

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Canada may reasonably request, such evidence to be sufficient in form and substance to establish that the amounts to be withdrawn are properly related to the purposes of this Agreement.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Honduras may, by sixty (60) days written notice to Canada, cancel all or any part of the loan not withdrawn by Honduras prior to the giving of such notice and not required to meet outstanding financial obligations to suppliers or firms incurred from the loan.