

No. 10198

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
IRAN**

**Loan Agreement—*Dex Irrigation Project/Stage I* (with
annexed Loan Regulations No. 3, as amended). Signed at
Washington on 18 April 1969**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
14 January 1970.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
IRAN**

**Contrat d'emprunt — *Projet relatif à l'irrigation du Dex,
phase I* (avec, en annexe, le Règlement n° 3 sur les em-
prunts, tel qu'il a été modifié). Signé à Washington le
18 avril 1969**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 14 janvier 1970.*

LOAN AGREEMENT¹

AGREEMENT, dated April 18, 1969, between IRAN (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

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, 1967,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 3, as so modified, being hereinafter called the Loan Regulations): namely, Section 4.01 is deleted.

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

(a) The term "KWPA" means the Khuzestan Water and Power Authority, an agency of the Ministry of Water and Power of the Borrower organized and operating pursuant to its Charter dated June 6, 1960 as amended by Decree No. 923/4 of the Council of Ministers dated June 4, 1964, and shall include any successor or successors thereto.

(b) The term "First Loan Agreement" means the loan agreement (Dez Multi-purpose Project) dated February 20, 1960³ between Iran and the Bank as therein defined.

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 thirty million dollars (\$30,000,000).

Section 2.02. (a) 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.

¹ Came into force on 8 August 1969, upon notification by the Bank to the Government of Iran.

² See p. 132 of this volume.

³ United Nations, *Treaty Series*, vol. 384, p. 213.

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations and in accordance with the Allocation of Proceeds of Loan set forth in Schedule I to this Agreement, as such Allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods required for the Project and to be financed under the Loan Agreement :

- (i) the equivalent of 38 per cent of such amounts as shall have been paid for civil works (Category I of the Allocation of Proceeds of Loan set forth in Schedule I to this Agreement);
- (ii) the equivalent of 60 per cent of disbursements made for loans to farmers or societies of farmers for the procurement of farm machinery (Category II of such Allocation);
- (iii) such amounts as shall have been paid (or if the Bank shall so agree, as shall be required to meet payments to be made) for expenditures in currencies other than that of the Borrower for operation and maintenance equipment acquired outside Iran (Category III of such Allocation) and for consultants' services (Category IV of such Allocation) procured for the Project outside Iran;
- (iv) the equivalent of 70 per cent of the invoiced price, after deduction from such price of all customs and other similar duties on importation, paid for operation and maintenance equipment produced in Iran from imported components or raw materials (Category III of such Allocation); and
- (v) such amounts as shall be required to meet payments to be made to the Bank for interest and other charges on the Loan during construction (Category V of such Allocation);

provided, however, that if there shall be an increase in the estimate of expenditures for civil works, the Bank may, from time to time, by notice to the Borrower, adjust the percentage provided for in paragraph (i) above as required in order that withdrawals from the Loan Account of the amount of the Loan then allocated to such works, and not withdrawn, shall continue to be made *pro rata* with the expenditures then remaining to be made therefor.

(b) The specific goods to be financed by withdrawals from the Loan Account under Category III of the Allocation of Proceeds of Loan set forth in Schedule I to this Agreement shall be determined by agreement between the Borrower and the Bank.

(c) Except as shall be otherwise agreed between the Borrower and the Bank, no withdrawals shall be made on account of : (i) expenditures made prior to the date of this Agreement, (ii) expenditures made in the territories of any country which is not a member of the Bank (except Switzerland) or for goods provided in (including services supplied from) such territories, or (iii) disbursements of loans for farm machinery (Category II of the Allocation of Proceeds of Loan set forth in Schedule 1 to this Agreement) until the Borrower shall have made arrangements satisfactory to the Bank as provided under Section 5.12 (c) of this Agreement.

Section 2.04. Withdrawals from the Loan Account pursuant to Section 2.03 (a) (i), (ii) or (iv) of this Agreement shall be in such currency or currencies as the Bank shall reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. 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 ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of the Loan Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree : (a) the goods to be financed out of the proceeds of the Loan 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 February

1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement; and (b) contracts for the procurement of such goods shall be subject to the approval of the Bank.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as 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 Managing Director of the Plan Organization of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. Said Managing Director may designate additional or other authorized representatives by appointment notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound agricultural, engineering, economic and financial policies and practices.

(b) The Borrower shall at all times make available, promptly as needed, all funds and other resources which shall be required for the carrying out and operation of the Project and for the most effective utilization of the lands included in the Project and the water made available therefor.

Section 5.02. (a) The Borrower shall not permit the water made available as a result of the project financed under the First Loan Agreement and as a result of the Project financed under this Agreement to be utilized for any purposes other than those provided for in such Agreements, without the prior approval of the Bank.

(b) The Borrower undertakes that it will take all such action as shall be required (including, if necessary, the issuance and application of suitable regulations) to ensure that the lands included in the Project and the water made available therefor are, to the maximum extent possible, fully, effectively, and promptly utilized for agricultural purposes, and, for that purpose shall, among other things, make adequate provision for progressive consolidation, redistri-

bution and settlement by farmers of such lands and for the administration thereof as such lands become available for cultivation upon completion of the irrigation and drainage systems serving such lands, and of on-farm development and other works required for the Project.

Section 5.03. (a) Except as the Bank shall otherwise agree, the Borrower shall, in the carrying out and operation of the Project, employ consultants acceptable to, and upon terms and conditions and under terms of reference satisfactory to, the Bank. For the purposes of this paragraph, the term "consultants" includes firms, and individuals with senior responsibilities, employed by or engaged under contract or subcontract with such consultants.

(b) Upon request from time to time by the Bank, the Borrower shall promptly furnish to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

(c) The reports of consultants resulting from the carrying out of Part H of the Project, together with the Borrower's comments thereon, shall be submitted to the Bank for information and comment prior to any decisions regarding the implementation of any of the recommendations contained therein.

Section 5.04. (a) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, 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 KWPA and all other agencies of the Borrower responsible for carrying out and operating the Project or any part thereof; and shall enable the Bank's representatives to inspect the Project, the goods, and any relevant records and documents.

(b) The Borrower and the Bank shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of KWPA and, with respect to the Project, of all other agencies of the Borrower responsible for the carrying out and operation of the Project or any part thereof, and other matters relating to the purposes of the Loan.

(c) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods financed out of such proceeds, the Project, and the administration, operations and financial condition of KWPA and, with respect to the Project, of all other agencies of the Borrower responsible for the carrying out and operation of the Project or any part thereof. 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.

(d) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.05. (a) The Borrower shall cause KWPA and all other agencies of the Borrower responsible for the carrying out and operation of the Project or any part thereof to carry out and coordinate their operations, conduct their affairs and plan the expansion of the water resources and agriculture in the area of the Project, all in accordance with sound administrative, agricultural, engineering, economic and financial policies and practices and under experienced and competent management, and shall, for the purpose of such planning, establish in KWPA a planning office which shall plan and coordinate the construction work and the agricultural development included in the Project.

(b) Except as the Borrower and the Bank shall otherwise agree, no works outside the area of the Project for the development of any lands to be provided with water from the Mohammad Reza Shah Pahlavi Dam, shall be started by KWPA until the Borrower and the Bank shall agree that such development would be justified in the light of the progress made in carrying out the Project and the technical and managerial circumstances prevailing at the time.

Section 5.06. The Borrower shall cause all works, facilities and equipment related to the Project (including, until such time as the farmers in the Project area undertake adequate maintenance and necessary renewals and repairs thereof, all minor irrigation and drainage channels) to be adequately maintained and from time to time shall cause all necessary renewals and repairs thereof to be made in accordance with sound agricultural and engineering practices.

Section 5.07. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as

security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term “assets of the Borrower” as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the assets of the Bank Markazi Iran and any other institution performing the functions of a central bank for the Borrower.

Section 5.08. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.09. The Loan Agreement and the Bonds shall be free from any taxes 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 and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.10. Except as the Bank and the Borrower shall otherwise agree, the Borrower undertakes to insure the goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to 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 the Borrower to replace or repair such goods.

Section 5.11. Except as the Bank shall otherwise agree, the Borrower shall cause the internally audited accounts of KWPA to be furnished to the Bank within two months following the close of its fiscal year, and shall cause the

accounts of KWPA to be audited and its financial statements to be certified at least once a year by an independent auditor acceptable to the Bank. Such certified statements and signed copies of such auditor's reports shall be furnished to the Bank within six months after the end KWPA's fiscal year.

Section 5.12. (a) The Borrower shall at all times provide or cause to be provided such agricultural extension and other technical services (including veterinary and research services) as will be required in the area of the Project, and shall cause such services to be made available to farmers in such area through an adequate staff of officers trained in the techniques appropriate to the Project.

(b) The Borrower shall at all times provide or cause to be provided such facilities, including processing, marketing, transportation and storage facilities, as shall be required for the marketing of the products of the Project.

(c) The Borrower shall make arrangements for the provision, on terms and conditions satisfactory to the Bank, of agricultural credit to farmers in the area of the Project, as required in order to enable such farmers to achieve full, prompt and productive utilization of their land and of the water and other Project facilities made available therefor.

Section 5.13. Except as the Bank shall otherwise agree, the Borrower shall make suitable arrangements for the recovery from users of irrigation water made available by the Project, by way of charges, of (a) the operating and maintenance costs of the irrigation system in the area of the Project, and (b) the monies invested in the irrigation system in the area of the Project, without, in the case of individual farmers, impairing their incentives.

Section 5.14. No part of the area of the Project shall be developed by vertically-integrated commercial enterprises (agribusinesses) except to the extent that such development, including its scope and location, is consistent with the obligation of the Borrower under Section 5.01 (a) above and is in accordance with a schedule of implementation determined by agreement between the Borrower and the Bank.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations or in paragraph (b) of Section 6.02 of

this Agreement shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in the Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. The following are specified as additional events for the purposes of Section 5.02(i) of the Loan Regulations :

(a) The works subject of Contract GD-102, as revised and subscribed to by KWPA and SABIR Co. on 2 Mehr 1347 (September 24, 1968), shall not have been carried out as stipulated, and within the time schedule provided for, in such Contract as so revised.

(b) The Charter, Regulations or other legal texts governing the organization, management or operation of KWPA shall have been amended, repealed, supplemented or otherwise modified without prior consultation with the Bank.

Section 6.03. The Borrower and the Bank agree that, for the purposes of the First Loan Agreement and the Loan Agreement, an event referred to in paragraph (c) of Section 5.02 of Loan Regulations No. 3 applicable to either Agreement shall be deemed to be an event under paragraph (c) of Section 5.02 of Loan Regulations No. 3 of the Bank applicable to the other Agreement.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01(b) of the Loan Regulations : namely, that arrangements satisfactory to the Bank have been made with consultants acceptable to the Bank in respect of the preparation of the agricultural credit study included in part H(5) of the Project.

Section 7.02. If this Agreement shall not have come into force and effect by July 21, 1969, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1974 or such later date as may be agreed by the Borrower and the Bank as the Closing Date.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Plan Organization

Teheran, Iran

Cable address :

Barnameh

Teheran

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address :

Intbafrad

Washington, D.C.

Section 8.03. The Managing Director of the Plan Organization of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

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

Iran :

By Jahangir AMUZEGAR
Authorized Representative

International Bank for Reconstruction and Development :

By Robert S. MCNAMARA
President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>U.S. Dollar Equivalent</i>
I. Civil Works (Irrigation and drainage works; on-farm development; roads, buildings and other facilities)	12,700,000
II. Loans for farm machinery	2,500,000
III. Operation and maintenance equipment	1,600,000
IV. Consulting services	5,100,000
V. Interest and other charges on the Loan during construction	5,400,000
VI. Unallocated	2,700,000
	TOTAL 30,000,000

REALLOCATION UPON CHANGES IN COST ESTIMATES

1. If the estimate of the cost of goods in Categories I, III, IV or V shall decrease, the amount of the Loan then allocated to, and no longer required for, goods in any such Category, may be reallocated by the Bank to Category VI.

2. If the estimate of the cost of such goods shall increase, the Bank will, at the request of the Borrower, reallocate from Category VI to the appropriate Category an amount equivalent, in the case of Categories III, IV and V to the portion, if any, of such increase to be financed out of the proceeds of the Loan, and in the case of Category I, an amount equal to 38 % of such increase, subject, however, to the requirements, as determined by the Bank, for contingencies in respect of the cost of goods in the other Categories.

SCHEDULE 2
AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
June 15, 1975	640,000	December 15, 1982	1,030,000
December 15, 1975	660,000	June 15, 1983	1,065,000
June 15, 1976	680,000	December 15, 1983	1,100,000
December 15, 1976	700,000	June 15, 1984	1,135,000
June 15, 1977	725,000	December 15, 1984	1,170,000
December 15, 1977	750,000	June 15, 1985	1,210,000
June 15, 1978	775,000	December 15, 1985	1,250,000
December 15, 1978	800,000	June 15, 1986	1,290,000
June 15, 1979	825,000	December 15, 1986	1,330,000
December 15, 1979	850,000	June 15, 1987	1,375,000
June 15, 1980	880,000	December 15, 1987	1,420,000
December 15, 1980	905,000	June 15, 1988	1,465,000
June 15, 1981	935,000	December 15, 1988	1,515,000
December 15, 1981	965,000	June 15, 1989	1,555,000
June 15, 1982	1,000,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity $\frac{3}{4}$ of 1%
More than three years but not more than six years before maturity 1 $\frac{1}{2}$ %
More than six years but not more than eleven years before maturity 2 $\frac{1}{2}$ %
More than eleven years but not more than sixteen years before maturity 4 $\frac{1}{2}$ %
More than sixteen years but not more than eighteen years before maturity 5 $\frac{1}{2}$ %
More than eighteen years before maturity 6 $\frac{1}{2}$ %

SCHEDULE 3
DESCRIPTION OF PROJECT

The Project constitutes the second step in an over-all agricultural development plan for the area known as the Dez Irrigation Project in the province of Khuzestan, the first step of which, consisting of a pilot irrigation scheme covering about 20,000 hectares on the left bank of the Dez River immediately south of Dezful known as the Dez Pilot Irrigation Project (DPIP), was financed in part under the First Loan Agreement. The present Project is Stage I in the progressive development of irrigation, drainage and on-farm

development in the Dez Irrigation Project, Stage II of which, subject to the provisions of Section 5.05 (b) of the Loan Agreement, will cover the balance of the irrigable land therein.

The Project includes:

A. *Irrigation and Drainage Works*

The construction of: (1) a re-regulating dam and a diversion dam near Dezful; and (2) canals, drains, irrigation distribution systems, flood protection works and maintenance roads to serve a total of about 37,000 hectares, of which about 35,500 hectares are located on the right bank of the Dez River and 1,500 hectares in the Ghomaysh area.

B. *On-Farm Development*

On-farm development of the 37,000 hectares mentioned in paragraph A above and of the 20,000 hectares comprising the DPIP, consisting of the leveling and preparation of land and the provision of field channels for irrigation distribution and drainage, down to farm level.

C. *Sub-surface Drainage System*

The construction of a sub-surface drainage system in accordance with the recommendations of the study provided for in paragraph H (6) hereof.

D. *Roads, Service Buildings and Facilities*

The construction of: (1) a road network consisting of (a) a main east-west road and bridge across the Dez River, (b) two main north-south roads, and (c) a feeder-roads system; and (2) three district service centers, together with facilities.

E. *Operation, Maintenance and Farm Machinery and Equipment*

The procurement and utilization of: (1) operation and maintenance equipment for the irrigation and drainage works; and (2) equipment for agricultural field operations of farmers, acquired with the credits provided for in paragraph F below.

F. *Agricultural Credit to Farmers and Farmers' Societies*

The provision of agricultural credit services to farmers and societies of farmers in the area of the Project for purposes of the Project.

G. *Training*

The establishment and operation, under experienced and competent management, of a training center providing: (1) to Project personnel, courses and programs, including courses in operation and maintenance of Project facilities, farm management and the techniques appropriate to the agricultural extension, credit and marketing services for the Project, and other related subjects; and (2) to farmers, courses in farming techniques, including the operation of farm machinery.

H. *Programs and Studies*

The preparation and implementation of:

- (1) A cost accounting system for the Project;
- (2) A land redistribution, consolidation and settlement program for the 37,000 hectares mentioned in Paragraph A above, to be carried out progressively as required by the Project;
- (3) A marketing study, including proposals for the establishment of such marketing services as are required for the Project, to be prepared by December 31, 1969;
- (4) A detailed plan of operation for the agricultural service department of KWPA's Project organization, to be established by June 30, 1969;
- (5) An agricultural credit study to serve as a basis for carrying out that part of the Project described in Paragraph F above and to include proposals for administering the funds to be provided under this Agreement for such part of the Project, to be completed within one year from the date hereof; and
- (6) A study of sub-surface drainage requirements for the area of the Project, to be completed by June 30, 1970.

SCHEDULE 4

SUPPLEMENTARY PROCUREMENT METHODS AND PROCEDURES

1. Contracts for consulting services, as well as contracts for the procurement of operation and maintenance equipment not exceeding the equivalent of \$10,000 each contract, need not be put to international competitive bidding, provided that the aggregate of such equipment contracts shall not exceed in value \$100,000 equivalent.

2. In respect of any contract for civil works involving less than \$100,000 equivalent or for the procurement of operation and maintenance equipment totaling less than \$50,000 equivalent, conformed copies of such contracts will be submitted to the Bank as soon as such contracts are signed.

3. For all other contracts, the procedure outlined below will be followed:

- (a) If bidders are to be prequalified, a description of the prequalification procedure, a list of prequalified bidders and the recommendations and comments of the consultants will be submitted to the Bank for approval.
- (b) Before invitations to bid are issued, a copy of such invitations, draft forms of contract, specifications and all other bidding documents, together with a complete description of the international advertising procedures to be used will be submitted to the Bank for approval.
- (c) After bids have been received and analyzed and before a contract is awarded or a letter of intent is issued, a copy of the analysis of bids together with the recommendations of the consultants and the proposals for the award stating the reasons for such proposals will be submitted to the Bank for approval.

4. Where bids for materials or equipment are offered by Iranian suppliers, the following rules will be observed for the purpose of comparing any such bid to any competing bid from a foreign supplier: (i) all customs and other similar duties on importation will first be deducted from the total of the foreign bid; (ii) the portion of such foreign bid representing the C.I.F. landed price of the goods will then be increased by 15 per cent thereof or the actual rate of such duties, whichever is lower; (iii) the resulting figure plus the portion of such foreign bid representing inland freight, insurance and other costs of delivery of the goods to the site of use in the Project will be deemed to be the offered price of the imported goods; (iv) if the ex-factory price of the goods offered by the competing Iranian bidder (after deduction therefrom of any such duties on components of such goods to be paid by such bidder) plus inland freight, insurance and other costs of delivery to the site of use in the Project, is equal to or lower than the offered price of the imported goods arrived at under (iii) above, and other terms and conditions are satisfactory, then the Iranian bid may be considered the lowest evaluated bid.

5. If the proposed final contract is to differ substantially from the terms and conditions contained in the documents approved by the Bank under 3 (b) and (c) above, a copy of the text of the proposed changes will be submitted to the Bank for approval before the signature of the contract.

6. Promptly after the signature of each contract, two conformed copies thereof will be sent to the Bank.

7. If during the term of any contract there is any change or addition which is in excess of 10 per cent of the original value of the contract, a copy of the relative contractual amendment will be submitted to the Bank for approval.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations. Treaty Series, vol. 615. p. 98.*]