

No. 10872

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
HONDURAS**

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

*Authentic text: English.*

*Registered by the International Development Association on 2 December 1970.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
HONDURAS**

**Contrat de crédit de développement — *Quatrième projet relatif à l'énergie électrique* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 24 juin 1970**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 2 décembre 1970.*

## DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>

AGREEMENT, dated June 24, 1970, 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 assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

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

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

WHEREAS the Association has agreed, on the basis *inter alia* of the foregoing, to extend the Credit 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 Development Credit Agreements of the Association, 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 Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions).

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

<sup>2</sup> United Nations, *Treaty Series*, vol. 759, p. 101.

<sup>3</sup> See p. 298 of this volume.

*Section 1.02.* Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the 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 Loan Agreement, as the same may be amended from time to time to the satisfaction of the Bank and the Association;

(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; and

(d) "Loan Account" means the account on the books of the Bank to which the amount of the Loan is to be credited.

## Article II

### THE CREDIT

*Section 2.01.* The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit 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 Credit may be withdrawn from the Credit 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 Association shall otherwise agree, the amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule I to this Agreement for expenditures made (or, if the Association 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 Development Credit 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

<sup>1</sup> United Nations, *Treaty Series*, vol. 757, p. 309.

(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 Association.

*Section 2.04.* 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 2.05.* Service charges shall be payable semi-annually on June 1 and December 1 in each year.

*Section 2.06.* The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 1 and December 1 commencing December 1, 1980 and ending June 1, 2020, each installment to and including the installment payable on June 1, 1990 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 2.07.* The currency of the United States of America is hereby specified for the purposes of Section 4.02 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 Credit 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 Association.

(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 Association and to accomplish the purposes of the Credit, and except as

the Association 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 cause all its agencies to take all action which shall be necessary on their part to enable ENEE to perform all of 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 Association shall otherwise agree, the goods and services required for the Project and to be financed out of the proceeds of the Credit 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 Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

#### *Article IV*

#### OTHER COVENANTS

*Section 4.01.* 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 supersede all prior agreements between the Borrower and the Association relating to such adjustments by ENEE.

#### *Article V*

#### CONSULTATION AND INFORMATION

*Section 5.01.* The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association 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 Development Credit Agreement, the administration, operations and financial condition of ENEE and other matters relating to the purposes of the Credit; and

(b) furnish to the other all such information as it shall reasonably request 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, 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 Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof, the performance by the Borrower of its other obligations under the Development Credit 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 Association to visit any part of the territories of the Borrower for purposes related to the Credit.

#### *Article VI*

#### TAXES AND RESTRICTIONS

*Section 6.01.* The principal of, and service charges on, the Credit 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.

*Section 6.02.* The Development Credit Agreement and the Project Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

*Section 6.03.* The payment of the principal of, and service charges on, the Credit 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 ASSOCIATION

*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 Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement 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 Association 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 Association 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 Association 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 Association 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 Association 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 event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions, namely, that the conditions precedent to the effectiveness of the Loan Agreement shall have been fulfilled, subject only to the effectiveness of this Agreement.

*Section 8.02.* The date September 30, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

*Section 8.03.* The provisions of Sections 4.01, 5.01 (a), 5.02 (a) and 7.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

### 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 9.03 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 9.01 of the General Conditions:

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.

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 Development Association:

By J. BURKE KNAPP  
Vice President

#### SCHEDULE 1

#### WITHDRAWAL OF THE PROCEEDS OF THE CREDIT AND OF THE LOAN

I. The table below sets forth the categories of goods and services to be financed out of the proceeds of the Credit and of the Loan and the allocation of amounts of the Credit and of the Loan to each category:

<i>Category</i>	<i>Amount of the Credit and of the Loan Allocated (Expressed in Dollar Equivalent)</i>
I. Electrical and mechanical works of transmission lines, substations and gas turbine plant . . . . .	8,480,000
II. Communications and maintenance equipment . . . . .	300,000
III. Feasibility and tariff studies . . . . .	400,000
IV. Training . . . . .	200,000
V. Engineering and supervision . . . . .	740,000

<i>Category</i>	<i>Amount of the Credit and of the Loan Allocated (Expressed in Dollar Equivalent)</i>
VI. Unallocated .....	<u>880,000</u>
TOTAL	11,000,000

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) expenditures for goods produced in, or services supplied from, the territories of the Borrower, or payments in the currency of the Borrower;
- (b) expenditures prior to the date of this Agreement;
- (c) payments for taxes imposed by the Borrower or any of its political subdivisions on goods or services, or on the importation, manufacture, procurement or supply thereof; and
- (d) in addition, except as the Borrower, the Association and the Bank shall otherwise agree, and until all amounts of the Credit shall have been withdrawn or committed, no withdrawals shall be made from the Loan Account except under commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions referred to in Section 1.01 of the Loan Agreement.

3. Notwithstanding the allocation of an amount of the Credit and of the Loan set forth in the second column of the table in paragraph 1 above:

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit and of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Association and by the Bank or, after full withdrawal of all amounts of the Credit, by the Bank, by increasing correspondingly the unallocated amount of the Credit and of the Loan;
- (b) if the estimate of the expenditures under any Category shall increase, an amount equal to the portion, if any, of such increase to be financed out of the Credit and of the Loan will be allocated by the Association and by the Bank or, after full withdrawal of all amounts of the Credit, by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Credit and of the Loan, subject, however, to the requirements for contingencies, as determined by the Association and by the Bank or, after full withdrawal of all amounts of the Credit, by the Bank, in respect of the cost of the goods and services in the other Categories.

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 Rio 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; (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 DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]