

No. 10878

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INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
HONDURAS

**Loan Agreement—*Fourth Power Project* (with annexed General  
Conditions Applicable to Loan and Guarantee Agreements).  
Signed at Washington on 24 June 1970**

*Authentic text : English.*

*Registered by the International Bank for Reconstruction and Development on  
2 December 1970.*

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BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
HONDURAS

**Contrat d'emprunt — *Quatrième projet relatif à l'énergie élec-  
trique* (avec, en annexe, les Conditions générales applicables  
aux contrats d'emprunt et de garantie). Signé à Washington le  
24 juin 1970**

*Texte authentique : anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 2 décembre 1970.*

## LOAN AGREEMENT<sup>1</sup>

AGREEMENT, dated June 24, 1970, between REPUBLIC OF HONDURAS (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) The Borrower has requested the Bank to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) The Borrower has also requested the Association to provide additional financial assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Association (hereinafter called the Development Credit Agreement<sup>2</sup>) the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to five million five hundred thousand dollars (\$5,500,000);

(C) The Borrower and the Bank intend, to the extent practicable, that the proceeds of the Credit provided for in the Development Credit Agreement be disbursed on account of expenditures on the Project before disbursements of the proceeds of the Loan provided for in this Agreement are made;

WHEREAS the Bank has agreed, on the basis *inter alia* of the foregoing, to make the Loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

### *Article I*

#### GENERAL CONDITIONS; DEFINITIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,<sup>3</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the

<sup>1</sup> Came into force on 30 October 1970, upon notification by the Bank to the Government of Honduras.

<sup>2</sup> United Nations, *Treaty Series*, vol. 758, No. I-10872.

<sup>3</sup> See p. 120 of this volume.

respective meanings therein set forth and the following additional terms have the following meanings :

(a) "Project Agreement" means the agreement between the Bank, the Association and ENEE of even date herewith,<sup>1</sup> as the same may be amended from time to time;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ENEE pursuant to Sections 3.01 (b) of this Agreement and of the Development Credit Agreement, as the same may be amended from time to time to the satisfaction of the Bank and the Association; and

(c) "ENEE" means Empresa Nacional de Energía Eléctrica, an instrumentality of the Borrower established and operating under Decree No. 48 of the Borrower dated February 20, 1957, as the same may be amended from time to time, and shall include any successor thereto.

## 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 five million five hundred thousand dollars (\$5,500,000). The amount of the Loan may be withdrawn from the Loan Account by ENEE acting on behalf of the Borrower pursuant to Section 9.02 hereof, as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the General Conditions.

*Section 2.02.* Except as the Borrower and the Bank shall otherwise agree, the amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to the Development Credit Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Loan Agreement; provided, however, that no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

*Section 2.03.* The Closing Date shall be June 30, 1974 or such other date as shall be agreed between the Borrower and the Bank.

*Section 2.04.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

<sup>1</sup> United Nations, *Treaty Series*, vol. 757, No. II-660.

*Section 2.05.* The Borrower shall pay interest at the rate of seven per cent (7%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

*Section 2.08.* 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 VIII of the General Conditions.

*Section 2.09.* The *Secretario de Estado en los Despachos de Economía y Hacienda* of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

### Article III

#### EXECUTION OF THE PROJECT

*Section 3.01.* (a) The Borrower shall cause ENEE to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the proceeds of the Loan to ENEE under a subsidiary loan agreement to be entered into between the Borrower and ENEE for a period of about 20 years including about 4 years of grace at an interest rate of seven per cent (7%) per annum and under such other terms and conditions as shall be satisfactory to the Bank.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive any provision of the Subsidiary Loan Agreement.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable ENEE to perform all its obligations under the Project Agreement and the Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

*Section 3.02.* (a) Except as the Bank shall otherwise agree, the goods and services required for the Project and to be financed out of the proceeds of the Loan shall be procured pursuant to the provisions set forth or referred to in Section 2.05 (a) of the Project Agreement.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

#### *Article IV*

##### OTHER COVENANTS

*Section 4.01.* (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank, and (ii) undertakes that if any such lien shall be created, it 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 in the creation of any such lien express provision will be made to that effect.

(c) The foregoing representation and undertaking shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section, the term " governmental assets " means 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 institution performing the functions of a central bank.

*Section 4.02.* 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 for the purposes of Section 4.03 of the Project Agreement. The provisions of this Section supercede all prior agreements between the Borrower and the Bank relating to such adjustments by ENEE.

#### *Article V*

##### CONSULTATION AND INFORMATION

*Section 5.01.* The Borrower and the Bank shall cooperate fully to assure

that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the administration, operations and financial condition of ENEE and other matters relating to the purposes of the Loan; and
- (b) 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, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

*Section 5.02.* (a) 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, the maintenance of the service thereof, the performance by the Borrower of its other obligations under the Loan Agreement or the performance by ENEE of its obligations under the Project Agreement and the Subsidiary Loan Agreement.

(b) 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.

## Article VI

### TAXES AND RESTRICTIONS

*Section 6.01.* 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 foregoing 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 6.02.* The Loan Agreement, the Project Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories 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 6.03.* The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls and moratoria of any nature which may be imposed under the laws of the Borrower or laws in effect in its territories.

## Article VII

### REMEDIES OF THE BANK

*Section 7.01.* If any event specified in Section 7.01 of the General Conditions or in Section 7.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

*Section 7.02.* For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (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 and such event shall continue for a period of thirty days after notice thereof shall have been given by the Bank to the Borrower;
- (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 and such action shall continue for a period of thirty days after notice thereof shall have been given by the Bank to the Borrower;
- (c) the Decree No. 48 of the Borrower, dated February 20, 1957 shall have been suspended, terminated, repealed or shall have been amended so as to impair the ability of ENEE to carry out the Project or its obligations under the Project Agreement or the Subsidiary Loan Agreement and such event shall continue for a period of thirty days after notice thereof shall have been given by the Bank to the Borrower;
- (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 and such failure shall continue for a period of thirty days after notice thereof shall have been given by the Bank to the Borrower;

- (e) ENEE shall have failed to perform any covenant or agreement of ENEE under the Project Agreement and such failure shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower;
- (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 and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and
- (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 VIII*

#### EFFECTIVE DATE; TERMINATION

*Section 8.01.* The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

- (a) the conditions precedent to the effectiveness of the Development Credit Agreement shall have been fulfilled, subject only to the effectiveness of this Agreement;
- (b) the execution and delivery of the Project Agreement on behalf of ENEE have been duly authorized or ratified by all necessary corporate and governmental action;
- (c) the execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and ENEE have been duly authorized or ratified by all necessary governmental and corporate action; and
- (d) ENEE has certified in writing to the Bank that, as of a date to be agreed between the Bank and ENEE (which shall be prior to the Effective Date), there has been no material adverse change in the financial position of ENEE since the date of this Agreement.

*Section 8.02.* The following are specified as additional matters, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank :

- (a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, ENEE and constitutes a valid and binding obligation of ENEE in accordance with its terms; and
- (b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and ENEE and constitutes a valid and binding obligation of the Borrower and ENEE in accordance with its terms.



*Section 8.03.* The date September 30, 1970, is hereby specified for the purposes of Section 11.04 of the General Conditions.

*Article IX*

REPRESENTATIVE OF THE BORROWER; ADDRESSES

*Section 9.01.* The *Secretario de Estado en los Despachos de Economía y Hacienda* of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

*Section 9.02.* The Borrower irrevocably designates ENEE its agent for the purpose of taking any action required or permitted under Sections 2.01 and 2.02 of this Agreement, Section 2.05 (a) of the Project Agreement and under Section 3.01 and Article V of the General Conditions.

*Section 9.03.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower :

Secretaría de Economía y Hacienda

Tegucigalpa, Honduras

Cable address :

Mineconomía

Tegucigalpa

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address :

Intbafrad

Washington, D.C.

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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Honduras :

*By* M. ACOSTA B.

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>
December 1, 1974 . . . . .	95,000	December 1, 1982 . . . . .	165,000
June 1, 1975 . . . . .	100,000	June 1, 1983 . . . . .	170,000
December 1, 1975 . . . . .	105,000	December 1, 1983 . . . . .	180,000
June 1, 1976 . . . . .	105,000	June 1, 1984 . . . . .	185,000
December 1, 1976 . . . . .	110,000	December 1, 1984 . . . . .	190,000
June 1, 1977 . . . . .	115,000	June 1, 1985 . . . . .	200,000
December 1, 1977 . . . . .	120,000	December 1, 1985 . . . . .	205,000
June 1, 1978 . . . . .	120,000	June 1, 1986 . . . . .	210,000
December 1, 1978 . . . . .	125,000	December 1, 1986 . . . . .	220,000
June 1, 1979 . . . . .	130,000	June 1, 1987 . . . . .	225,000
December 1, 1979 . . . . .	135,000	December 1, 1987 . . . . .	235,000
June 1, 1980 . . . . .	140,000	June 1, 1988 . . . . .	245,000
December 1, 1980 . . . . .	145,000	December 1, 1988 . . . . .	250,000
June 1, 1981 . . . . .	150,000	June 1, 1989 . . . . .	260,000
December 1, 1981 . . . . .	155,000	December 1, 1989 . . . . .	270,000
June 1, 1982 . . . . .	160,000	June 1, 1990 . . . . .	280,000

\* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity . . . . .	1%
More than three years but not more than six years before maturity . . . . .	2%
More than six years but not more than eleven years before maturity . . . . .	3½%
More than eleven years but not more than sixteen years before maturity . . . . .	5%
More than sixteen years but not more than eighteen years before maturity . . . . .	6%
More than eighteen years before maturity . . . . .	7%

## SCHEDULE 2

## DESCRIPTION OF THE PROJECT

The Project is a part of ENEE's five-year expansion program for the period 1970-1974 and consists of the following parts :

- A. The construction of the following transmission lines and associated substations :
- (1) 138 kV lines from Río Lindo station to San Pedro Sula via El Progreso, and from El Progreso to La Ceiba via Tela, totalling about 227 km; (2) 69 kV lines

from San Pedro Sula to Puerto Cortes; from La Ceiba to the Aguan Valley and from Tegucigalpa to the southern zone, totalling about 331 km; and (3) 138 kV and 69 kV substations with a total capacity of about 103 MVA.

- B. The construction of (1) 34.5/13.8 kV single-circuit transmission lines totalling about 184 km; and (2) 34.5/13.8 kV substations with a total capacity of 20 MVA.
- C. The installation of one 15 MW gas turbine at Tegucigalpa.
- D. The installation of communications equipment, and the procurement of maintenance equipment required for work on the transmission and distribution systems.
- E. The strengthening of the training program for ENEE's staff.
- F. Feasibility studies of hydro-electric power projects on the Humuya River and/or the Ulua River, and a study of tariffs.

The Project is expected to be completed by December 31, 1973.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]