

No. 5981

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
SUDAN**

Development Credit Agreement—*Roseires Irrigation Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 14 June 1961

Official text : English.

Registered by the International Development Association on 28 November 1961.

**ASSOCIATION
INTERNATIONALE DE DÉVELOPPEMENT
et
SOUDAN**

Contrat de crédit de développement — *Projet d'irrigation de Roseires* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 14 juin 1961

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 28 novembre 1961.

No. 5981. DEVELOPMENT CREDIT AGREEMENT¹ (*ROSEIRES IRRIGATION PROJECT*) BETWEEN THE REPUBLIC OF THE SUDAN AND INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 14 JUNE 1961

AGREEMENT, dated June 14, 1961, between THE REPUBLIC OF THE SUDAN (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to provide a credit to it in an aggregate principal amount equivalent to \$13,000,000 to assist the Borrower in financing the construction of the Roseires Dam, forming a part of the Roseires Irrigation Project ;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (hereinafter called the Bank) and Kreditanstalt für Wiederaufbau, a corporation under public law of the Federal Republic of Germany (hereinafter called Kreditanstalt), to make loans to it to provide additional assistance towards financing such construction ;

(C) by an agreement of even date² herewith between the Bank and the Borrower, the Bank is agreeing to make such a loan to the Borrower in an aggregate principal amount equivalent to \$19,500,000 ;

(D) Kreditanstalt and the Borrower intend to enter into an agreement providing for a loan by Kreditanstalt to the Borrower in an aggregate principal amount equivalent to \$18,400,000 ;

(E) the Borrower, the Association, Kreditanstalt and the Bank intend to enter into an agreement making arrangements for the Bank to process applications for withdrawal of the proceeds of the financing to be provided severally by the Association, the Bank and Kreditanstalt and regulating certain other matters of common interest in connection with such financing ; and

WHEREAS the Association has agreed, upon the basis of the foregoing, to provide a credit to the Borrower upon the terms and conditions hereinafter set forth ;

NOW THEREFORE, it is hereby agreed as follows :

¹ Came into force on 19 October 1961, upon notification by the Association to the Government of the Sudan.

² See p. 25 of this volume.

Article I

DEVELOPMENT CREDIT REGULATIONS AND ADMINISTRATION AGREEMENT ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,¹ subject, however, to the modifications thereof set forth in the Schedule² to this Agreement (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. To the extent that the provisions of the Administration Agreement govern the rights and obligations of the parties to this Development Credit Agreement, they shall be deemed to be incorporated herein.

Section 1.03. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Development Credit Agreement :

The term "Administration Agreement"³ means the agreement referred to in Section 6.01 (A) of this Agreement, as the same may from time to time be amended by the parties thereto.

The term "Bank Agreement" means the agreement referred to in Recital (C) to this Agreement, as the same may from time to time be amended by the parties thereto.

The term "Kreditanstalt Agreement" means the agreement referred to in Section 6.01 (B) of this Agreement, as the same may from time to time be amended by the parties thereto.

The term "Project" means the project described in the Schedule to the Administration Agreement, as such description may from time to time be amended by agreement of the parties thereto.

The term "Gezira Act" means the Gezira Scheme Act 1960 (1960 Act No. 13) of the Borrower (including all schedules thereto) as from time to time in effect.

The term "Nile Pumps Control Ordinance and Regulations" means the Nile Pumps Control Ordinance of the Borrower and all Regulations thereunder, as from time to time in effect.

¹ See p. 68 of this volume.

² See p. 64 of this volume.

³ See p. 3 of this volume.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to thirteen million dollars (\$13,000,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account as of the date of this Agreement 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, this Agreement, the Regulations and the Administration Agreement.

Section 2.03. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit so withdrawn and outstanding from time to time.

Section 2.04. Service charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.05. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each January 15 and July 15 commencing July 15, 1971 and ending January 15, 2011, each instalment to and including the instalment payable on January 15, 1981 to be $\frac{1}{2}$ of 1% of such principal amount, and each instalment thereafter to be $1\frac{1}{2}$ % of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT ; CURRENCIES OF WITHDRAWAL

Section 3.01. The Borrower shall cause the proceeds of the Credit and of the financing provided for in the Bank Agreement and the Kreditanstalt Agreement to be applied towards financing the cost of Part A of the Project described in the Schedule to the Administration Agreement. The proceeds of the Credit shall be withdrawn only as provided in this Development Credit Agreement and the Administration Agreement and, except as the Borrower and the Association shall otherwise agree, withdrawals shall be made in such convertible currencies as the Association shall reasonably select.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of Part A of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out and operated with due diligence and efficiency and in accordance with sound engineering, financial, agricultural and business standards and practices.

(b) In the carrying out and initial operation of Part A of the Project the Borrower shall employ or cause to be employed engineering consultants acceptable to, and upon terms and conditions satisfactory to, the Borrower and the Association.

(c) The Borrower shall cause the construction of the dam included in Part A of the Project to be carried out by a contractor, employed under a contract satisfactory to the Borrower and the Association.

(d) The Borrower shall exercise every right and recourse available to it to ensure that the water impounded by the dam included in the Project will, to the maximum extent possible, be fully, effectively and promptly utilized and that no use, other than for potable purposes, will reduce the amounts of water available for irrigation purposes on the Project below the amounts needed therefor.

(e) The Borrower shall cause all works and facilities included in the Project to be adequately maintained and repaired in accordance with sound engineering and agricultural practices and standards and shall cause all dams, canals, structures and other works and facilities not included in the Project but necessary to the proper and efficient operation thereof to be operated and adequately maintained and repaired in accordance with such practices and standards.

(f) The Borrower shall cause to be furnished to the Association, 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 Association shall from time to time request.

(g) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in Part A of 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 the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof; shall enable the Association's representatives to inspect the Project, the operation thereof, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the goods, the Project, and the operations and financial condition of the agency

or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof.

(h) The Borrower shall duly and punctually perform all obligations provided to be performed by it pursuant to the Administration Agreement.

Section 4.02. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will 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 Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit or to the Administration Agreement.

Section 4.03. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.04. This Agreement and the Administration Agreement shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 4.05. The principal of, and service charges on, the Credit shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.06. The Borrower shall satisfy the Association that adequate arrangements have been made to insure the goods financed out of the proceeds of the Credit against risks incident to their purchase and transportation to the site of the Project.

Section 4.07. The Borrower shall inform the Association of any proposed action which would materially amend, waive or abrogate any provision of the Gezira Act or of the Nile Pumps Control Ordinance and Regulations and shall afford the Association

all reasonable opportunity, in advance of the taking of such action, to exchange views with the Borrower with respect thereto.

Section 4.08. Notwithstanding the provisions of this Article, compliance by the Borrower with the requirements of Section 5.01 (b), (c) and (f), Section 5.07 and Section 5.09 of the Bank Agreement shall, to the extent thereof, be deemed compliance with the provisions of Section 4.01 (b), (c) and (f), Section 4.06 and Section 4.07 of this Agreement.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, or (iii) if any event specified in Section 5.02 (b) of this Agreement shall occur, then at any subsequent time (but only during the continuance of such event, in the case of an event referred to in clauses (i) or (ii) of this Section) the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

Section 5.02. The following are specified as additional events for the purposes of Section 5.02 (j) of the Regulations :

(a) The right of the Borrower to withdraw the proceeds of the loan provided for in the Kreditanstalt Agreement shall have been suspended or terminated, in whole or in part.

(b) The outstanding principal of either of the loans provided for in the Bank Agreement or in the Kreditanstalt Agreement shall have been declared, or become, due and payable in advance of the agreed maturity thereof.

(c) The Borrower shall have cancelled any part of either of the loans provided for in the Bank Agreement or in the Kreditanstalt Agreement without a cancellation of a corresponding proportion of the Credit.

Article VI

EFFECTIVE DATE ; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations :

(A) That the Borrower, the Association, Kreditanstalt and the Bank shall have entered into an agreement providing for the matters referred to in Recital (E) to this Agreement.

(B) That the Borrower and Kreditanstalt shall have entered into the proposed agreement between them, providing for a loan by Kreditanstalt to the Borrower in an aggregate principal amount equivalent to eighteen million four hundred thousand dollars (\$18,400,000).

(C) That, either concurrently with or prior to the Development Credit Agreement becoming effective, the Bank Agreement, the Kreditanstalt Agreement and the Administration Agreement shall become, or shall have become, effective, and shall constitute valid and binding obligations of the respective parties thereto in accordance with their respective terms.

Section 6.02. The following are specified as additional matters, within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association :

That the Bank Agreement, the Kreditanstalt Agreement and the Administration Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and that each such Agreement constitutes a valid and binding obligation of the Borrower in accordance with its terms.

Section 6.03. A date sixty days after the date of this Development Credit Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1968, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministry of Finance and Economics
Sudan Government
Khartoum, P.O.B. 298
Sudan

Alternative address for cablegrams and radiograms :

Malisudan
Khartoum, Sudan

For the Association :

International Development Association
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D. C.

Section 7.03. The Minister of Finance and Economics of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

The Republic of The Sudan :

By A. R. MIRGHANI
Authorized Representative

International Development Association :

By J. Burke KNAPP
Vice-President

SCHEDULE

MODIFICATIONS OF DEVELOPMENT CREDIT REGULATIONS No. 1

For the purposes of this Agreement the provisions of Development Credit Regulations No. 1 of the Association, dated June 1, 1961, shall be deemed to be modified as follows :

- (a) By the deletion of Section 3.01.
- (b) By the deletion of Sections 4.01, 4.02, 4.03, 4.04 and 4.05.
- (c) By the deletion of Section 7.02 and the substitution therefor of the following :

"SECTION 7.02. *Evidence of Authority.* The Borrower shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of the Borrower, take any action or execute any documents required or

permitted to be taken or executed by the Borrower under the Development Credit Agreement, and the authenticated specimen signature of each such person."

(d) By the deletion of the second sentence of Section 7.03 and the substitution therefor of the following :

"Subject to any applicable constitutional requirements of the Borrower, any modification or amplification of the provisions of the Development Credit Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by him ; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Development Credit Agreement."

(e) By the deletion of paragraph 9 of Section 9.01.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF THE REPUBLIC OF THE SUDAN
WASHINGTON, D.C.

June 14, 1961

International Development Association
1818 H Street, N. W.
Washington 25, D. C.

Gentlemen :

We refer to the Development Credit Agreement (*Roseires Irrigation Project*) of even date¹ between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United Kingdom of Great Britain and Northern Ireland (Pounds Sterling).
- (ii) If at any time the Association shall determine that such currency is not freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations, the Association shall so notify us and furnish us with a list of the currencies which, in the determination of the Association, are so convertible or so exchangeable.

¹ See p. 50 of this volume.

- (iii) If within thirty days from the date of such notice the undersigned shall not have selected a specific currency or currencies from such list in which payment shall be made, then payment of such principal and service charges shall be made in a currency or currencies to be selected by the Association from such list.
- (iv) Any selection of a currency pursuant to (iii) shall be subject, in turn, to the provisions of (ii) and (iii) hereof.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

The Republic of The Sudan :

By A. R. MIRGHANI
Authorized Representative

Confirmed :

International Development Association :

Joseph RUCINSKI

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER
GOVERNMENTS

Article I

PURPOSE ; APPLICATION TO DEVELOPMENT CREDIT AGREEMENTS

SECTION 1.01. *Purpose.* The purpose of these Regulations is to set forth certain terms and conditions generally applicable to development credits granted by the Association directly to its members.

SECTION 1.02. *Application of Regulations.* Any development credit agreement between the Association and a member may provide that the parties thereto accept the provisions of these Regulations. To the extent so provided, these Regulations shall apply to such agreement and shall govern the rights and obligations thereunder of the parties thereto with the same force and effect as if they were fully set forth therein. No revocation or amendment of these Regulations shall be effective in respect of any development credit agreement unless the parties thereto shall so agree.

SECTION 1.03. *Inconsistency with Development Credit Agreements.* If any provision of a development credit agreement is inconsistent with a provision of these Regulations, the provision of the agreement shall govern.

Article II

CREDIT ACCOUNT ; SERVICE CHARGES ; REPAYMENT ; PLACE OF PAYMENT

SECTION 2.01. *Credit Account.* The amount of the Credit shall be credited to a Credit Account which the Association shall open on its books in the name of the Borrower. The amount of the Credit may be withdrawn from the Credit Account as provided in the Development Credit Agreement¹ and in these Regulations.

SECTION 2.02. *Service Charges.* A service charge at the rate specified in the Development Credit Agreement shall be payable on the principal amount of the Credit withdrawn from the Credit Account and outstanding from time to time. A service charge at the same rate shall be payable on the principal amount of any special commitment entered into by the Association pursuant to Section 4.02 and outstanding from time to time.

SECTION 2.03. *Computation of Service Charges.* Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 2.04. *Repayment.* (a) The principal amount of the Credit withdrawn from the Credit Account shall be repayable in installments as provided in the Development Credit Agreement.

(b) The Borrower shall have the right to repay in advance of maturity all or any part of the principal amount of one or more maturities of the Credit specified by the Borrower.

SECTION 2.05. *Place of Payment.* The principal of, and service charges on, the Credit shall be paid at such places as the Association shall reasonably request.

Article III

CURRENCY PROVISIONS

SECTION 3.01. *Currency in which Proceeds of the Credit are to be Withdrawn.* The proceeds of the Credit shall be withdrawn from the Credit Account in the respective currencies in which the cost of goods financed under the Development Credit Agreement has been paid or is payable or in such other currency or currencies as shall be agreed upon between the Borrower and the Association.

SECTION 3.02. *Currencies in which Principal and Service Charges are Payable.* The Borrower shall pay the principal amount of, and service charges on, the Credit in any currency or currencies of members of the Association which the Association from time to time determines to be freely convertible or freely exchangeable by the Association

¹ See p. 50 of this volume.

for the purposes of its operations. The Borrower and the Association may from time to time agree on any specific such currency or currencies in which payment shall be made.

SECTION 3.03. *Amount of Repayment.* The principal amount of the Credit repayable shall be the equivalent (determined as of the date, or the respective dates, of repayment) of the value of the currency or currencies withdrawn from the Credit Account expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960, determined as of the respective dates of withdrawal ; provided, however :

- (i) that if a uniform proportionate reduction in the par values of the currencies of all its members is made by the International Monetary Fund, the principal amount of the Credit then outstanding and repayable after such reduction shall be reduced by the same proportion ; and
- (ii) that if the Association shall at any time determine that there has been a substantial reduction in the par value or the foreign exchange value of one or more major currencies of members of the Association in terms of United States dollars of the weight and fineness in effect on January 1, 1960, which in the opinion of the Association shall justify a general reduction in the principal amount repayable on development credits then outstanding, the principal amount of the Credit then outstanding and repayable after such determination shall be reduced by such proportion as the Association shall decide.

SECTION 3.04. *Valuation of Currencies.* Whenever it shall be necessary for the purpose of the Development Credit Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Association.

Article IV

WITHDRAWAL OF PROCEEDS OF CREDITS

SECTION 4.01. *Withdrawal from the Credit Account.* The Borrower shall be entitled to withdraw from the Credit Account amounts expended or to be expended for the Project in accordance with the provisions of the Development Credit Agreement and of these Regulations. Except as shall be otherwise agreed between the Borrower and the Association no withdrawals shall be made on account of expenditures in the territories of any country (other than Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

SECTION 4.02. *Special Commitments by the Association.* Upon the Borrower's request and upon such terms and conditions as shall be agreed upon between the Association and the Borrower, the Association may enter into special commitments in writing to pay amounts to the Borrower or others in respect of the cost of goods to be financed under the Development Credit Agreement notwithstanding any subsequent suspension or cancellation.

SECTION 4.03. *Applications for Withdrawal or for Special Commitment.* When the Borrower shall desire to withdraw any amount from the Credit Account or to request the

Association to enter into a special commitment pursuant to Section 4.02, the Borrower shall deliver to the Association a written application in such form, and containing such statements and agreements, as the Association shall reasonably request. Applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall, except as the Association and the Borrower shall otherwise agree, be made promptly in relation to expenditures for the Project.

SECTION 4.04. *Supporting Evidence.* The Borrower shall furnish to the Association such documents and other evidence in support of the application as the Association shall reasonably request, whether before or after the Association shall have permitted any withdrawal requested in the application.

SECTION 4.05. *Sufficiency of Applications and Documents.* Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Association that the Borrower is entitled to withdraw from the Credit Account the amount applied for and that the amount to be withdrawn from the Credit Account is to be used only for the purposes specified in the Development Credit Agreement.

SECTION 4.06. *Payment by the Association.* Payment by the Association of amounts which the Borrower is entitled to withdraw from the Credit Account shall be made to or on the order of the Borrower

Article V

CANCELLATION AND SUSPENSION

SECTION 5.01. *Cancellation by the Borrower.* The Borrower may by notice to the Association cancel any amount of the Credit which the Borrower shall not have withdrawn prior to the giving of such notice, except that the Borrower may not so cancel any amount of the Credit in respect of which the Association shall have entered into a special commitment pursuant to Section 4.02.

SECTION 5.02. *Suspension by the Association.* If any of the following events shall have happened and be continuing, the Association may by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account :

(a) A default shall have occurred in the payment of principal or service charges or any other payment required under the Development Credit Agreement or any other development credit agreement or any guarantee agreement between the Borrower and the Association.

(b) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Development Credit Agreement.

(c) A default shall have occurred in the payment of principal or interest or any other payment required under any loan agreement or guarantee agreement between the Bank and the Borrower, or any bonds or other obligations issued thereunder.

(d) The Association (i) shall have suspended in whole or in part the right of the Borrower to make withdrawals under any development credit agreement between the Borrower and the Association because of a default on the part of the Borrower, or (ii) shall have suspended in whole or in part the right of the borrower to make withdrawals under any development credit agreement with the Association guaranteed by the Borrower because of a default on the part of the Borrower.

(e) The Bank (i) shall have suspended in whole or in part the right of the Borrower to make withdrawals under any loan agreement between the Borrower and the Bank because of a default on the part of the Borrower, or (ii) shall have suspended in whole or in part the right of the borrower to make withdrawals under any loan agreement with the Bank guaranteed by the Borrower because of a default on the part of the Borrower.

(f) An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under the Development Credit Agreement.

(g) The Borrower shall have been suspended from membership in or ceased to be a member of the Association.

(h) The Borrower shall have ceased to be a member of the International Monetary Fund or shall have become ineligible to use the resources of said Fund under Section 6 of Article IV of the Articles of Agreement of said Fund¹ or shall have been declared ineligible to use said resources under Section 5 of Article V, Section 1 of Article VI or Section 2 (a) of Article XV of the Articles of Agreement of said Fund.

(i) After the date of the Development Credit Agreement and prior to the Effective Date any event shall have occurred which would have entitled the Association to suspend the Borrower's right to make withdrawals from the Credit Account if the Development Credit Agreement had been effective on the date such event occurred.

(j) Any other event specified in the Development Credit Agreement for the purposes of this Section shall have occurred.

The right of the Borrower to make withdrawals from the Credit Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Association shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Association in respect of any other or subsequent event described in this Section.

SECTION 5.03. *Cancellation by the Association.* If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days or (b) by the date specified in the Development Credit Agreement as the Closing Date an amount of the

¹ United Nations, *Treaty Series*, Vol. 2, p. 40; Vol. 19, p. 280; Vol. 141, p. 355; Vol. 199, p. 308; Vol. 260, p. 432; Vol. 287, p. 260; Vol. 303, p. 284; Vol. 316, p. 269, and Vol. 406.

Credit shall remain unwithdrawn from the Credit Account, the Association may by notice to the Borrower terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice such amount of the Credit shall be cancelled.

SECTION 5.04. *Amounts Subject to Special Commitment Not Affected by Cancellation or Suspension by the Association.* No cancellation or suspension by the Association shall apply to amounts subject to any special commitment entered into by the Association pursuant to Section 4.02 except as expressly provided in such commitment.

SECTION 5.05. *Application of Cancellation to Maturities of the Credit.* Except as otherwise agreed between the Association and the Borrower, any cancellation shall be applied *pro rata* to the several installments of the principal amount of the Credit.

SECTION 5.06. *Effectiveness of Provisions after Suspension or Cancellation.* Notwithstanding any cancellation or suspension all the provisions of the Development Credit Agreement and these Regulations shall continue in full force and effect except as in this Article specifically provided.

Article VI

ENFORCEABILITY OF DEVELOPMENT CREDIT AGREEMENT ; FAILURE TO EXERCISE RIGHTS ; ARBITRATION

SECTION 6.01. *Enforceability.* The rights and obligations of the Association and the Borrower under the Development Credit Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any state, or political subdivision thereof, to the contrary. Neither the Association nor the Borrower shall be entitled in any proceeding under this Article to assert any claim that any provision of these Regulations or the Development Credit Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Association or for any other reason.

SECTION 6.02. *Failure to Exercise Rights.* No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Development Credit Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default ; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

SECTION 6.03. *Arbitration.* (a) Any controversy between the parties to the Development Credit Agreement and any claim by either such party against the other arising under the Development Credit Agreement which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Association and the Borrower.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows : one arbitrator shall be appointed by the Association ; a second arbitrator shall be appointed by the Borrower ; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within 30 days after the giving of such notice, the adverse party shall notify the party instituting the proceeding of the name of the arbitrator appointed by such adverse party.

(e) If, within 60 days after the giving of such notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to the parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Development Credit Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties to the Development Credit Agreement and any claims by either party against the other party arising thereunder.

(k) The Association shall not be entitled to enter judgment against the Borrower upon the award, to enforce the award against the Borrower by execution or to pursue any other remedy against the Borrower for the enforcement of the award, except as such procedure may be available against the Borrower otherwise than by reason of the provisions of this Section. If, within 30 days after counterparts of the award shall be delivered to the parties, the award shall not be complied with by the Association, the Borrower may take any such action for the enforcement of the award against the Association.

(l) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 7.01. The parties to the Development Credit Agreement waive any and all other requirements for the service of any such notice or process.

Article VII

MISCELLANEOUS PROVISIONS

SECTION 7.01. *Notices and Requests.* Any notice or request required or permitted to be given or made under the Development Credit Agreement and any agreement between the parties contemplated by the Development Credit Agreement shall be in writing. Except as otherwise provided in Section 8.03 such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified in the Development Credit Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

SECTION 7.02. *Evidence of Authority.* The Borrower shall furnish to the Association sufficient evidence of the authority of the person or persons who will sign the applications provided for in Article IV or who will, on behalf of the Borrower, take any other action or execute any other documents required or permitted to be taken or executed by the Borrower under the Development Credit Agreement, and the authenticated specimen signature of each such person.

SECTION 7.03. *Action on Behalf of the Borrower.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Development Credit Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Development Credit Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of the Development Credit Agreement

may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by him ; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Development Credit Agreement. The Association may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of the Development Credit Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder.

SECTION 7.04. *Execution in Counterparts.* The Development Credit Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

Article VIII

EFFECTIVE DATE ; TERMINATION

SECTION 8.01. *Conditions Precedent to Effectiveness of Development Credit Agreement.* The Development Credit Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that

(a) the execution and delivery of the Development Credit Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action, and

(b) all other events specified in the Development Credit Agreement as conditions to its effectiveness have occurred.

SECTION 8.02. *Legal Opinions.* As part of the evidence to be furnished pursuant to Section 8.01, the Borrower shall furnish to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing :

(a) that the Development Credit Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms ; and

(b) such other matters as shall be specified in the Development Credit Agreement.

SECTION 8.03. *Effective Date.* Except as shall be otherwise agreed by the Association and the Borrower, the Development Credit Agreement shall come into force and effect on the date upon which the Association dispatches to the Borrower notice of its acceptance of the evidence required by Section 8.01.

SECTION 8.04. *Termination of Development Credit Agreement for Delay in Becoming Effective.* If all acts required to be performed pursuant to Section 8.01 shall not have been performed before the date specified in the Development Credit Agreement for the purposes of this Section or such other date as shall be agreed upon by the Association

and the Borrower, the Association may at any time thereafter at its option terminate the Development Credit Agreement by notice to the Borrower. Upon the giving of such notice the Development Credit Agreement and all obligations of the parties thereunder shall forthwith terminate.

SECTION 8.05. *Termination of Development Credit Agreement on Full Payment.* If and when the entire principal amount of the Credit and all charges which shall have accrued on the Credit shall have been paid, the Development Credit Agreement and all obligations of the parties thereunder shall forthwith terminate.

Article IX

DEFINITIONS ; HEADINGS

SECTION 9.01. *Definitions.* Except where the context otherwise requires, the following terms have the following meanings wherever used in these Regulations or in a development credit agreement to which these Regulations have been made applicable :

1. The term "Association" means International Development Association.
2. The term "Bank" means International Bank for Reconstruction and Development.
3. The term "Development Credit Agreement" means the particular development credit agreement to which these Regulations shall have been made applicable, as amended from time to time ; and such term includes these Regulations as thus made applicable, all agreements supplemental to the Development Credit Agreement and all schedules to the Development Credit Agreement.
4. The term "Credit" means the development credit provided for in the Development Credit Agreement.
5. The term "Borrower" means the member of the Association to which the Credit is granted.
6. The term "currency" means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the territories of the government referred to. Whenever reference is made to the currency of the Borrower, the term "currency" includes the currencies of all territories on whose behalf at the time referred to the Borrower has accepted membership in the Association.
7. The term "dollars" and the sign "\$" mean dollars in currency of the United States of America.
8. The term "Credit Account" means the account on the books of the Association to which the amount of the Credit is to be credited as provided in Section 2.01.
9. The term "Project" means the project or projects or program or programs for which the Credit is granted, as described in the Development Credit Agreement and as the description thereof shall be amended from time to time by agreement between the Association and the Borrower.

10. The term "goods" means equipment, supplies and services which are required for the Project. Wherever reference is made to the cost of any goods, such cost shall be deemed to include the cost of importing such goods into the territories of the Borrower.

11. The term "Effective Date" means the date on which the Development Credit Agreement shall come into force and effect as provided in Section 8.03.

12. The term "tax" and "taxes" shall include imposts, levies, fees and duties of any nature, whether in effect at the date of the Development Credit Agreement or thereafter imposed.

Reference in these Regulations or Articles or Sections are to Articles or Sections of these Regulations ; references in a development credit agreement to Articles or Sections are to Articles or Sections of such agreement.

SECTION 9.02. *Headings.* The headings of the Articles and Sections and the Table of Contents¹ are inserted for convenience of reference only and are not a part of these Regulations.

¹ Not published.