II

Treaties and international agreements

filed and recorded

from 14 February 1969 to 23 February 1969

No. 644

Traités et accords internationaux

classés et inscrits au répertoire

du 14 février 1969 au 23 février 1969

No 644

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and INTERNATIONAL DEVELOPMENT ASSOCIATION and EMPRESA NACIONAL DE ENERGÍA ELÉCTRICA

Project Agreement—*Rio Lindo Hydroelectric Project*. Signed at Washington on 12 June 1968

Authentic text: English.

Filed and recorded at the request of the International Bank for Reconstruction and Development and the International Development Association on 14 February 1969.

BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT et ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT et EMPRESA NACIONAL DE ENERGÍA ELÉCTRICA

Contrat relatif au projet — *Projet hydro-électrique du Lindo*. Signé à Washington le 12 juin 1968

Texte authentique : anglais.

Classé et inscrit au répertoire à la demande de la Banque internationale pour la reconstruction et le développement et de l'Association internationale de développement le 14 février 1969.

PROJECT AGREEMENT [1]

AGREEMENT, dated June 12, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association), parties of the first part, and EMPRESA NACIONAL DE ENERGÍA ELÉCTRICA (hereinafter called ENEE), party of the second part.

WHEREAS by a Loan Agreement [2] of even date herewith between the Republic of Honduras and the Bank (hereinafter called the Loan Agreement) the Bank has agreed to make a Loan to the Republic of Honduras (hereinafter called the Borrower) in various currencies in an amount equivalent to seven million five hundred thousand dollars ($7,500,000) on the terms and conditions set forth in the Loan Agreement, to be relent to ENEE, but only on condition that ENEE agree to undertake certain obligations toward the Bank as hereinafter provided;

WHEREAS by a Development Credit Agreement [3] of even date herewith between the Borrower and the Association (hereinafter called the Development Credit Agreement) the Association has agreed to make a Credit to the Borrower in various currencies in an amount equivalent to four million dollars ($4,000,000) on the terms and conditions set forth in the Development Credit Agreement, to be relent to ENEE, but only on condition that ENEE agree to undertake certain obligations toward the Association as hereinafter provided; and

WHEREAS ENEE, in consideration of the Bank's and the Association's entering into the Loan and Development Credit Agreements with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

DEFINITIONS

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and

[1] Came into force on 13 September 1968, the date of entry into force of the Loan Agreement of 12 June 1968 between the International Bank for Reconstruction and Development and Honduras (see p. 75 of this volume), in accordance with section 3.01.
[2] See p. 75 of this volume.
[3] See p. 99 of this volume.

in the Development Credit Agreement shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS

Section 2.01. (*a*) ENEE shall carry out the Project, described in the Loan and Development Credit Agreements, with due diligence and efficiency and in conformity with sound engineering and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(*b*) To assist it in carrying out the Project, ENEE shall employ consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Bank, the Association and ENEE.

(*c*) In carrying out the Project, ENEE shall employ contractors acceptable to and to an extent satisfactory to, the Bank, the Association and ENEE, employed under contracts satisfactory to the Bank, the Association and ENEE.

Section 2.02. ENEE shall apply the proceeds of the Loan and the Credit relent to it by the Borrower under the Subsidiary Loan Agreement exclusively to financing the cost of goods required to carry out the Project and, except as the Bank and the Association shall otherwise agree, shall cause all goods financed out of such proceeds to be used exclusively in the carrying out of the Project.

Section 2.03. (*a*) ENEE shall furnish to the Bank and the Association upon request by the Bank and the Association from time to time, promptly upon their preparation, the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank and the Association shall from time to time request.

(*b*) ENEE shall maintain records adequate to identify the goods financed out of the proceeds of the Loan and the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of ENEE ; shall enable the Bank's and the Association's representatives to inspect the Project, the goods and all facilities operated by ENEE and any relevant records and documents ; and shall furnish to the Bank and the Association all such information as the Bank and the Association shall reasonably request concerning the expenditure of the proceeds of the Loan and the Credit, the Project, the goods and the administration, operations and financial condition of ENEE.

(*c*) ENEE shall have its financial statements (balance sheet and related statement of earnings and expenses) audited annually by an independent accountant or accounting firm, acceptable to the Bank and the Association, and shall promptly after their preparation and not later than four months after the close of ENEE's fiscal year transmit to the Bank and the Association, certified copies of such audited statements and a signed copy of such accountant's or such firm's report. The provisions of this Section supersede all prior agreements between the Bank and ENEE relating to the audit of the financial statements of ENEE and the furnishing to the Bank of such statements.

Section 2.04. (*a*) The Bank, the Association and ENEE shall cooperate fully to assure that the purposes of the Loan, the Credit and this Agreement shall be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Project.

(*b*) The Bank, the Association and ENEE shall from time to time exchange views through their representatives with regard to matters relating to the Loan, the Credit, the Project, the administration, operations and financial condition of ENEE and the matters covered by this Agreement and the Subsidiary Loan Agreement. ENEE shall promptly inform the Bank and the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the Credit, the Project or the performance by ENEE of its obligations under this Agreement or the Subsidiary Loan Agreement.

Section 2.05. ENEE shall effect from time to time such adjustments in its rates for the sale of electricity as shall be necessary to provide revenues 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 provisions of this Section supersede all prior agreements between the Bank and ENEE relating to such adjustments by ENEE.

Section 2.06. (*a*) Except as the Bank and the Association shall otherwise agree, ENEE shall not incur any debt unless ENEE's net revenue for the fiscal year, or a later twelve consecutive months' period, immediately preceding the date of such incurrence, whichever is the greater, shall be not less than 1.5 times the maximum debt service requirement for any succeeding