

No. 8189

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
HONDURAS**

**Development Credit Agreement — *North Road Project*
(with related letter and annexed Development Credit
Regulations No. 1). Signed at Washington, on
2 February 1965**

Official text : English.

Registered by the International Development Association on 28 April 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
HONDURAS**

**Contrat de crédit de développement — *Projet relatif à
la route du Nord* (avec lettre y relative et, en annexe,
le Règlement n° 1 sur les crédits de développement).
Signé à Washington, le 2 février 1965**

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 28 avril 1966.

No. 8189. DEVELOPMENT CREDIT AGREEMENT ¹ (*NORTH ROAD PROJECT*) BETWEEN THE REPUBLIC OF HONDURAS AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 2 FEBRUARY 1965

AGREEMENT, dated February 2, 1965, between REPUBLIC OF HONDURAS (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Association has agreed, on the basis of the financing arrangements described in the Recitals to the agreement of even date herewith (hereinafter called the Loan Agreement) ² between the Borrower and the International Bank for Reconstruction and Development (hereinafter called the Bank), to make a credit to the Borrower in an amount in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000) on the terms and conditions hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article 1

CREDIT REGULATIONS ; SPECIAL DEFINITION

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, ³ with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

- (a) The second sentence of Section 2.02 is deleted.
- (b) Section 3.01 is deleted and the following new section is substituted therefor :

“SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

¹ Came into force on 1 February 1966, upon notification by the Association to the Government of Honduras.

² See p. 255 of this volume.

³ See p. 292 of this volume.

“ (b) The proceeds of the Credit shall be withdrawn from the Credit Account :

“ (i) on account of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select ;

“ (ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

“ (c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made. ”

(c) A new Section 3.04 is inserted after Section 3.03 as follows :

“ SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03. ”

(d) Section 3.04 is renumbered as Section 3.05.

Section 1.02. Except where the context otherwise requires, the terms defined in the Loan Agreement shall have the same meanings as in such Loan Agreement wherever used in the Development Credit Agreement.

Section 1.03. Except where the context otherwise requires, the term “ Project ” wherever used in the Development Credit Agreement means the project for which the Credit is made as described in Schedule 2 of the Loan Agreement and as the description thereof shall be amended from time to time by Agreement among the Borrower, the Inter-American Development Bank, the Association and the Bank.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000).

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 as provided in, and subject to the rights of cancellation and suspension set forth in, the Development Credit Agreement.

Section 2.03. Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Development Credit Agreement, to withdraw from the Credit Account :

- (a) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association of such amounts as shall have been expended for the reasonable cost of goods required for carrying out the Project ; and
- (b) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under subsection (a) hereof ;

provided, however, that withdrawals shall not be made on account of expenditures prior to the date of this Agreement ; and

provided, further, that withdrawals shall not be made with respect to any part of the Project until consultants are employed in accordance with Section 4.01 of this Agreement to provide the engineering services referred to in Part C of the Project.

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. The Borrower shall also pay to the Association a service charge at the rate of one-half of one per cent ($1/2$ of 1 %) on the principal amount of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations and outstanding from time to time.

Section 2.05. Service charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each April 1 and October 1 commencing April 1, 1975 and ending October 1, 2014, each instalment to and including the instalment payable on October 1, 1984 to be one-half of one per cent ($1/2$ of 1 %) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1\ 1/2$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.