

No. 11163

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

**Loan Agreement—*Education Project* (with annexed General
Conditions Applicable to Loan and Guarantee Agreements).
Signed at Washington on 18 December 1970**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on 14 June
1971.*

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

**Contrat d'emprunt — *Projet relatif à l'enseignement* (avec, en
annexe, les Conditions générales applicables aux contrats
d'emprunt et de garantie). Signé à Washington le 18 décembre
1970**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
14 juin 1971.*

LOAN AGREEMENT¹

AGREEMENT, dated December 18, 1970, between IRAN (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Plan Law" means the Law of Iran of Esfand 27, 1346 (March 18, 1968) providing for the Fourth National Five Year Development Plan of the Borrower, together with any amendment or amendments thereof;

(b) "Plan Organization" means the Plan Organization, the functions and responsibilities of which are defined in the Plan Law, or any other organization or organizations which may be charged hereafter by law with functions and responsibilities of similar scope and character, and shall include any successor or successors thereto;

(c) "Project Unit" means the unit established by the Plan Organization in connection with the execution of the Project, as described in Section 3.01 (b) of this Agreement.

¹ Came into force on 18 March 1971, upon notification by the Bank to the Government of Iran.

² See p. 34 of this volume.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to nineteen million dollars (\$19,000,000).

Section 2.02. Except as the Borrower and the Bank shall otherwise agree, the amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project, described in Schedule 3 to this Agreement, and to be financed under the Loan Agreement; provided, however, that no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. The Closing Date shall be June 30, 1977 or such other date as shall be agreed between the Borrower and the Bank.

Section 2.04. 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 2.05. The Borrower shall pay interest at the rate of seven and one-quarter per cent ($7\frac{1}{4}$ %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Section 2.08. 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 VIII of the General Conditions.

Section 2.09. The Managing Director of the Plan Organization and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, and educational policies and practices, and with due regard to economy, and shall, at all times, make available promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) In order to facilitate the carrying out of the Project in the manner described in paragraph (a) of this Section, the Borrower shall cause the Plan Organization to maintain and operate for the period of the execution of the Project, the Project Unit, with such functions, powers and responsibilities as shall be necessary for the purpose.

Section 3.02. (a) The educational specialists to be utilized in the implementation of the Project shall be acceptable to the Borrower and to the Bank and shall be specialized in such fields, and employed under such conditions and for such periods of time, as shall be agreed between the Borrower and the Bank. The Borrower shall assign, to work with each specialist, such qualified counterpart personnel as shall be required.

(b) In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ consultants acceptable to, and upon terms and conditions satisfactory to, the Bank for the purpose of designing and supervising the construction work included in the Project.

Section 3.03. (a) Except as the Bank shall otherwise agree, (i) the goods and services (other than consultants' services) required for the Project and 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 August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement; and (ii) contracts for the procurement of all goods and services to be financed out of the proceeds of the Loan shall, except as provided in said Schedule 4, be subject to the prior approval of the Bank.

(b) The Borrower undertakes to insure or make adequate provision for the insurance of the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, trans-

portation 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.

(c) Except as the Bank shall otherwise agree, all goods and services financed out of the proceeds of the Loan shall be used exclusively for the Project.

Section 3.04. (a) The Borrower shall furnish to the Bank for its approval promptly upon their preparation the plans, specifications, contracts and work schedules for the construction work included in the Project and the lists of instructional equipment and furniture included therein, and any subsequent material modifications thereof, in such detail as the Bank shall reasonably request.

(b) The Borrower: (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 to disclose the use thereof in the Project; (ii) shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.05. The Borrower shall, within one year from the date of this Agreement, or such other period as the Borrower and the Bank shall otherwise agree upon, take all such timely action as shall be necessary to acquire the ownership of all land and rights *in rem* as required for design and construction of the Project facilities.

Article IV

OTHER COVENANTS

Section 4.01. (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end, the Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank, and (ii) 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.

(c) 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 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.

As used in this Section, the term “assets of the Borrower” 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.

Section 4.02. The Borrower shall undertake the formulation of a comprehensive long-term plan for the development of its educational system, such plan to be completed by June 1974 or by such other date as may be agreed upon by the Borrower and the Bank.

Section 4.03. (a) The Borrower shall operate the educational institutions and facilities included in the Project in accordance with sound administrative and educational policies and practices and with due regard to economy, all as required in order to further the educational objectives of the Borrower.

(b) The Borrower shall at all times employ qualified administrators and teachers in adequate numbers to staff the educational institutions included in the Project.

Section 4.04. The Borrower shall cause the buildings, equipment and furniture of the educational institutions included in the Project to be adequately maintained and shall cause all necessary repairs and renewals thereof to be made in accordance with sound administrative and technical standards.

Section 4.05. The Borrower shall, within one year from the date of this Agreement, take all action necessary to improve coordination of vocational training in Iran and cooperation between the employers of trained workers and the agencies of the Borrower responsible for such training.

Section 4.06. The Borrower shall, within one year after the date of this Agreement, take or cause to be taken all necessary action to: (a) initiate training, in the Number Two Vocational Training Center of the Borrower's Ministry of Labor, of instructors in such numbers as shall be necessary for the six Project vocational training centers; (b) introduce an agricultural education course in at least one of the Borrower's faculties of agriculture to provide the required additional university-level agricultural instructors for the agricultural schools included in the Project; and (c) establish a 4 to 6-month pedagogical course for training instructors for the Project agricultural schools, the trainees for such course to be graduates of a post-secondary agricultural program extending over at least two years.

Section 4.07. The Borrower shall, before completion of the construction work included in the Project, take or cause to be taken all necessary action for: (a) providing additional land required to bring the practice farms of the agricultural schools included in the Project to a total of one hundred hectares each at Said-Abad, Boroujerd, Mashad, Ahwaz and Rasht; and (b) establishing a representative advisory board in each such agricultural school in order to ensure liaison with the local community.

Section 4.08. The Borrower shall provide scholarships for tuition and boarding for not less than 50% of the students enrolled in the Project agricultural schools.

Article V

CONSULTATION AND INFORMATION

Section 5.01. The Borrower and the Bank shall cooperate fully to assure 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:

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the administration, operations and financial condition of the Plan Organization, the educational system of the Borrower and, in respect of the Project, of the departments and agencies of the Borrower responsible for the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Loan; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such

information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Plan Organization and, in respect of the Project, of the departments and agencies of the Borrower responsible for the carrying out of the Project or any part thereof; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the educational system of the Borrower, the operations and financial condition of the Plan Organization and, in respect of the Project, of such departments and agencies.

(b) 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.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. 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 imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the foregoing 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 6.02. The Loan Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories, 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 6.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE BANK

Section 7.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon, and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Article VIII

TERMINATION

Section 8.01. The date March 22, 1971 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Managing Director of the Plan Organization is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:
Plan Organization
Tehran
Iran

Cable address:
Barnameh
Tehran

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.

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 J. BURKE KNAPP
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the categories of goods and services to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category and the percentage of eligible expenditures to be financed in each category:

<i>Category</i>	<i>Allocation of Amounts of Loan (Expressed in Dollar Equivalent)</i>	<i>Percentage of Expenditures to be Financed</i>
I. Civil works	8,510,000	35% of total expenditures (such % representing the estimated foreign exchange component)
II. Professional services in respect of Category I	680,000	35% of total expenditures (such % representing the estimated foreign exchange component)

III. Imported furniture and equipment	3,230,000	100% of foreign expenditures
IV. Furniture and equipment manufactured in Iran	1,350,000	50% of total expenditures (such % representing the estimated foreign exchange component)
V. Services of educational specialists	750,000	75% of total expenditures (such % representing the estimated foreign exchange component)
VI. Interest and other charges on the Loan during construction accrued on or before May 14, 1975	1,950,000	100% of foreign expenditures
VII. Unallocated	2,530,000	
	<u>19,000,000</u>	
	TOTAL	<u><u>19,000,000</u></u>

2. For the purposes of this Schedule:

- (a) the term "foreign expenditures" means expenditures for goods produced in, or services supplied from, the territories, and in the currency of any member of the Bank (other than the Borrower) or of Switzerland;
- (b) the term "local expenditures" means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and
- (c) the term "total expenditures" means the aggregate of foreign and local expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

- (a) in respect of expenditures incurred before the date of the Loan Agreement; or
- (b) in respect of payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Loan will be withdrawn on account of payments for such taxes; or

(c) in respect of expenditures for any Faculty of Education included in the Project, until the Bank shall be satisfied that adequate supporting facilities and instructors will be available at the respective university to enable students enrolled in such Faculty of Education to pursue the studies required in the other faculties of such university.

4. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above:

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan;
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

5. Notwithstanding the percentage set forth in the third column of the table in paragraph 1 above against Category I, if the estimate of expenditures under such Category shall increase and no proceeds of the Loan are available for reallocation to such Category, the Bank may, by notice to the Borrower, modify the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

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>
November 15, 1980	360,000	May 15, 1984	465,000
May 15, 1981	375,000	November 15, 1984	480,000
November 15, 1981	385,000	May 15, 1985	495,000
May 15, 1982	400,000	November 15, 1985	515,000
November 15, 1982	415,000	May 15, 1986	535,000
May 15, 1983	430,000	November 15, 1986	555,000
November 15, 1983	445,000	May 15, 1987	575,000

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Payment of Principal (expressed in dollars)*</i>	
November 15, 1987	595,000	November 15, 1991	790,000
May 15, 1988	615,000	May 15, 1992	820,000
November 15, 1988	635,000	November 15, 1992	845,000
May 15, 1989	660,000	May 15, 1993	880,000
November 15, 1989	685,000	November 15, 1993	910,000
May 15, 1990	710,000	May 15, 1994	945,000
November 15, 1990	735,000	November 15, 1994	975,000
May 15, 1991	760,000	May 15, 1995	1,010,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	3 $\frac{1}{2}$ %
More than three years but not more than six years before maturity	2 $\frac{1}{2}$ %
More than six years but not more than eleven years before maturity	3%
More than eleven years but not more than sixteen years before maturity	4 $\frac{1}{2}$ %
More than sixteen years but not more than twenty-one years before maturity	5 $\frac{3}{4}$ %
More than twenty-one years but not more than twenty-three years before maturity	6 $\frac{3}{4}$ %
More than twenty-three years before maturity	7 $\frac{1}{4}$ %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists in the construction, equipment and operation of new educational institutions and facilities and in the utilization of the services of technical and educational specialists for such purposes and for assistance in the formulation by the Borrower of its long-term development plan for its educational system.

The Project, to be carried out under the supervision of the Project Unit, includes specifically:

- (a) the construction, equipment and operation of the following:

<i>Type of Institution* and Location</i>	<i>Student Places to be Constructed</i>	<i>Boarding Places to be Constructed</i>	<i>Staff Houses or Apartments to be Constructed</i>
1. Vocational Training Centers			
Shiraz	160	—	—
Kermanshah	120	—	—
Rasht	120	—	—
Yazd	120	—	—
Shahi	120	—	—
Arak	120	—	—
2. Agricultural Schools			
Ahwaz	300	300	41
Boroujerd (extension)	100	100	28
Mashad (extension)	140	186	32
Kerman (remodeling)	100	100	—
Kabuterabad (extension)	150	210	5
Ali Abad (extension)	100	60	18
Rasht	300	300	41
Said Abad (extension)	100	84	28
3. Experimental Primary-Guidance Cycle Schools			
Ahwaz (2 schools)	2,240	—	2
Isfahan (2 schools)	2,240	—	2
Mashad (2 schools)	2,240	—	2
Tabriz (2 schools)	2,240	—	2
Tehran (4 schools)	4,480	—	4
4. Multilateral Secondary Schools			
Ahwaz	1,120	—	1
Isfahan	1,120	—	1
Mashad	1,120	—	1
Tabriz	1,120	—	1
Tehran (2 schools)	2,240	—	2
5. Teacher Training Colleges			
Ahwaz	1,200	800	3
Isfahan	1,200	800	3
Mashad	1,200	800	3
Tabriz	1,200	800	3
6. Faculties of Education (extensions)			
Ahwaz—University of Jundishapur	350	350	—
Isfahan—University of Isfahan	350	350	—
Mashad—University of Mashad	350	350	—
Tehran—University of Tehran	350	—	—

* New construction and one institution, unless otherwise indicated.

(b) the employment of educational specialists for the purposes of (i) strengthening the administration, instructional methods, curricula and efficiency of the above-listed institutions, and (ii) assisting in the preparation of the long-term educational development plan of the Borrower. The services of such specialists will total about 25 man-years.

The construction and equipment of the facilities included in Part (a) of the Project are expected to be completed by June 30, 1975.

SCHEDULE 4

PROCUREMENT

A. *Contracts for Civil Works*

1. Contractors will be pre-qualified.
2. Before inviting bids, the Borrower will send to the Bank for its approval the following:
 - (a) list of all contracts for civil works required for carrying out the Project, indicating the estimated value of each contract and the forecast timetable for bids and awards of such contracts. The contracts will be grouped in such a way as to encourage international competitive bidding. The invitations to bid for the educational institutions included in the Project will, *inter alia*, specify that the bidder may submit offers in respect of any institution or of all of them, together with related facilities, or any combination thereof, the bids therefor to be opened simultaneously and the Borrower to have the option of awarding to one contractor one contract in respect of all the institutions and facilities, or separate contracts in respect of the various institutions and facilities to different contractors;
 - (b) description of the proposed international advertising coverage to ensure international competitive bidding, draft bid notices, pre-qualification questionnaires and description of pre-qualification procedures;
 - (c) reports and recommendations on the pre-qualification data submitted and the proposed selected tender list; and
 - (d) draft bidding documents and draft contracts.
3. After bids have been received and evaluated and before any award, the Borrower will send to the Bank for its prompt approval a summary and analysis of the bids and a brief justification of the Borrower's proposal for the award.
4. Promptly after a contract has been awarded and before submission to the Bank of the first application for withdrawal of funds in respect of such contract, a signed copy of the contract will be sent to the Bank.
5. The Borrower will request the Bank's prior approval for any proposed change in a contract involving a price increase of 10% or more of the contract sum together with an explanation of the proposed change.

B. *Contracts for Equipment and Furniture*

1. Before inviting bids, the Borrower will send to the Bank, for its approval, the following:

(a) lists of all items of equipment and furniture required for the Project showing the specifications and the estimated unit and total price of each item. Items will be indexed, coded and numbered for identification with: (i) the Project institutions; and (ii) the spaces for which the items are required. The items to be purchased will be grouped so as to permit such bulk procurement as shall be consistent with sound technical and procurement practices. Insofar as practicable, contracts for such items will be for amounts of \$40,000 equivalent or more. Such contracts in amounts less than \$5,000 equivalent will not be accepted by the Bank for approval or financing out of the proceeds of the Loan. Amendments to such lists will also be submitted to the Bank for approval; and

(b) draft standard documents for inviting tenders, forms of contracts and description of the method to be used for obtaining bids on an international basis.

2. Procurement will be limited to those items of equipment and furniture specified in the approved lists mentioned in sub-paragraph B 1 (a) above and identified in contract documents by the same indices, codes and numbers as in the lists.

3. For evaluating any competing bids received for imported and for locally manufactured furniture and equipment, for the purposes of comparison, the following method will be used:

(a) The term Local Bid means a bid offering goods manufactured or processed to a substantial extent (as reasonably determined by the Bank) in the territories of the Borrower; any bid offering other goods shall be deemed a Foreign Bid.

(b) The comparison bid price under a Local Bid shall be the sum of the following amounts:

(i) the ex-factory price of such goods; and

(ii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

(c) For the purpose of comparing any Foreign Bid with any Local Bid the comparison bid price under a Foreign Bid shall be the sum of the following amounts:

(i) the c.i.f. price of such goods net of any taxes on their importation:

(ii) any such taxes, as generally apply to such goods if imported into the territories of the Borrower by non-exempt importers, or 15% of the amount specified in (c) (i) above, whichever shall be lower; and

(iii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

4. If (a) Foreign and Local Bids have been so compared, or (b) a contract is proposed to be awarded to a bidder other than the lowest evaluated bidder (taking into account, if applicable, the foregoing paragraph B 3), or (c) a proposed award involves a difference in price of 10% or more from the original estimate as shown pursuant to paragraph B 1 (a) above, the Borrower will, after the bids have been evaluated and before making the award, send to the Bank for its prompt approval, a summary and analysis thereof and a brief justification of the Borrower's proposal for the award.

5. Promptly after bids have been evaluated and a contract has been awarded and before submission to the Bank of the first application for withdrawal of funds in respect of such contract, the following will be sent to the Bank (if not already furnished under paragraph B 4 above):

- (a) certificate signed by the Project Director that the goods covered by the contract are in accordance with the quantities and specifications in the list approved by the Bank;
- (b) list of the bids received;
- (c) brief analysis of the bids and justification for the Borrower's decision in making the award; and
- (d) signed copy of the contract.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]
