

No. 17720

**CANADA
and
HONDURAS**

**Development Loan Agreement (with annexes). Signed at
Tegucigalpa on 14 June 1977**

Authentic texts: English, French and Spanish.

Registered by Canada on 11 April 1979.

**CANADA
et
HONDURAS**

**Accord de prêt de développement (avec annexes). Signé à
Tegucigalpa le 14 juin 1977**

Textes authentiques : anglais, français et espagnol.

Enregistré par le Canada le 11 avril 1979.

DEVELOPMENT LOAN AGREEMENT¹ BETWEEN THE GOVERNMENT OF CANADA AND THE GOVERNMENT OF HONDURAS

This AGREEMENT made in duplicate the 14th of June 1977 between the GOVERNMENT OF CANADA (hereinafter called "Canada" acting through the INTERNATIONAL DEVELOPMENT AGENCY hereinafter called "CIDA") and the GOVERNMENT OF HONDURAS (hereinafter called "Honduras" acting through the MINISTRY OF TREASURY AND PUBLIC CREDIT).

[DEVELOPMENT LOAN AGREEMENT]²

WHEREAS Honduras wishes to establish a general line of credit for purchase of materials, equipment, machinery or services, as described in more detail in Article II and Annex A of this Agreement,

AND WHEREAS Canada is willing to make a development loan for the purpose of establishing a line of credit available for this purpose on the terms and conditions provided herein,

Now, THEREFORE, the parties hereto agree as follows:

Article I. THE LOAN

Section 1.01. Canada shall make available to Honduras on the terms and conditions hereinafter set forth a development loan for establishing a line of credit in an amount not to exceed three million Canadian dollars (Can\$ 3,000,000).

Section 1.02. Canada shall open on its books a loan account in the name of Honduras and shall credit to such account the full amount of the loan. Withdrawals, payments and disbursements may be made from the loan account in accordance with the provisions of this Agreement.

Section 1.03. This loan shall be free from interest, commitment or service charges.

Section 1.04. Repayment of the principal amount of the loan shall be made in eighty (80) semi-annual instalments of thirty-seven thousand, five hundred Canadian dollars (Can\$ 37,500) each, due and payable on March 31 and September 30 of each year commencing on September 30, 1987 and ending on March 31, 2027.

Section 1.05. Honduras shall have the right to repay the principal in whole or in part on any date without notice to Canada. The amount of any prepayment shall be applied on the instalments of the principal then remaining payable, in the reverse order of their maturity.

Section 1.06. All payments and repayments as set forth herein shall be made by Honduras in Canadian dollars to the Receiver General for Canada and shall be deemed to have been paid when received by the Receiver General for Canada.

Section 1.07. The principal of the loan shall be paid to Canada without any deduction whatsoever and more particularly shall be free from any taxes, charges or other fiscal restrictions imposed under the laws of Honduras and those in effect in its territory or administrative, political or judicial divisions or subdivisions.

¹ Came into force on 14 June 1977 by signature.

² Text between brackets appears only in the authentic Spanish text.

Section 1.08. Honduras agrees that it will negotiate, at the request of Canada, concerning acceleration of payments to the Receiver General for Canada to be made under this Agreement at any time within six (6) months before the first payment of principal becomes due and payable; Honduras and Canada shall mutually determine whether such acceleration should take place on the basis of the capacity of Honduras to service a more rapid liquidation of its obligations in the light of its internal and external financial and economic position.

Article II. USE OF THE LOAN

Section 2.01. Except as may otherwise be specifically agreed to by Canada, the proceeds of the loan shall be used by Honduras exclusively for the purchase of materials, equipment, industrial machinery, spare parts or services from Canadian suppliers and may be used to meet the costs for insurance, ocean shipping and in exceptional circumstances for air freight. Eligible purchases shall be as described in Annex A, and procedures for administration, purchasing and payment shall be those set forth in Annex B.

Section 2.02. Except as may otherwise be specifically agreed to by Canada, the goods and services to be financed from the proceeds of the loan shall be procured in Canada and the total of all transactions thus financed, excluding freight and insurance costs, shall have a Canadian content of not less than sixty-six and two-thirds per cent ($66\frac{2}{3}\%$).

Section 2.03. Goods and services contracted for prior to the effective date of this Agreement may not be financed out of the proceeds of the loan except as may otherwise be agreed to by Canada.

Section 2.04. Proceeds from the loan shall not be used by Honduras to meet the costs of any taxes, fees or customs duties imposed directly or indirectly by Honduras on the goods or services procured.

Article III. WITHDRAWALS OF PROCEEDS OF LOAN

Section 3.01. Withdrawals shall be deemed to occur on the dates on which payments are made by Canada either directly to Honduras or its designated agent, or to a firm or a banking institution.

Section 3.02. Subject to the conditions and limitations set forth, Honduras shall be entitled to withdrawals from the loan account in such amounts as are required to meet the reasonable costs of the spare parts, equipment, industrial machinery or services related thereto which are eligible for financing, as the costs become due and payable.

Section 3.03. Honduras or its designated agent shall provide Canada with a copy of each invitation to tender, contract or purchase order for the procurement of spare parts, equipment, industrial machinery or related services in respect of which any withdrawal is to be made.

Section 3.04. Honduras or its designated agent shall furnish, or cause to be furnished, to Canada such documents and other evidence in support of its application for withdrawal as Canada may reasonably request, such evidence to be sufficient in form and substance to establish that the amounts to be withdrawn are properly related to the purposes of this Agreement.

Article IV. CANCELLATION AND SUSPENSION

Section 4.01. Honduras may, by sixty (60) days written notice to Canada, cancel all or any part of the loan not withdrawn by Honduras prior to the giving of such notice and not required to meet outstanding financial obligations to suppliers or firms incurred from the loan.

Section 4.02. If any of the following events occur, Canada may suspend in whole or in part the right of Honduras, to make withdrawals from the loan account, or declare the principal outstanding due and payable immediately and cancel that part of the loan not previously withdrawn:

- (a) A default by Honduras in the payment of principal or in any other payments or repayments required under this Agreement and the Annexes hereto;
- (b) A default on the part of Honduras in the performance of any other undertakings under this Agreement;
- (c) Any extraordinary situation which renders it impossible for Honduras to perform its obligations under this Agreement.

Section 4.03. If the full amount of the loan is not committed by September 30, 1982, the balance shall be cancelled and the final instalments of the repayment to be made by Honduras shall be reduced accordingly, except as may otherwise be agreed to by Canada.

Article V. GENERAL UNDERTAKINGS

Section 5.01. Honduras and Canada shall each ensure that this agreement is carried out with due diligence and efficiency and each shall furnish to the other all such information as shall reasonably be requested.

Section 5.02. Honduras shall afford accredited representatives of Canada all reasonable means to visit any part of the territories of Honduras for purposes related to this Loan Agreement.

Section 5.03. This Agreement and any Annex hereto shall be free from any taxes, fees or other charges that may be imposed under the laws of Honduras or those in effect in its administrative, political or judicial divisions or subdivisions in connection with the execution, issue, delivery and registration thereof.

Section 5.04. Honduras shall at all times provide or cause to be provided as needed all other monies and resources which may be required to implement this Agreement.

Article VI. COMMUNICATIONS

Section 6.01. Any communication or document given, made or sent by either Honduras or Canada pursuant to this agreement or any Annex hereto shall be in writing and shall be deemed to have been duly made or sent to the party to which it is addressed at the time of its delivery by hand, mail, telegram, cable or radiogram at its respective address, namely:

For Honduras:

Postal Address:

Ministry of Treasury and Public Credit
Tegucigalpa, D.C.
Honduras (Central America)
cc: CONSUPLAN

Cable address:

HACIENDA, CONSUPLAN

For Canada:

Postal Address:

Canadian International Development Agency
122 Bank Street
Ottawa, Ontario K1A 0G4

Cable address:

CIDA/OTT

Section 6.02. Any one of the parties hereto may, by notice to the other party hereto, change the address to which any notice or request intended for the party so giving such notice, shall be sent.

Section 6.03. All communications and documents submitted to Canada shall be either in the Spanish and English or the Spanish and French languages, and all technical specifications therein shall be in terms of Canadian standards except where Canada may agree otherwise in writing.

Section 6.04. This Agreement and the Annexes which form an integral part hereof, may be amended upon agreement of the parties concerned. Any amendment to the main body of the Agreement shall be executed by a formal amendment signed by the authorized representatives. However, amendments to the Annexes may be made by an exchange of letters between the Honduras Ministry of Treasury and Public Credit and CIDA.

IN WITNESS WHEREOF the undersigned, being duly authorized thereto by their respective Governments, have signed the present Agreement.

DONE in duplicate at Tegucigalpa this day of June 14th, 1977, in French, English and Spanish languages, each version being equally authentic.

EN FOI DE QUOI, les soussignés, dûment autorisés à cet effet par leurs Gouvernements respectifs, ont signé le présent Accord.

FAIT en deux exemplaires à Tegucigalpa ce 14^e jour de juin 1977 en français, en anglais et en espagnol, chaque version faisant également foi.

RALPH E. REYNOLDS

For the Government of Canada
Pour le Gouvernement du Canada

ZAVALA SANDOVAL

For the Government of Honduras
Pour le Gouvernement du Honduras

ANNEX A

USE OF THE LOAN

1. The proceeds of the loan shall be used to finance the costs of:

- (a) Purchases in Canada of farm and agro-industrial materials, spare parts, equipment and machinery;
- (b) Canadian services related to the assembly or installation of the goods described in paragraph (a) above;
- (c) Marine shipment and insurance of the goods mentioned above from the Canadian port of exit to the port of entry in Honduras; and
- (d) Purchases of raw and semi-processed materials, provided that the total value of such purchases does not exceed two hundred thousand Canadian dollars (Can\$ 200,000).

2. The proceeds of the loan may not be used for purchase of:

- (a) Machinery, equipment or other goods specifically excluded by Canadian export regulations;
- (b) Arms, armaments, firearms, ammunition, nor any equipment, machinery or materials that could be used for the production of said items;
- (c) Machinery, equipment or materials intended directly or indirectly for production or utilization of atomic energy or its applications or for development of nuclear, atomic or strategic arms;
- (d) Foodstuffs; or
- (e) Luxury items that cannot be considered essential to development.

ANNEX B

ADMINISTRATION, PURCHASING AND PAYMENT PROCEDURES

I. *Administration procedures*

Honduras shall:

- (a) Delegate the responsibility for the administration, control and allocation of loan proceeds to the Honduran Ministry of the Treasury and Public Credit in accordance with the conditions of this agreement;
- (b) Notify CIDA in writing of the names and titles of those persons authorized to sign on behalf of Honduras; and
- (c) Promote use of the goods and services procured from the proceeds of the loan by Honduran companies owned by Honduran interests.

II. *Purchasing procedures*

Honduras shall:

- (a) Obtain authorization and instructions from CIDA before opening negotiations for acquisition of the goods and services described in Article II of this loan agreement and in Annex A thereto;
- (b) Call tenders in Canada for any transaction exceeding two hundred thousand Canadian dollars (Can\$ 200,000) in value. Honduras shall inform CIDA of the outcome of the tender call;
- (c) Ensure that all invitations to tender and requests for price confirmation contain all necessary information on the goods and services sought, including description, technical specifications, terms of delivery and any other details which may affect the price; this information shall be given in accordance with Canadian standards;

- (d) Ensure that each call for tender or request for price confirmation is sent to CIDA at the same time as it is sent to the respective Canadian suppliers;
- (e) Ensure that the lowest tender is accepted, provided specifications and other conditions are met;
- (f) Ensure that a copy of each purchase order is sent to CIDA at the same time as it is sent to the supplier or to the supplier's agent; and
- (g) Provide CIDA with a certificate attesting that the goods and services can be financed from the proceeds of the loan.

III. *Payment procedures*

Payments to Canadian suppliers shall be made by withdrawals from the loan account established pursuant to Article I of this Agreement, in accordance with the following procedures:

- (a) Upon request by Honduras, CIDA shall make direct payments to Canadian suppliers to cover the costs of the goods or services provided by these suppliers;
- (b) CIDA shall send a confirmation of purchase order to each Canadian supplier for each transaction conducted by Honduras or its designated agent, provided that the transaction has received prior approval from CIDA;
- (c) Each confirmation of a purchase order sent by CIDA to a Canadian supplier shall specify that c.i.f. payment is to be made directly by CIDA upon receipt of copies in triplicate of the invoices from the suppliers, copies of non-negotiable shipping documents and any other documents, which may be considered necessary to ensure that the goods and services supplied meet specifications and other conditions set down in the purchase order issued by Honduras or its designated agent.

IV. *Freight and insurance*

(a) Honduras or its designated agent agrees to specify when calling for tenders or in price confirmations, that prices shall be indicated c.i.f. Honduran port(s) of entry and that Canadian suppliers shall be responsible for paying for freight and insurance prior to shipping.

(b) Honduras or its designated agent shall be responsible for preparing and submitting claims to the carrier, the insurance company or the Canadian suppliers for incomplete deliveries, and for any losses or damages.

(c) Honduras shall ensure:

- (i) That all ships carrying goods procured under the terms of this loan are allowed to berth without delay, and are unloaded as quickly as possible, within the normal number of lay-days for the type of freight in question;
 - (ii) That all goods obtained under this loan are given priority of clearance through customs and are sent on to their destination as quickly as possible; and
 - (iii) When compensations or other payments are made as a result of claims for loss or damage under an insurance policy, that CIDA is notified immediately of such payments or compensations and that such proceeds are used to replace the goods or a portion thereof with merchandise of a similar nature from a Canadian source; in the event Honduras defaults in such replacement, an amount corresponding to the compensation or other payments shall be used by Honduras to prepay the loan, as provided for in section I.05 of Article I of this Loan Agreement.
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