

No. 11426

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
CEYLON**

Development Credit Agreement—*Mahaweli Ganga Development Project* (with annexed General Conditions Applicable to Development Credit Agreements, and related Letter Agreement between the Association and the Government of Ceylon dated at Washington on 23 March 1971 and at Colombo on 20 April 1971). Signed at Washington on 30 January 1970

Authentic text : English.

Registered by the International Development Association on 16 December 1971.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
CEYLAN**

Contrat de crédit de développement — *Projet de mise en valeur du Mahaweli Ganga* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement, et Lettre d'accord connexe entre l'Association et le Gouvernement ceylanais datée à Washington du 23 mars 1971 et à Colombo du 20 avril 1971). Signé à Washington le 30 janvier 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 16 décembre 1971.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated January 30, 1970 between the GOVERNMENT OF CEYLON (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has requested the Association to assist in the financing of the cost of the project described in Schedule I to this Agreement;

WHEREAS the Borrower has also requested the International Bank for Reconstruction and Development (hereinafter called the Bank) to provide additional financing for such project and, by a loan agreement of even date herewith² between the Borrower and the Bank, the Bank agrees to provide such financing in an aggregate principal amount equivalent to fourteen million five hundred thousand dollars (\$14,500,000); and

WHEREAS the Borrower and the Association intend, to the extent practicable, that the proceeds of the credit provided for in this Agreement be disbursed on account of expenditures under such project before disbursements of the proceeds of the loan provided for in such loan agreement are made;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to the Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in the Development Credit 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) " Loan Agreement " means the loan agreement of even date herewith between the Borrower and the Bank, and such term includes the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated

¹ Came into force on 20 April 1971, upon notification by the Association to the Government of Ceylon.

² See p. 105 of this volume.

³ See p. 156 of this volume.

January 31, 1969¹ as made applicable thereto, all agreements supplemental to such agreement and all schedules thereto, as such agreement, supplemental agreements and schedules may be amended from time to time;

(b) " Board " means the Mahaweli Development Board, a body corporate established pursuant to the legislation referred to in Section 7.01 (a) of the Loan Agreement, as such legislation may be amended from time to time after agreement with the Association, and includes any successor thereto; and

(c) " Project Area " means the areas west of the Mahaweli Ganga and located to the east and to the west of Habarane, near the center of the Island of Ceylon and comprising a total of about 126,500 acres, which areas shall be further defined on a map to be agreed upon between the Borrower and the Association.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to fourteen million five hundred thousand dollars (\$14,500,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit.

(b) 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, the Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit and of the Loan set forth in Schedule 2 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, the Association and the Bank.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under the Development Credit Agreement :

- (i) such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) for goods or services included in Categories III and IV of the allocation of the proceeds of the Credit and of the Loan referred to in Section 2.02 of this Agreement;
- (ii) the equivalent of fifty per cent (50%) or such other percentage as may be agreed between the Borrower and the Association of such amounts as shall have been paid (or, if the Association shall so agree, of such amounts as

¹ United Nations, *Treaty Series*, vol. 691, p. 300.

shall be required to meet payments to be made) for goods or services included in Category I of the allocation of the proceeds of the Credit and of the Loan referred to in Section 2.02 of this Agreement, which percentage represents the estimated foreign exchange component of the cost of such goods or services; and

- (iii) the equivalent of thirty-seven per cent (37%) of such amounts as shall have been paid (or, if the Association shall so agree, of such amounts as shall be required to meet payments to be made) for goods or services included in Category II of the allocation of the proceeds of the Credit and of the Loan referred to in Section 2.02 of this Agreement, which percentage represents the foreign exchange component of the cost of such goods or services estimated at the date of the Development Credit Agreement;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in any of the Categories I and II, the Association may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

Section 2.04. (a) No withdrawals from the Credit Account shall be made on account of payments under Category IV of the allocation of the proceeds of the Credit and of the Loan referred to in Section 2.02 of this Agreement for goods produced in, or services supplied from, the territories of the Borrower, or on account of payments under Categories III and IV of such allocation of the proceeds of the Credit and of the Loan for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with the importation or supply of, goods or services included in such Categories.

(b) It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Credit Account may be made on account of payments under Category IV of the allocation of the proceeds of the Credit and of the Loan referred to in Section 2.02 of this Agreement and made prior to the date of the Development Credit Agreement but after August 1, 1969.

Section 2.05. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.06. 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 withdrawn and outstanding from time to time.

Section 2.07. Service charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the

Credit withdrawn from the Credit Account in semi-annual installments payable on each February 1 and August 1 commencing February 1, 1980 and ending August 1, 2019 each installment to and including the installment payable on August 1, 1989 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall apply the proceeds of the Credit in accordance with the provisions of the Development Credit Agreement to expenditures on the Project, described in Schedule 1 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Credit 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 3 to this Agreement or as shall be agreed between the Borrower and the Association, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Association, except as otherwise stipulated in such Schedule.

Section 3.03. Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. The Borrower shall cause the Board to carry out the Project with due diligence and efficiency and in conformity with sound administrative, agricultural, financial, and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 4.02. (a) Without limitation or restriction upon the provisions of Section 4.01 of this Agreement, the Borrower shall take all steps required to ensure adequate coordination between the Board and the Ministries of Agriculture and Food, and of Land, Irrigation and Power of the Borrower.

(b) The Borrower shall cause the Board at all times to manage its affairs and carry on its operations, all in accordance with sound agricultural, engineering and financial practices, and with the assistance of adequate qualified and experienced staff.

(c) The Borrower shall cause the Board to appoint and at all times maintain :

- (i) a general manager,
- (ii) a deputy general manager qualified as an irrigation engineer, and
- (iii) another deputy general manager qualified as an agriculturalist, all competent and experienced, and acceptable to the Association.

(d) The Borrower shall at all times operate and maintain, or cause to be operated and maintained, the plants, structures, machinery, equipment and other property required for the Project, and shall make, or cause to be made, all necessary repairs and renewals thereof, in accordance with sound engineering and economic practices.

(e) The Borrower shall cause the financial accounts of the Board to be audited annually by competent and experienced auditors acceptable to the Association and shall, promptly after their preparation and not later than four months after the close of the fiscal year to which they apply, cause to be transmitted to the Association certified copies of all relevant statements and a signed copy of the auditors' report.

Section 4.03. To assist in carrying out the Project, the Borrower shall employ, or shall cause the Board to employ, competent and experienced consultants acceptable to the Association, to an extent, and upon terms and conditions (including terms of reference), which shall have been approved by the Association.

Section 4.04. Upon completion of Part A (I) of the Project, the Borrower shall transfer or cause to be transferred to the Ceylon Electricity Board established pursuant to the Ceylon Electricity Board Act, No. 17 of 1969, the hydro-electric plant and all related power assets included in the Project, on terms and conditions mutually acceptable to the Borrower, the Association and the Ceylon Electricity Board.

Section 4.05. The Borrower shall take all steps required to establish, and thereafter maintain, adequate standards of maintenance of the tanks and canal systems included in, or necessary to, the Project, and shall provide the staff, equipment and funds necessary to strengthen the existing field maintenance organization.

Section 4.06. The Borrower shall undertake, or cause to be undertaken, in accordance with terms of reference acceptable to the Association, a study of the need for short, medium and long-term agricultural credit for farmers located in the Project Area, such study to be completed not later than June 30, 1973, and, upon such completion, the Borrower shall make available, or cause to be made available, to such farmers such credit facilities as shall have been agreed to by the Borrower after consultation with the Association, in the light of the report submitted to the Borrower upon the completion of such study.

Section 4.07. To ensure the coordination of intensified extension services in the Project Area, the Borrower shall establish not later than June 30, 1972

special project units in such area, similar in organization, authority and responsibilities to the Elahera Special Project, each such special project unit being directed by a resident manager who shall coordinate and direct the activities of the resident staff of all extension agencies operating in such area.

Section 4.08. The Borrower shall provide to the Maha Illuppalama Agricultural Station the staff, equipment and financial resources required to enable it to meet the research needs of the Project Area and, in particular, to expand the irrigation facilities of such station in order to intensify research work on crop rotations.

Section 4.09. Until completion of the Project, the Borrower shall ensure that sufficient irrigation water shall be released from the Kantalai tank to the sugar estate located in the Project Area, at intervals and in quantities which shall be determined by such sugar estate, in order to provide adequate irrigation of 200 acres of sugarcane throughout the year for research and demonstration purposes.

Section 4.10. The Borrower shall carry out, or cause to be carried out, for a period of ten years, the monitoring of the effect of additional water supplies on soil conditions and crop production in the Project Area.

Section 4.11. Upon completion of the comprehensive water charges study included in Part B (III) of the Project, the Borrower and the Association shall consult on a schedule of water charges to be introduced in the Project Area. Upon completion of the Project and thereafter, water charges shall be collected in the Project Area at a rate of not less than 40 rupees per acre of cultivated land, pursuant to a schedule of water charges established by the Borrower and agreed to by the Association.

Section 4.12. (a) The Borrower shall furnish or cause to be furnished to the Association, promptly upon their preparation, the reports, studies, plans, specifications, work and procurement schedules for, or in connection with, the Project, and any material modifications subsequently made therein, in such detail as the Association shall reasonably request.

(b) The Borrower shall : (i) at all times maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Credit, 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 the Board and of any institution or agency of the Borrower responsible for the carrying out of the Project or any part thereof; and (ii) enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit, all other plants, sites, works, properties, machinery, equipment and operations of the Borrower relevant to the Project and any relevant records and documents.

(c) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditures of the proceeds of the Credit, the goods and services financed out of such proceeds, the Project, and the administration, operations and financial condition with respect to the Project of the Borrower, the Board and any institution or agency of the Borrower responsible for the carrying out of the Project or any part thereof.

Section 4.13. (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, at the request of either party, exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof.

(c) 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, the maintenance of the service thereof, or the performance by the Borrower of its obligations under the Development Credit Agreement.

(d) 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.

Section 4.14. (a) The Borrower shall cause to be taken out and maintained with responsible insurers, or shall make other provisions satisfactory to the Association for, insurance of the hydro-electric plant and related power assets included in the Project against such risks and in such amounts as shall be consistent with sound practices.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to have the imported goods to be financed out of the proceeds of the Credit insured 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 or convertible by the Borrower to replace or repair such goods.

Section 4.15. The principal of, and service charges on, the Credit 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, and free from all restrictions imposed under any such laws.

Section 4.16. The Development Credit Agreement 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, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then, at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in the Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (a) the legislation of the Borrower referred to in Section 7.01 (a) of the Loan Agreement and any other legislation or regulation of the Borrower governing the establishment, organization and powers of the Board, shall, without the prior approval of the Association, have been amended, suspended, abrogated, repealed, waived, or shall cease to be enforced, so as to materially affect the operations of the Board or the Project, and such event shall continue for a period of sixty days; and
- (b) any action shall have been taken to materially modify the organization structure of the Board referred to in Section 7.01 (d) of the Loan Agreement, without the prior approval of the Association, and such event shall continue for a period of sixty days.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions, namely, that all the conditions precedent to the effectiveness of the Loan Agreement other than the effectiveness of the Development Credit Agreement shall have been fulfilled.

Section 6.02. The date May 8, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Sections 4.02, 4.05, 4.06, 4.11 and 5.02 of this Agreement shall terminate on the date on which the

Development Credit Agreement shall terminate or on a date thirty years after the date of the Development Credit Agreement, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1976 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The Permanent Secretary of the Ministry of Planning and Economic Affairs of the Borrower is designated as representative of the Borrower for the purpose of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions :

For the Borrower :

Ministry of Planning and Economic Affairs
Central Bank Building, 8th Floor
Colombo 1, Ceylon

Cable address :

Secminplan
Colombo

For the Association :

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address :

Indevas
Washington, D.C.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused the Development Credit Agreement to 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.

Government of Ceylon :
By OLIVER WEERASINGHE
Authorized Representative

International Development Association :
By MOHAMED SHOAIB
Vice President

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project includes Stage 1 of the first scheme of the Mahaweli Ganga Development Program and consists of the following parts :

A. I. The construction of the Polgolla complex consisting of a low diversion dam on the Mahaweli Ganga at Polgolla, a diversion tunnel (about 5 miles long) and a 40 MW hydro-electric plant.

II. The construction of the Bowatenna complex consisting of a high diversion dam on the Amban Ganga at Bowatenna, a tunnel and a canal (each about 5 miles long) to feed the Kalawewa and Kandalama tanks.

III. The construction of training works and channel improvements on the Dhun Oya and the Sudu Ganga.

IV. The remodelling of the existing Elahera weir and of the 38-mile long Elahera-Minneri-Kantalai canal to carry 1,500 cubic feet per second.

V. The redesigning and reconstruction of the irrigation system, the construction of drainage systems, land leveling and subsoiling, on 4,000 acres planted to sugarcane in the Project Area.

VI. The provision of machinery, equipment, vehicles and materials for Parts A (I) through A (V) hereof (other than machinery, equipment, vehicles and materials included in the civil works contracts for such Parts A (I) through A (V)), for the operation and maintenance of the civil works included in such Parts A (I) through A (V), and for extension services in the Project Area.

B. I. Studies to determine the optimum capacity of the tunnels referred to in Parts A (I) and A (II) hereof, to be completed before the construction of such tunnels is initiated.

II. Engineering of the civil works included in Part A hereof, including the conducting of model tests and the preparation of construction drawings, and the administration and supervision of the construction of such works.

III. A comprehensive study to determine an appropriate schedule of water charges in the Project Area, having due regard to farmers' incentives and capacity to pay, such study to be completed within three years of the date of the Development Credit Agreement.

C. Investigations of the area west of Habarane for the development in Stage II of the first scheme of the Mahaweli Ganga Development Program, of about 113,000 acres, such investigations to include aerial surveys, land classification, planning for irrigation and drainage works, determining land clearance and development costs, cropping patterns, water requirements, the development of cost estimates for, and the preparation of a feasibility report on, such development, the determination of optimum farm size and a study of the respective merits of settling farmers on their land and of settling them in villages away from their land, such investigations to be completed not later than on June 30, 1972.

The Project is expected to be completed by June 30, 1975.

SCHEDULE 2

ALLOCATION OF THE PROCEEDS OF THE CREDIT AND OF THE LOAN

<i>Category</i>	<i>Maximum Amounts Expressed in Dollar Equivalent</i>
I. Civil works under Parts A (I) and A (II) of the Project . . .	12,500,000
II. Civil works under Parts A (III) through A (V) of the Project	1,750,000
III. Machinery, equipment, vehicles and materials under Part A (VI) of the Project	4,750,000
IV. Engineering and consulting services under Parts B and C of the Project	3,000,000
V. Interest and other charges on the Loan accrued on or before January 31, 1975	3,000,000
VI. Unallocated	4,000,000
TOTAL	<u>29,000,000</u>

ALLOCATION OF THE PROCEEDS OF THE CREDIT

1. The amount of the Credit shall be withdrawn from the Credit Account as provided under Article II of the Development Credit Agreement, and shall be applied to expenditures under any of the Categories I through IV, until the total of such withdrawals, and of commitments, if any, in respect of such expenditures, shall have reached the equivalent of \$14,500,000.

ALLOCATION OF THE PROCEEDS OF THE LOAN

2. The amount of the Loan shall be withdrawn from the Loan Account as provided under Article II of the Loan Agreement, and shall be applied to expenditures under any of the Categories I through V incurred, in the case of Categories I through IV, after the amount of the Credit shall have been exhausted, except that withdrawals from the Loan Account may be made prior to such exhaustion in respect of commitments referred to in Section 2.04 (c) of the Loan Agreement.

REALLOCATION UPON CHANGE IN COST ESTIMATES

3. If the estimate of the expenditures under any of the Categories I through V shall decrease, the amount then allocated to, and no longer required for, such Category will be reallocated to Category VI by the Association and by the Bank, or by the Bank, as the case may be.

4. If the estimate of the expenditures under any of the Categories I through V shall increase, an amount equal, in the case of any of the Categories III through V, to the portion, if any, of such increase to be financed out of the proceeds of the Credit and of the Loan, in the case of Category I, an amount equal to 50% of such increase or such other percentage as may be agreed pursuant to Section 2.03 (ii) of the Development Credit Agreement, and, in the case of Category II, an amount equal to 37% of

such increase, will be allocated at the request of the Borrower, by the Association and the Bank, or by the Bank, as the case may be, to such Category from Category VI, subject, however, to the requirements for contingencies, as determined by the Association and the Bank, in respect of expenditures under any of the other Categories.

SCHEDULE 3

PROCUREMENT

1. With respect to goods and services in Categories I and III of the allocation of the proceeds of the Credit and of the Loan referred to in Section 2.02 of this Agreement and of the Loan Agreement, items to be procured shall be grouped together whenever applicable in amounts sufficient to attract international competitive bidding. Whenever the estimated cost of such items or groups of items exceeds the equivalent of \$10,000, they shall be procured on the basis of international competitive bidding pursuant to Sections 3.02 of this Agreement and of the Loan Agreement.

2. With respect to goods and services in Category II of such allocation of the proceeds of the Credit and of the Loan, the Borrower shall cause the civil works included in such Category (a) to be carried out by the Mahaweli Development Board on force account, (b) to be contracted out to its Ministry of Land, Irrigation and Power or to its Ministry of Agriculture and Food, or (c) to be carried out by local contractors on the basis of local competitive bidding and pursuant to the provisions set forth in paragraphs 3 and 4 hereof, provided, however, that the aggregate cost of such contracts shall in no event exceed the equivalent of \$2,500,000.

3. With respect to all contracts or letters of intent for civil works involving expenditures expected to exceed the equivalent of \$100,000 and included (a) in Category I of such allocation of the proceeds of the Credit and of the Loan, and (b) in Category II thereof and referred to in paragraph 2 (c) hereof, as well as with respect to all contracts or letters of intent for the purchase of machinery, equipment, vehicles and materials included in Category III of such allocation of the proceeds of the Credit and of the Loan and involving expenditures expected to exceed the equivalent of \$50,000, the following procedures shall be followed :

(a) Invitations to bid, specifications, the proposed terms and conditions of contracts, and all other bidding documents, together with a description of the advertising procedures to be followed, will be submitted to the Association and to the Bank for review and approval, which approval shall be obtained prior to the issuance of invitations to bid.

(b) After bids have been received and analysed, the analyses of bids and the recommendations thereon of the Borrower and of the consultants, as well as the Borrower's proposals for awards, will be furnished to the Association and to the Bank for review and approval, which approval shall be obtained prior to making any award of contract or issuing any letter of intent.

(c) For the purpose of awarding contracts for the purchase of machinery, equipment, vehicles or materials included in Category III of such allocation of the proceeds of the Credit and of the Loan, bids will be compared on the following basis :

- (i) the bids submitted by foreign manufacturers will first be compared on the basis of a bid price which shall consist of the c.i.f. (Colombo) landed price plus the actual rate of customs duties and similar taxes paid or to be paid and the local agents' commissions, if any; the lowest such bid shall be deemed to be the lowest foreign bid; if no bids are submitted by Ceylonese manufacturers, the lowest foreign bid will be considered the lowest evaluated bid if other terms and conditions are satisfactory;
- (ii) the bids submitted by Ceylonese manufacturers will be compared on the basis of the ex-factory price, and the lowest such bid shall be deemed to be the lowest Ceylonese bid; if no bids are submitted by foreign manufacturers, the lowest Ceylonese bid will be considered the lowest evaluated bid if other terms and conditions are satisfactory;
- (iii) if foreign manufacturers and Ceylonese manufacturers have submitted bids, the lowest foreign bid shall be compared with the lowest Ceylonese bid on the basis of a price for the lowest foreign bid consisting of the c.i.f. (Colombo) landed price plus 15% of such price or the rate of customs duties and similar taxes which applies to non-exempt purchasers in the territories of the Borrower, whichever is the lower, plus the local agents' commissions, if any, and on the basis of the ex-factory price of the lowest Ceylonese bid; if the price of the lowest Ceylonese bid is equal to or lower than the price of the lowest foreign bid, and other terms and conditions are satisfactory, then the lowest Ceylonese bid will be considered the lowest evaluated bid.

(d) If the final contract or letter of intent is to differ substantially from the terms and conditions contained in the respective documents approved by the Association and by the Bank under paragraphs (a) and (b) above, the text of the proposed changes will be submitted to the Association and to the Bank for review and approval prior to the execution of such contract or issuance of such letter of intent.

(e) Two conformed copies of any letter of intent issued and of any contract executed under this paragraph 2 shall be sent to the Association and to the Bank promptly upon their issuance or execution.

4. With respect to all contracts or letters of intent for civil works involving expenditures expected to cost the equivalent of \$100,000 or less and included (a) in Category I of such allocation of the proceeds of the Credit and of the Loan, and (b) in Category II thereof and referred to in paragraph 2 (c) hereof, as well as with respect to all contracts or letters of intent for the purchase of machinery, equipment, vehicles or materials included in Category III of such allocation of the proceeds of the Credit and of the Loan and involving expenditures expected to cost more than the equivalent of \$10,000 but less than the equivalent of \$50,000, copies of the invitations to bid, bid analyses and evaluations, as well as any other bid documents or relevant information requested by the Association or by the Bank, and two conformed copies of any such

contract or letter of intent, shall be sent to the Association and to the Bank promptly after the execution of any such contract or issuance of any such letter of intent and prior to the submission to the Association or to the Bank of the first application for withdrawal of funds from the Credit Account or from the Loan Account in respect of any such contract or letter of intent.

5. With respect to the procurement of equipment and vehicles in Category III of such allocation of the proceeds of the Credit and of the Loan, bidding documents shall require the supplier to provide adequate after-sales services.

6. With respect to items or groups of items in Category III of such allocation of the proceeds of the Credit and of the Loan the value of which does not exceed the equivalent of \$10,000, international competitive bidding may be dispensed with, provided that the Borrower shall send to the Association and to the Bank for their approval details of the proposed procurement procedure as well as periodic lists of items so purchased indicating the price of such goods and the suppliers thereof.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]

LETTER AGREEMENT

[*For the text of the Agreement, see p. 124 of this volume.*]
