .	100,000	October 1, 1983 . . . . .	170,000
April 1, 1974 . . . . .	105,000	April 1, 1984 . . . . .	180,000
October 1, 1974 . . . . .	105,000	October 1, 1984 . . . . .	180,000
April 1, 1975 . . . . .	110,000	April 1, 1985 . . . . .	190,000
October 1, 1975 . . . . .	110,000	October 1, 1985 . . . . .	190,000
April 1, 1976 . . . . .	115,000	April 1, 1986 . . . . .	200,000
October 1, 1976 . . . . .	120,000	October 1, 1986 . . . . .	205,000
April 1, 1977 . . . . .	120,000	April 1, 1987 . . . . .	210,000
October 1, 1977 . . . . .	125,000	October 1, 1987 . . . . .	215,000
April 1, 1978 . . . . .	130,000	April 1, 1988 . . . . .	220,000
October 1, 1978 . . . . .	130,000	October 1, 1988 . . . . .	225,000
April 1, 1979 . . . . .	135,000	April 1, 1989 . . . . .	230,000
October 1, 1979 . . . . .	140,000	October 1, 1989 . . . . .	240,000
April 1, 1980 . . . . .	145,000	April 1, 1990 . . . . .	245,000
October 1, 1980 . . . . .	145,000		

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

## PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity . . . . .	1/2 %
More than three years but not more than six years before maturity . . . . .	1 %
More than six years but not more than eleven years before maturity . . . . .	1 1/2 %
More than eleven years but not more than sixteen years before maturity . . . . .	2 1/2 %
More than sixteen years but not more than twenty-one years before maturity . . . . .	3 1/2 %
More than twenty-one years but not more than twenty-three years before maturity . . . . .	4 1/2 %
More than twenty-three years before maturity . . . . .	5 1/2 %

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project consists of :

- A. Construction of a two-lane bituminous surfaced road and related structures between the Rio del Hombre and Potrerillos totalling about 202 km in length. The general alignment of the road is through Zambrano, San Francisco, Comayagua, La Libertad and Santa Cruz de Yojoa.
- B. Construction of a bridge with its accesses over the Ulua river on the road between Potrerillos and Bufalo.
- C. Provision of engineering services in connection with the construction of the road and the bridge mentioned above.

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The Project is expected to be completed by the end of 1969.

## SCHEDULE 3

## MODIFICATIONS OF LOAN REGULATIONS No. 3

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

- (a) By the deletion of Section 4.01.
- (b) By the deletion of definition 10 of Section 10.01 and the substitution therefor of a new definition 10 as follows :

“ The term ‘ Project ’ means the project for which the Loan is granted 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 Bank, the International Development Association, Inter-American Development Bank and the Borrower. ”

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

LOAN REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 414, p. 268.*]