

No. 11621

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
MALAWI**

Development Credit Agreement—*Phase II Lilongwe Agricultural Development Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 13 May 1971

Authentic text: English.

Registered by the International Development Association on 6 March 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
MALAWI**

Contrat de crédit de développement — *Projet relatif au développement agricole de Lilongwe (Phase II)* [avec annexes et Conditions générales applicables aux contrats de crédit de développement]. Signé à Washington le 13 mai 1971

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 6 mars 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated May 13, 1971, between the REPUBLIC OF MALAWI (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, 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 Sections 5.01 and 6.02 (*h*) thereof and to the renumbering of Section 6.02 (*i*) into 6.02 (*h*) thereof (said General Conditions Applicable to Development Credit Agreements of the Association, 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) "ADMARC" means the Agricultural Development and Marketing Corporation of the Borrower, established under the Farmers Marketing Act, as amended by the Farmers Marketing (Amendment) Act, 1971;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ADMARC pursuant to Section 3.03 (*a*) of this Agreement, as the same may be amended from time to time;

(c) "Program" means the Lilongwe Land Development Program of the Borrower, referred to in Schedule 2 to this Agreement;

¹ Came into force on 18 August 1971, upon notification by the Association to the Government of Malawi.

² See p. 128 of this volume.

(d) "Program Manager" means the expert employed by the Borrower as program manager pursuant to Section 3.05 of this Agreement;

(e) "Program Area" means the area defined in the Borrower's Government Notice No. 108 of April 16, 1971;

(f) "Area Unit" means a portion of the Program Area covering approximately 20,000 acres to be developed as a unit; and

(g) "First Project" means the project described in the Schedule of the Development Credit Agreement (Lilongwe Agricultural Development Project) dated February 9,¹ 1968² between the Borrower and the Association, as the description thereof shall be amended from time to time by agreement 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 seven million two hundred and fifty thousand dollars (\$7,250,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, 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. Except as the Association shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit, shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement.

¹ Should read "February 5".

² United Nations, *Treaty Series*, vol. 650, p. 135.

Section 2.04. The Closing Date shall be March 31, 1976 or such other date as shall be agreed between the Borrower and the Association.

Section 2.05. 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 2.06. Service charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing July 15, 1981 and ending January 15, 2021, each installment to and including the installment payable on January 15, 1991 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.

Section 2.08. 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.

Article III

EXECUTION OF THE PROJECT

Section 3.01. The Borrower shall carry out the Project, or cause the Project to be carried out, with due diligence and efficiency and in conformity with sound administrative, agricultural, engineering and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. (a) In order to make available to the Program Manager the funds required for the carrying out of the Project the Borrower shall establish and maintain a Fund which shall be satisfactory to the Association.

(b) Unless the Borrower and the Association shall otherwise agree, the Borrower shall authorize the Program Manager to use the proceeds of repayments it shall receive under Part IV (b) and (c) of the Project, for purposes of making new cash sales and seasonal and medium term loans to farmers, respectively.

(c) The Borrower shall cause to be made available to the Cold Storage Company Limited, promptly as needed, funds in an amount required to maintain an adequate level of working capital.

Section 3.03. (a) The Borrower shall relend the equivalent of \$190,000 out of the proceeds of the Credit to ADMARC under a subsidiary

loan agreement on terms and conditions which shall have been approved by the Association for purposes of carrying out Part III of the Project.

(b) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(c) The Borrower shall take and shall cause all its agencies to take all action which will be necessary on their part to enable ADMARC to perform all of its obligations under the Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

Section 3.04. (a) The Borrower shall establish within twelve months of the date of the Credit Agreement, and shall thereafter maintain until completion of the Project, under its Ministry of Agriculture and Natural Resources a project liaison committee, which shall (i) assist said Ministry in coordinating all aspects of the Project; (ii) review quarterly the progress of the implementation of the Project; and (iii) ensure close cooperation between all interested ministries, agencies and instrumentalities of the Borrower and with the Association on all matters related to the Project.

(b) The Borrower shall appoint as members of such project liaison committee representatives of the departments of its Ministry of Agriculture and Natural Resources as well as senior representatives of all concerned ministries, departments or agencies of the Borrower.

Section 3.05. The Borrower shall employ, until the Closing Date, qualified and experienced specialists mutually acceptable to the Borrower and the Association to serve as Program Manager, Financial Controller, Chief Agricultural Credit Officer and Ranch Manager, all under terms and conditions satisfactory to the Association.

Section 3.06. Unless the Association shall otherwise agree, the Borrower shall: (a) employ and assign to the Program Manager such staff as shall be required for purposes of carrying out Part IV of the Project in each Area Unit, at a ratio of not less than one extension worker to every 200 farmers during the 2 1/2 years immediately after the establishment of the respective Area Unit, and not less than one extension worker to every 400 farmers during the following 2 1/2 years; and (b) approximately five years after each Area Unit shall have been established, retain said staff for

purposes of continuing the provision of extension services, each Area Unit having not less than one extension worker to every 500 farmers.

Section 3.07. The Borrower shall, not later than June 30, 1972, prepare and submit for the Association's approval, detailed proposals on (a) the continuation of its agricultural extension and credit services established under Part IV of the Project and under Part IV of the First Project; (b) the maintenance of the infrastructure developed under Parts I, III and V of the Project and under Parts I and III of the First Project within the Program Area after the completion of the Project. The Borrower shall implement or cause to be implemented, such proposals in accordance with a time schedule mutually acceptable to the Borrower and the Association.

Section 3.08. In carrying out construction works for the Project, the Borrower shall employ or cause to be employed contractors acceptable to the Association upon terms and conditions satisfactory to the Association, subject to the provisions of Schedule 3 to this Agreement.

Section 3.09. (a) 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 Credit against hazards incident to the 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.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Section 3.10. (a) The Borrower shall furnish or cause to be furnished to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall maintain and cause to be maintained 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 Credit, and to disclose the use thereof in the Project; (ii) shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the

proceeds of the Credit and the goods and services financed out of such proceeds.

Section 3.11. Unless the Association shall otherwise agree, the Borrower shall cause ADMARC to collect, at its markets in the Program Area, repayments of loans to farmers, and to continue to refuse licenses to any produce buyers to operate within the Program Area.

Section 3.12. Unless the Association shall otherwise agree, the Borrower shall cause ADMARC to provide adequate storage facilities for the crops produced in the Program Area.

Section 3.13. Unless the Association shall otherwise agree, the Borrower shall cause all new roads constructed under the Project in the Program Area to have a maximum width of 24 feet, except field access roads which will have a maximum width of 16 feet.

Section 3.14. During the years hereinafter indicated, the Borrower shall carry out a complete survey over not less than the following area of the Program Area: 75,000 acres during the year ending September 30, 1972 and 100,000 acres during each of the three following years. This survey includes all such steps as shall be required to enable the registration of land under Part II of the Project. The Borrower shall promptly employ contractors to achieve these targets, should it become reasonably foreseeable that its own staff will be unable to meet them.

Article IV

OTHER COVENANTS

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records, including separate accounts, adequate to reflect in accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower, including ADMARC, responsible for carrying out the Project or any part thereof.

(b) The Borrower shall: (i) have its accounts in respect of the Project for each fiscal year of the Borrower audited by an independent auditor acceptable to the Association in accordance with sound principles consistently applied; (ii) cause ADMARC to have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the

Association; (iii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its accounts and ADMARC's accounts and financial statements for such year as so audited and (B) the report of such audits by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iv) furnish to the Association such other information concerning said accounts and financial statements and the audits thereof as the Association shall from time to time request.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purpose of the Credit will be accomplished. To that end, the Borrower and the Association 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 Development Credit Agreement, the administration, operations and financial condition, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, and other matters relating to the purposes of the Credit; and
- (b) 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, 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 furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations and financial condition, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower and the Association shall promptly inform each other 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, the performance by either of them of its obligations under the Development Credit Agreement or the performance by ADMARC of its obligations under the Subsidiary Loan Agreement.

Section 5.03. 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 5.04. The Borrower shall from time to time, at the request of either party, review with the Association the rates and fees to be paid in respect of the Program by farmers in the Program Area.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. 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.

Section 6.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit 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 ASSOCIATION

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 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 and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

(a) ADMARC shall have failed to perform any obligation under the Subsidiary Loan Agreement;

(b) A default shall occur in the performance of any covenant or agreement on the part of the Borrower under the Development Credit Agreement between the Borrower and the Association, dated February 5, 1968; and

(c) The Borrower shall have amended the Farmers Marketing Act, as amended in 1971, in such a way as to materially and adversely affect the ability of ADMARC to carry out the covenants, agreements and obligations set forth in the Subsidiary Loan Agreement.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. 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 the execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and ADMARC, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.

Section 8.02. The following is specified as additional matter, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and ADMARC, respectively, and constitutes a valid and binding obligation of the Borrower and ADMARC in accordance with its terms.

Section 8.03. The date September 15, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.04. The obligations of the Borrower under Sections 3.02 (c), 3.06, 3.11, and 5.04 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

The Secretary to the Treasury
Ministry of Finance
P.O. Box 53
Zomba, Malawi

Cable address:

Finance
Zomba

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 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.

Republic of Malawi:

By N. W. MBEKEANI
Authorized Representative

International Development Association:

By MOHAMED SHOAI B
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of items to be financed out of the proceeds of the Credit, the allocation of amounts of the Credit to each category and the percentage of eligible expenditures so to be financed in each category.

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Vehicles, machinery, equipment, fertilizers and insecticides	1,120,000	88% of total expenditures
II. Livestock	372,000	88% of total expenditures
III. Buildings		88% of total expenditures
(a) Headquarters and Conservation	177,000	
(b) Service Center Units	352,000	
(c) Ranch	152,000	
IV. Services of expatriate staff	881,000	88% of total expenditures
V. Services of local staff for:		88% of total expenditures
(a) Soil Conservation, Planning and Building	372,000	
(b) Surveys and Land Allocation	218,000	
(c) Extension, Training and Marketing, Service Center Units	1,114,000	
(d) Ranch	51,000	
(e) Headquarters, Evaluation, and Headquarters Credit	297,000	
VI. Marketing and Storage Facilities of ADMARC	172,000	88% of total expenditures
VII. Operating and Maintenance Costs	1,550,000	88% of total expenditures
VIII. Unallocated	422,000	
TOTAL	<u>7,250,000</u>	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) expenditures prior to the date of this Agreement, except that withdrawals may be made on account of expenditures for goods and services required under Part V of the Project incurred after October 1, 1970 in an aggregate amount not exceeding the equivalent of \$105,000;
- (b) 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 in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes; and

3. Notwithstanding the allocation of an amount of the Credit 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 Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;
- (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 Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures.

4. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under any Category shall increase and no proceeds of the Credit are available for reallocation to any such Category, the Association may, by notice to the Borrower, adjust the percentage then applicable to such expenditures in order that further withdrawals under any such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is the four-year second phase of the Lilongwe Land Development Program, a long-term program for the development of infrastructure and the improvement of smallholder agricultural production in the Program Area. The Project consists of the following:

I. *Land Development*

This includes:

- (a) the construction of about 540 miles of crop extraction roads;
- (b) the construction of about 1,700 miles of drainage ditch; and
- (c) the boring and equipping of about 160 boreholes.

II. *Land Reorganization and Surveyance*

This includes:

- (a) the carrying out of topographical surveys and the preparation of contour maps;
- (b) the demarcation, reorganization and registration of holdings in approximately 375,000 acres.

III. *The Provision of Marketing and Storage Facilities*

This includes the construction of a service center in each of 14 different Area Units, each including a produce market, a 450 ton fertilizer/feed store, and associated offices and housing.

IV. *Extension, Supply and Credit Services*

This includes:

- (a) the provision of intensive agricultural extension, and staff and farmers training services.
- (b) the provision of facilities for the cash sale of agricultural inputs to farmers; and
- (c) the provision of seasonal and medium-term credit to farmers.

V. *Livestock Development*

This includes the establishment of a ranch of about 161,000 acres in the Dzalanyama Forest Reserve to provide upgraded feeder stock for stall-fattening by farmers in the Project Area.

VI. *Management and Staff*

This includes:

- (a) the staffing of a program organization under the Ministry of Agriculture and Natural Resources with headquarters in Lilongwe;

- (b) the establishment and staffing of a Program Evaluation Unit;
- (c) the recruitment of qualified managerial, professional, technical and administrative staff and the provision of in-service training;
- (d) the construction, equipping and maintenance of houses and offices for Program staff in Lilongwe and in the Program Area;
- (e) the purchase, operation and maintenance of vehicles, machinery and equipment; and
- (f) the provision of administrative services.

The Project is expected to be completed on September 30, 1975.

SCHEDULE 3

PROCUREMENT

1. With respect to any contract for (a) housing; and (b) for fertilizer, insecticides, vehicles, major equipment (including well casings, fittings and pumps) and other goods for which the estimated cost of annual requirement is less than \$25,000 equivalent; for which the usual government procurement procedures of the Borrower shall apply, international competition shall not be required.

2. With respect to any contract for fertilizer, insecticides, vehicles, major equipment (including well casings, fittings and pumps) and other goods estimated to cost the equivalent of \$25,000 or more:

(a) If bidders are required to prequalify, the Borrower shall, before qualification is invited, inform the Association in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Association shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Association for its comments before the applicants are notified and the Borrower shall make such additions or deletions from the said list as the Association shall reasonably request.

(b) Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(c) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to whom it intends to award the contract and shall furnish to the Association,

in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Association shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the Credit Agreement, and shall state the reasons for any objections it may have.

(d) If the contract shall be awarded over the Association's reasonable objection, or if its terms and conditions shall, without the Association's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Credit.

(e) Two copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.

3. With respect to any other contract for fertilizer, insecticides, major equipment (including well casings, fittings, and pumps) and other goods, the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract, two conformed copies of such contract. The Association shall promptly inform the Borrower if it finds that the award of the contract is not consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the Credit Agreement and, in such event, no expenditure under such contract shall be financed out of the proceeds of the Credit.

4. Notwithstanding the above, the Borrower may construct by force account roads, water supply, soil conservation and drainage works and houses estimated to cost the equivalent of \$5,000 or less per house, under the Project.

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.*]