

No. 9409

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INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
HONDURAS

Development Credit Agreement—*Rio Lindo Hydroelectric Project* (with annexed Credit Regulations No. 1, as amended). Signed at Washington on 12 June 1968

*Authentic text : English.*

*Registered by the International Development Association on 14 February 1969.*

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ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
HONDURAS

Contrat de crédit de développement — *Projet hydro-électrique du Lindo* (avec, en annexe, le Règlement n° 1 sur les crédits de développement, tel qu'il a été modifié). Signé à Washington le 12 juin 1968

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 14 février 1969.*

DEVELOPMENT CREDIT AGREEMENT <sup>1</sup>

AGREEMENT, dated June 12, 1968, between REPUBLIC OF HONDURAS (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

## WHEREAS

(A) the Borrower has requested the Association to grant a credit to the Borrower for relending to the Empresa Nacional de Energía Eléctrica (hereinafter called ENEE) for the purpose of financing a hydroelectric power project ;

(B) by agreement of even date herewith (hereinafter called the Loan Agreement <sup>2</sup>), the International Bank for Reconstruction and Development (hereinafter called the Bank) has agreed to make a loan to the Borrower in an amount in various currencies equivalent to seven million five hundred thousand dollars (\$7,500,000) on the terms and conditions set forth therein, the proceeds of which will also be relent by the Borrower to ENEE for the same purpose :

(C) by a Project Agreement <sup>3</sup> of even date herewith between the Bank, the Association and ENEE, ENEE has undertaken certain obligations in respect of the carrying out of the Project and related matters ;

(D) the Association has, on the basis of the foregoing, agreed to provide a credit to the Borrower upon the terms and conditions hereinafter set forth ;

NOW THEREFORE the parties hereto agree as follows :

*Article I*

## CREDIT REGULATIONS ; SPECIAL DEFINITIONS

*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 as amended February 9, 1967, <sup>4</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modification

<sup>1</sup> Came into force on 13 September 1968, upon notification by the Association to the Government of Honduras.

<sup>2</sup> See p. 75 of this volume.

<sup>3</sup> See p. 379 of this volume.

<sup>4</sup> See p. 114 of this volume.

thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

The words “ or the Project Agreement ” are inserted in Section 6.02 after the words “ the Development Credit Agreement ”.

*Section 1.02.* Wherever used in this Agreement or in any Schedule thereto, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

## *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 or referred to, a development credit in an amount in various currencies equivalent to four million dollars (\$4,000,000).

*Section 2.02.* The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account by ENEE on behalf of the Borrower pursuant to Section 7.01 hereof, as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations.

*Section 2.03.* 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.

*Section 2.04.* Service charges shall be payable semi-annually on February 15 and August 15 in each year.

*Section 2.05.* The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 in each year commencing August 15, 1978 and ending February 15, 2018, each installment to and including the installment payable on February 15, 1988 to be one-half of one per cent ( $1/2$  of 1 %) of such principal amount, and each installment thereafter to be one and one-half per cent ( $1 1/2$  %) of such principal amount.

*Section 2.06.* The currency of the United States of America is specified for purposes of paragraph (a) of Section 3.02 of the Regulations.

*Article III*

## USE OF PROCEEDS OF THE CREDIT

*Section 3.01.* The Borrower shall relend the proceeds of the Credit and of the Loan granted under the Loan Agreement to ENEE pursuant to an agreement (the Subsidiary Loan Agreement) satisfactory to the Association, and shall cause such proceeds to be applied in accordance with the provisions of this Agreement exclusively to financing the cost of goods required to carry out the Project, described in the Schedule of this Agreement. The specific allocation of the proceeds of the Credit and the methods and procedures for procurement of the goods to be financed out of such proceeds shall be determined by agreement between the Association and the Borrower, subject to modification by further agreement between them.

*Section 3.02.* Except as the Association and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used by ENEE exclusively in the carrying out of the Project.

*Article IV*

## PARTICULAR COVENANTS

*Section 4.01.* (a) The Borrower shall cause ENEE punctually to perform all the covenants, agreements and obligations of ENEE set forth in the Project Agreement and the Subsidiary Loan Agreement, shall take or cause to be taken all action necessary or appropriate to enable ENEE to perform such covenants, agreements and obligations and shall not take or permit any of its political subdivisions or agencies to take any action which would prevent or interfere with the performance by ENEE of such covenants, agreements and obligations.

(b) Without limitation or restriction upon any of the other covenants on its part in this Agreement contained the Borrower shall, whenever there is reason to believe that the funds, facilities, services and other resources available to ENEE are inadequate for the purpose, make arrangements, satisfactory to the Association, promptly to provide ENEE or cause ENEE to be provided with the funds, facilities, services and other resources required therefor.

*Section 4.02.* Except as the Association shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive any provision of, the Subsidiary Loan Agreement.

*Section 4.03.* The Borrower shall permit ENEE to effect from time to time such adjustments in its rates for the sale of electricity as shall be necessary to provide revenue sufficient to: (i) cover operating expenses, including taxes and levies, if any, adequate maintenance and depreciation, and (ii) produce a reasonable return on its total net fixed assets in operation.

*Section 4.04. (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 shall reasonably be requested 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 4.05.* The principal of, and service charges on, the Credit 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.

*Section 4.06.* This Agreement and the Project 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, delivery or registration thereof.

#### *Article V*

#### REMEDIES OF THE ASSOCIATION

*Section 5.01. (i)* If any event specified in paragraph *(a)* or paragraph *(c)* of Section 5.02 of the Regulations or in paragraph *(a)*, paragraph *(b)*, paragraph *(c)* or paragraph *(d)* of Section 5.02 of this Agreement shall occur and shall continue for a period of thirty days, or *(ii)* if any event specified in paragraph *(b)* of Section 5.02 of the Regulations or in paragraph *(e)* or paragraph *(f)* 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 Asso-

ciation to the Borrower, then at any subsequent time during the continuance thereof 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 are specified as additional events for the purposes of paragraph (k) of Section 5.02 of the Regulations :

- (a) ENEE shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by ENEE, by the Borrower or by others whereby any of the assets of ENEE shall or may be distributed among its creditors ;
- (b) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ENEE or for the suspension of its operations ;
- (c) The Decree No. 48 of the Borrower, dated February 20, 1957 shall have been cancelled, suspended, terminated, repealed, or shall have been amended so as to impair the ability of ENEE to carry out its obligations under the Project Agreement or the Subsidiary Loan Agreement ;
- (d) ENEE shall have failed to make any payment of principal, interest or any other payment required under any loan agreement between the Bank and ENEE or under any bonds or other obligations issued thereunder ;
- (e) ENEE shall have failed to perform any covenant or agreement of ENEE under the Project Agreement ;
- (f) A default shall have occurred in the performance of any covenant or agreement on the part of the Borrower or ENEE under the Subsidiary Loan Agreement ;
- (g) An extraordinary situation shall have arisen which shall make it improbable that ENEE will be able to perform its obligations under the Project Agreement.

#### *Article VI*

##### EFFECTIVE DATE ; TERMINATION

*Section 6.01.* The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations, namely :

The conditions precedent to the effectiveness of the Loan Agreement shall have been fulfilled, subject only to the effectiveness of this Agreement.

*Section 6.02.* If this Agreement shall not have come into force and effect by September 3, 1968, this Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Association shall promptly notify the Borrower and ENEE of such later date.

*Article VII*

ACTIONS BY ENEE

*Section 7.01.* The Borrower irrevocably designates ENEE its agent for the purpose of taking any action required or permitted under Section 2.02 and the second sentence of Section 3.01 of this Agreement and under Article IV of the Regulations.

*Article VIII*

MISCELLANEOUS

*Section 8.01.* The Closing Date shall be December 31, 1971 or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 8.02.* The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Secretaría de Economía y Hacienda  
Tegucigalpa  
Honduras

Cable address :

Mineconomía  
Tegucigalpa

For the Association :

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

Cable address :

Indevas  
Washington, D. C.

*Section 8.03.* The *Secretario de Estado en el Despacho de Economía y Hacienda* 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 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 Ricardo A. MIDENCE  
Authorized Representative

International Development Association :

By J. BURKE KNAPP  
Vice President

## SCHEDULE

### DESCRIPTION OF THE PROJECT

The Project consists in :

#### *Part A*

The construction of the Río Lindo Hydroelectric Scheme, comprising mainly (1) a power station (equipped with two generating units of about 20 MW rated capacity each, together with associated electrical and mechanical equipment) and (2) a water conduit system comprising a steel pipeline, tunnels, a regulating reservoir (formed by an earth dike), a penstock and an open tail race canal.

#### *Part B*

The expansion of ENEE's transmission system, including : (1) the construction of a double-circuit 138 kV transmission line, about 2 km long, to connect the Río Lindo Power Station to the interconnected system ; (2) the construction of a single-circuit 138 kV transmission line, about 53 km long, from the Río Lindo Power Station to San Pedro Sula and the expansion of the substation at San Pedro Sula ; (3) the improvement or reconstruction of the single-circuit 69 kV transmission line, about 12 km long, from Bufalo to La Lima, the construction of a similar line, about 20 km long, from La Lima to El Progreso, and the construction of associated substations.

#### *Part C*

Feasibility studies of future development of hydroelectric power in western Honduras.

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The Project will be carried out by ENEE and is expected to be completed by the end of 1970.

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961  
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS  
WITH MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 617, p. 60.*]