

## II

### ***Treaties and international agreements***

***filed and recorded***

***from 24 November 1970 to 2 December 1970***

***No. 660***

---

### ***Traités et accords internationaux***

***classés et inscrits au répertoire***

***du 24 novembre 1970 au 2 décembre 1970***

***Nº 660***

No. 660

---

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

**Project Agreement—*Fourth Power Project*. Signed at Wash-  
ington on 24 June 1970**

*Authentic text: English.*

*Filed and recorded at the request of the International Bank for Reconstruction and  
Development and the International Development Association on 2 December 1970.*

---

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

**Contrat relatif au Projet — *Quatrième projet relatif à l'éner-  
gie électrique*. Signé à Washington le 24 juin 1970**

*Texte authentique: anglais.*

*Classé et inscrit au répertoire à la demande de la Banque internationale pour la recon-  
struction et le développement et de l'Association internationale de développement le  
2 décembre 1970.*

## PROJECT AGREEMENT<sup>1</sup>

---

AGREEMENT, dated June 24, 1970, 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 of even date herewith<sup>2</sup> (hereinafter referred to as the Loan Agreement) between the Republic of Honduras (hereinafter called the Borrower) and the Bank, and by a development credit agreement of even date herewith<sup>3</sup> (hereinafter referred to as the Development Credit Agreement) between the Borrower and the Association, the Bank and the Association have each respectively agreed to make available to the Borrower an amount in various currencies equivalent to five million five hundred thousand dollars (\$5,500,000), on the terms and conditions respectively set forth in the Loan and the Development Credit Agreements, but only on condition that ENEE agree to undertake such obligations toward the Bank and the Association as hereinafter set forth;

WHEREAS by a subsidiary loan agreement to be entered into between the Borrower and ENEE pursuant to Sections 3.01 (b) of the Loan and the Development Credit Agreements (hereinafter referred to as the Subsidiary Loan Agreement), the proceeds of the loan and of the credit provided for under the Loan and the Development Credit Agreements will be made available to ENEE on the terms and conditions therein set forth; and

WHEREAS ENEE, in consideration of the Bank's and the Association's entering into the Loan and the 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, in the

---

<sup>1</sup> Came into force on 30 October 1970, in accordance with section 6.01.

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

<sup>3</sup> *Ibid.*, vol. 758, p. 279.

Development Credit Agreement and in the General Conditions (as so respectively defined) have the respective meanings therein set forth.

## Article II

### EXECUTION OF THE PROJECT

*Section 2.01.* ENEE shall carry out the Project described in Schedule 2 to the Loan and Development Credit Agreements with due diligence and efficiency and in conformity with sound administrative, financial, engineering and public utility practices.

*Section 2.02.* ENEE shall apply the proceeds of the Loan and the Credit relented to it by the Borrower under the Subsidiary Loan Agreement exclusively to financing the cost of goods and services required to carry out the Project.

*Section 2.03. (a)* In order to assist ENEE in (i) the design, and preparation of plans, specifications and bidding documents for the 138 kV and 69kV transmission lines and substations and the supervision of construction thereof; (ii) the procurement of communications and maintenance equipment; and (iii) the carrying out of feasibility studies in respect of the Humuya River and/or the Ulua River power projects and tariff studies, ENEE shall employ consultants acceptable to the Bank and Association under terms and conditions satisfactory to the Bank and the Association.

(b) ENEE shall: (i) employ competent and experienced engineers to assist ENEE's staff in the carrying out of the Project and in the training of ENEE's personnel; and (ii) whenever necessary, arrange courses of training abroad for such personnel.

(c) ENEE shall submit promptly for review by the Bank and the Association the results of the studies carried out by the consultants referred to in paragraph (a) hereof.

*Section 2.04. (a)* In carrying out Parts A, B, C and D of the Project, ENEE shall employ contractors acceptable to the Bank and the Association upon terms and conditions satisfactory to the Bank and the Association.

(b) ENEE shall not proceed with the construction of the La Ceiba Aguan Valley transmission line and associated facilities nor with the installation of the transformer at El Progreso substation unless and until ENEE produces evidence satisfactory to the Bank and the Association that there is sufficient economic justification for the works.

*Section 2.05. (a)* Except as the Bank and the Association shall otherwise agree, (i) the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Loan

and Credit relent to ENEE by the Borrower shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in the Schedule to this Agreement or as shall be agreed between the Bank, the Association and ENEE, and (ii) contracts for the procurement of all goods and services to be financed out of such proceeds of the Loan and the Credit shall (except as otherwise provided in such Schedule) be subject to the prior approval of the Bank and the Association.

(b) ENEE undertakes to insure or make adequate provision for insurance of the imported goods to be financed out of the proceeds of the Loan and the Credit relent to it by the Borrower against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by ENEE to replace or repair such goods.

(c) Except as the Bank and the Association may otherwise agree, ENEE shall cause all goods and services financed out of the proceeds of the Loan and the Credit relent to it by the Borrower to be used exclusively for the Project.

*Section 2.06.* (a) ENEE shall furnish to the Bank and the Association, promptly upon their preparation, the plans, specifications and construction schedules for the Project, and any material modifications or additions thereto, in such detail as the Bank and the Association shall reasonably request.

(b) ENEE: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan and the Credit relent to it by the Borrower, and to disclose the use thereof in the Project; (ii) shall enable the Bank's and the Association's representatives to inspect the Project, the goods financed out of such proceeds and any relevant records and documents; and (iii) shall furnish to the Bank and the Association all such information as the Bank and the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the Credit so relent to it and the goods and services financed out of such proceeds.

*Section 2.07.* ENEE shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank and Association shall other-