

No. 618

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT,  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
and INTER-AMERICAN DEVELOPMENT BANK**

**Memorandum of Understanding (with annexes) relating  
to the North Road Project in Honduras. Signed at  
Washington, on 22 July 1965**

*Official text : English.*

*Filed and recorded at the request of the International Bank for Reconstruction and  
Development and the International Development Association on 28 April  
1966.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT,  
ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT et  
BANQUE INTERAMÉRICAINNE DE DÉVELOPPEMENT**

**Mémorandum d'accord (avec annexes) concernant le projet  
relatif à la route du Nord au Honduras. Signé à  
Washington, le 22 juillet 1965**

*Texte officiel anglais.*

*Classé et inscrit au répertoire à la demande de la Banque internationale pour la  
reconstruction et le développement et de l'Association internationale de  
développement le 28 avril 1966.*

No. 618. MEMORANDUM OF UNDERSTANDING<sup>1</sup> BETWEEN THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, THE INTERNATIONAL DEVELOPMENT ASSOCIATION AND THE INTERAMERICAN DEVELOPMENT BANK RELATING TO THE NORTH ROAD PROJECT IN HONDURAS. SIGNED AT WASHINGTON, ON 22 JULY 1965

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1. To assist the Republic of Honduras (the Borrower) in financing the construction and engineering services described in Annex A of this Memorandum, (hereinafter referred to as the Project), the International Bank for Reconstruction and Development (IBRD) has agreed to lend the equivalent of \$6,000,000,<sup>2</sup> the International Development Association (IDA) the equivalent of \$3,500,000<sup>3</sup> and the Inter-American Development Bank (IDB) the equivalent of \$9,500,000 out of a total loan of \$10,130,000 made to the Borrower for this and other purposes.

2. The IBRD/IDA and IDB, being cognizant of their common interest in the carrying out and successful completion of the Project, desire to cooperate closely in the administration of their respective loans and in the supervision of the execution of the Project. Each of them will keep the others currently informed of the progress of the Project (exchanging views periodically) and forward to the others copies of all correspondence with the Borrower. Each will inform the others if any event comes to its knowledge which materially affects the progress of the Project or threatens to impede it and will take care to consult the others concerning the action that it proposes to take in respect thereof prior to the taking of such action. In addition, each of them agrees to consult the others before taking any measure of common interest, including the exercise of any right of action which might lead to the suspension, cancellation or prematuring of any or all of the loans or any part thereof. Nothing in the foregoing in any way limits the right of each institution to receive reports and inspect the Project, in accordance with the terms of their respective agreements with the Borrower. If there is a difference of view about what action should be taken, each will use its best efforts promptly to resolve that difference before acting.

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<sup>1</sup> Came into force on 22 July 1965, upon signature.

<sup>2</sup> See p. 255 of this volume.

<sup>3</sup> See p. 279 of this volume.

3. The IBRD/IDA and the IDB agree to notify the Borrower of any action taken on matters relating to selection of consultants, engineering designs, bidding documents, award of contracts, and disbursement, only after a common course of action has been agreed by the IBRD/IDA and the IDB.
4. The IBRD/IDA and the IDB will keep each other currently informed of all amounts disbursed. To that end, IBRD, IDA and IDB will send each other copies of all notifications of charges to the respective loan or credit accounts.
5. The following procedures will apply to the financing of the Project :
  - (i) subject to the terms of the respective agreements with the Borrower, construction contracts to be financed by the lending institutions for the construction of the highway or bridge included in the Project will be let on the basis of international competitive bidding and will be subject to the approval of the IBRD/IDA and the IDB.
  - (ii) the IBRD/IDA and the IDB will make payments directly to the consultants and contractors on the Project in accordance with the terms of their respective agreements with the Borrower.
  - (iii) the Borrower shall submit applications for disbursement simultaneously to the IBRD/IDA and the IDB and the cost of goods included in such applications for disbursement shall be exclusive of import duties and consular fees.
  - (iv) all payments will be made in accordance with the list of goods and services approved by the lending institutions and set forth in Annex B of this Memorandum, subject to such modifications of said list of goods and services as shall be agreed upon among the IDB, the IBRD/IDA and the Borrower.
  - (v) upon being satisfied, each lending institution will, independently and in accordance with the provisions of the respective loan and credit agreements, arrange for payment directly to the consultants and contractors of the following percentages of the amounts approved :

IBRD/IDA .....	40 %
IDB .....	40 %

The IBRD/IDA and the IDB agree that if any increases occur in the estimated total cost of the Project, the aforesaid percentages may be modified by agreement between the IBRD/IDA and the IDB to permit disbursement of the respective loans substantially in relation to the progress of expenditure throughout the period of construction of the Project and to maintain an equal (now 40/40)

relationship in total expenditure \* financed by IDB, on the one hand, and IBRD/IDA on the other. It is understood that the IDB Loan Agreement limits the amount of local currency expenditure for IDB financing to \$2.4 million equivalent. In view of this, if by application of the percentage (now 40 %) referred to above, the IDB's share of the local currency expenditure would exceed \$2.4 million equivalent, the IBRD/IDA will (subject to the terms of the loan and credit agreements) finance this excess and the IDB would finance a corresponding portion of the foreign currency expenditure which otherwise would have been financed by the IBRD/IDA. The balance will be borne by the Borrower.

6. The IDB and the IBRD/IDA will consult with each other before notifying the Borrower that the conditions precedent to initial disbursement or the conditions to the effectiveness of the respective agreements have been fulfilled.

7. The Borrower has been consulted about the proposed collaboration between the IBRD/IDA and the IDB and accepts the terms set forth in this Memorandum and the two Annexes hereto.

International Bank for Reconstruction and Development :

By Gerald ALTER  
Authorized Representative

International Development Association :

By Gerald ALTER  
Authorized Representative

Inter-American Development Bank :

By G. MOORE  
Authorized Representative

*Accepted :*

Republic of Honduras :

By R. MIDENCE  
Authorized Representative

Dated at Washington, D. C., July 22, 1965

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\* It is understood that the IBRD/IDA is not obligated to and will not finance expenditures incurred in accordance with Section 6.02 (b) of the IDB Loan Agreement (inspection and supervision by the Inter-American Bank); the equal financing relationship between IDB on the one hand and IBRD/IDA on the other shall be exclusive of these expenditures, (such expenditures to be borne entirely by the IDB).

## ANNEX A

## PROJECT

The Project consists of:

- A. Construction of a two-lane bituminous surfaced road and related structure 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.

## ANNEX B

## NORTH ROAD PROJECT

LIST OF GOODS AND SERVICES-SOURCES OF FUNDS  
(in thousands of US dollars)

Category	Total	IBRD/IDA	%	IDB	%	Govt. of Honduras	%
1. Construction . . .	18.750	7.750		7.750		3.250	
1a. Right of way . . .	500	—		—		500	
	<u>19.250</u>	<u>7.750</u> <sup>1</sup>	40	<u>7.750</u> <sup>1</sup>	40	<u>3.750</u>	20
2. Engineering . . .	1.625	650	40	650	40	325	20
3. Contingencies . . .	2.750	1.100	40	1.100	40	550	20
SUB-TOTALS	<u>23.625</u>	<u>9.500</u>		<u>9.500</u>		<u>4.625</u>	
4. Studies . . . . .	900	—		630 <sup>2</sup>	70	270	30
GRAND TOTAL	<u>24.525</u>	<u>9.500</u>		<u>10.130</u>		<u>4.895</u>	

<sup>1</sup> Expenditures related to the right of way are not eligible for disbursements against these amounts.

<sup>2</sup> Feasibility study and final design already completed by Brown & Root and financed with funds of IDB loan 12/SF-HO.