

No. 8879

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
HONDURAS

Loan Agreement — *Western Highway Paving Project* (with
annexed Loan Regulations No. 3, as amended). Signed
at Washington, on 26 May 1967

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
29 December 1967.*

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
HONDURAS

Contrat d'emprunt — *Projet relatif au pavage du réseau
routier occidental* (avec, en annexe, le Règlement n° 3
sur les emprunts, tel qu'il a été modifié). Signé à
Washington, le 26 mai 1967

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développe-
ment le 29 décembre 1967.*

No. 8879. LOAN AGREEMENT¹ (*WESTERN HIGHWAY PAVING PROJECT*) BETWEEN THE REPUBLIC OF HONDURAS AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 26 MAY 1967

AGREEMENT, dated May 26, 1967, between REPUBLIC OF HONDURAS (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

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, as amended February 9, 1967,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) :

Section 4.01 is deleted.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to eight million six hundred thousand dollars (\$8,600,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement.

¹ Came into force on 15 September 1967, upon notification by the Bank to the Government of Honduras.

² See p. 162 of this volume.

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

- (a) such amounts as shall have been paid (other than for local currency expenditures) for the reasonable cost of consultants services required for the Project and to be financed out of the proceeds of the Loan ;
- (b) the equivalent of a percentage 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 construction work required for the Project and to be financed out of the proceeds of the Loan ; and
- (c) if the Bank shall so agree, such amounts as shall be required to meet payments to be made for such goods ;

provided, however, that no withdrawals shall be made on account of : (i) expenditures prior to the Effective Date ; 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.

As used in this Section, the term " local currency expenditures " means expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

Section 2.04. As an exception to Section 3.02 of the Loan Regulations, withdrawals from the Loan Account pursuant to Section 2.03 of this Loan 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 six per cent (6 %) 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 February 1 and August 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 Loan 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 described in Schedule 2 to this Loan Agreement. The allocation of the proceeds of the Loan, the specific goods to be financed therefrom 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. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The *Ministro de Economía y Hacienda* 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. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 5.02. (a) In order to assist it in the carrying out of the Project, the Borrower shall employ competent and experienced consultants acceptable

to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank.

(b) In the carrying out of the Project, the Borrower shall cause the roads included in Parts 1 and 2 of the Project to be reconstructed, paved and surfaced by contractors acceptable to the Borrower and the Bank and employed under contracts satisfactory to the Borrower and the Bank.

(c) The general design standards and the types of pavement (including surfacing) to be used for Parts 1 and 2 of the Project shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

(d) 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.

(e) 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 of the Borrower 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 of the Borrower responsible for the carrying out of the Project or any part thereof.

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 Bor-

rower 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 : (i) cause the public roads of the Borrower to be adequately maintained and cause all necessary repairs thereof to be made, all in accordance with sound engineering practices ; and (ii) provide, promptly as needed, the funds, facilities, services and other resources required for the foregoing.

(b) The Borrower shall : (i) cause all of its road maintenance equipment to be adequately maintained and all necessary repairs and renewals thereof to be made, all in accordance with sound engineering practices ; and (ii) cause suitable workshops to be established and maintained in suitable places for the foregoing.

(c) The Borrower shall take all necessary action to : (i) cause the dimensions and weight limits of the vehicles using the public roads of the Borrower to be kept within the limits provided by law ; and (ii) ensure permanent and consistent enforcement of the traffic regulations of the Borrower.

(d) The Borrower shall establish and maintain facilities to collect and record such data as are required to assess the technical, economic and financial aspects of the Borrower's highway system.

Section 5.05. The Borrower shall, at the request of the Bank, make the necessary arrangements to assist the Bank in the organization and carrying out of a road user charges study in the territories of the Borrower and, if the Bank so requests, shall provide the local funds, facilities, services and other resources required for the purpose.

Section 5.06. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall give priority to the Project in the allocation of funds, facilities, services and other resources required for the purpose.

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 ; or (ii) 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, and free from all restrictions, 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 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. This 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.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) 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 (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations 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 Loan Agreement or in the Bonds to the contrary notwithstanding.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The date of September 15, 1967 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, 1971, 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 Economía 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 Públicas* of the Borrower 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
Authorized Representative

International Bank for Reconstruction and Development :

By A. BROCHES
General Counsel

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>
February 1, 1972	\$165,000	February 1, 1980	\$265,000
August 1, 1972	170,000	August 1, 1980	270,000
February 1, 1973	175,000	February 1, 1981	280,000
August 1, 1973	180,000	August 1, 1981	285,000
February 1, 1974	185,000	February 1, 1982	295,000
August 1, 1974	190,000	August 1, 1982	305,000
February 1, 1975	195,000	February 1, 1983	315,000
August 1, 1975	200,000	August 1, 1983	325,000
February 1, 1976	205,000	February 1, 1984	335,000
August 1, 1976	215,000	August 1, 1984	345,000
February 1, 1977	220,000	February 1, 1985	355,000
August 1, 1977	225,000	August 1, 1985	365,000
February 1, 1978	235,000	February 1, 1986	375,000
August 1, 1978	240,000	August 1, 1986	385,000
February 1, 1979	250,000	February 1, 1987	395,000
August 1, 1979	255,000	August 1, 1987	400,000

* 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	1½%
More than three years but not more than six years before maturity	1 ½%
More than six years but not more than eleven years before maturity	2 ½%
More than eleven years but not more than sixteen years before maturity	3 ½%
More than sixteen years but not more than eighteen years before maturity	5%
More than eighteen years before maturity	6%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of :

Part 1. The reconstruction of five sections of the Western Highway (*Carretera de Occidente*) between Chamelecon and La Entrada, totalling about 37 Kms. in length.

Part 2. The paving and bituminous surfacing of the Western Highway (*Carretera de Occidente*) between Chamelecon and the border with the Republic of El Salvador, totalling about 247 Kms. in length.

Part 3. Feasibility studies for feeder roads in the service area of the Western Highway (*Carretera de Occidente*) and for the reconstruction of the Tegucigalpa-Juticalpa Highway.

The Project will be carried out by the *Dirección General de Caminos* of the *Ministerio de Comunicaciones y Obras Públicas* of the Borrower and is expected to be completed by mid 1971.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See p. 98 of this volume.]