No. 9408

# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and HONDURAS

**Loan Agreement—*Rio Lindo Hydroelectric Project* (with annexed Loan Regulations No. 3, as amended). Signed at Washington on 12 June 1968**

*Authentic text: English.*

*Registered by the International Bank for Reconstruction and Development on 14 February 1969.*

# BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT et HONDURAS

**Contrat d'emprunt — *Projet hydro-électrique du Lindo* (avec, en annexe, le Règlement n° 3 sur les emprunts, tel qu'il a été modifié). Signé à Washington le 12 juin 1968**

*Texte authentique : anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 14 février 1969.*

# LOAN AGREEMENT [1]

AGREEMENT, dated June 12, 1968, 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 grant a loan to the Borrower for relending to the Empresa Nacional de Energía Eléctrica (herein after called ENEE) for the purpose of financing a hydroelectric power project ;

(B) by agreement [2] of even date herewith the International Development Association (hereinafter called the Association) has agreed to make a credit to the Borrower in an amount in various currencies equivalent to four million dollars ($4,000,000) 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 [3] 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 ; and

(D) the Bank has, on the basis of the foregoing, agreed to grant a loan to the Borrower upon the terms and conditions hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

## *Article I*

### LOAN REGULATIONS ; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of Loan Regulations No. 3 of the Bank, dated February 15, 1961 as amended February 9, 1967, [4] with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said

[1] Came into force on 13 September 1968, upon notification by the Bank to the Government of Honduras.
[2] See p. 99 of this volume.
[3] See p. 379 of this volume.
[4] See p. 96 of this volume.

Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) :

The words " and the Project Agreement " are inserted immediately after the words " the Loan Agreement " wherever the latter occur in Sections 5.06 and 7.02 of the Loan Regulations.

*Section 1.02.* Except where the context otherwise requires, the following terms have the following meanings wherever used in the Loan Agreement :

(*a*) " ENEE " means Empresa Nacional de Energía Eléctrica, an instrumentality of the Borrower established and organized 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.

(*b*) " Development Credit Agreement " means the agreement referred to in clause (B) of the preamble above, as the same may be amended or supplemented from time to time.

(*c*) " Project Agreement " means the agreement referred to in clause (C) of the preamble above, as the same may be amended or supplemented from time to time.

(*d*) " Subsidiary Loan Agreement " means the agreement referred to in Section 3.01 of this Agreement, to be entered into between the Borrower and ENEE.

*Article II*

THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to seven million five hundred thousand dollars ($ 7,500,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account by ENEE acting on behalf of the Borrower pursuant to Section 8.01 hereof, as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time.

*Section 2.04.* The Borrower shall pay interest at the rate of six and one-quarter per cent (6 1/4 %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent (1/2 of 1 %) per annum on the principal amount of any such special commitment outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semiannualy on February 15 and August 15 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 ; provided, however, that in the event ENEE shall repay to the Borrower in advance of maturity under the Subsidiary Loan Agreement all or any part of the principal of the loan made to ENEE thereunder, the Borrower shall, to the extent that such prepayment represents amounts withdrawn from the Loan Account under this Agreement, prepay the Bank a corresponding amount.

## *Article III*

### Use of Proceeds of the Loan

*Section 3.01.* The Borrower shall relend the proceeds of the Loan and of the Credit accorded under the Development Credit Agreement to ENEE pursuant to a loan agreement (the Subsidiary Loan Agreement) satisfactory to the Bank, and shall cause such proceeds to be applied exclusively to financing the cost of goods required to carry out the Project, described in Schedule 2 to this Agreement. The specific allocation of the proceeds of the Loan and the methods and procedures for procurement of the goods to be financed out of such proceeds shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

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

*Article IV*

BONDS

*Section 4.01.* If and when 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 VI of the Loan Regulations.

*Section 4.02.* The *Secretario de Estado en el Despacho de Economía y Hacienda* is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The *Secretario de Estado en el Despacho de Economía y Hacienda* of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

*Article V*

PARTICULAR COVENANTS

*Section 5.01.* (*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 Bank, promptly to provide ENEE or cause ENEE to be provided with the funds, facilities, services and other resources required therefor.

*Section 5.02.* Except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive any provision of, the Subsidiary Loan Agreement.

*Section 5.03.* 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. The