

No. 11795

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
INDIA**

**Development Credit Agreement—*Gorakhpur Expansion Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 7 January 1972**

*Authentic text : English.*

*Registered by the International Development Association on 28 April 1972.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
INDE**

**Contrat de crédit de développement — *Projet relatif à l'agrandissement de Gorakhpur* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 7 janvier 1972**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 28 avril 1972.*

## DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>

AGREEMENT, dated January 7, 1972, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower has requested the Association to assist in the financing of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) The Project will be carried out by the Fertilizer Corporation of India with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Fertilizer Corporation of India, *inter alia*, the proceeds of the Credit as hereinafter provided; and

(C) The Association is willing to make the Credit available upon the terms and conditions set forth hereinafter and in a project agreement of even date herewith<sup>2</sup> between the Association and the Fertilizer Corporation of India;

NOW THEREFORE the parties hereto hereby agree as follows :

### *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,<sup>3</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions) :

(a) Section 5.01 is deleted;

(b) Section 6.02 (h) is deleted and Section 6.02 (i) becomes 6.02 (h);

(c) Paragraph 5 of Section 2.01 is amended to read as follows :

<sup>1</sup> Came into force on 5 April 1972, upon notification by the Association to the Government of India.

<sup>2</sup> The said Agreement entered into force on 5 April 1972. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Association as document CN 279 IN, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Development Credit Agreement.

<sup>3</sup> See p. 30 of this volume.

“ 5. The term ‘ Borrower ’ means India, acting by its President. ”;

(d) The words “ , the Project Agreement ” are added after the words “ Development Credit Agreement ” in Section 6.06; and

(e) The words “ or the Project Agreement ” are added after the words “ Development Credit Agreement ” in Section 8.02.

*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) “ FCI ” means the Fertilizer Corporation of India, a corporation incorporated in 1961 under the Companies Act, 1956, as amended, of India;

(b) “ Project Agreement ” means the agreement between the Association and FCI of even date herewith, as the same may be amended from time to time, and all schedules thereto, if any;

(c) “ Subsidiary Loan Agreement ” means the agreement to be entered into between the Borrower and FCI pursuant to Section 3.01 (b) of this Agreement, and “ Supplementary Loan Agreements ” means the agreements the Borrower and FCI may enter into pursuant to the proviso of said Section, as the same may be amended from time to time, and all schedules thereto, if any;

(d) “ Rs ” means rupees in the currency of the Borrower;

(e) “ Gorakhpur Unit ” means the ammonia-urea factory of FCI which is located in Gorakhpur, Uttar Pradesh; and

(f) “ Critical Path Schedule ” means the time schedule set out in the following drawing, which was prepared by FCI :

<i>Date</i>	<i>Drawing No.</i>	<i>Title</i>
October 1971	IE/CPM/9 Rev. 1	Critical Path Network

## *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 ten million dollars (\$10,000,000).

*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 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.* The Closing Date shall be March 31, 1975 or such other date as shall be agreed between the Borrower and the Association.

*Section 2.04.* 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 2.05.* Service charges shall be payable semi-annually on June 1 and December 1 in each year.

*Section 2.06.* The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing June 1, 1982 and ending December 1, 2021, each installment to and including the installment payable on December 1, 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 2.07.* 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.* (a) The Borrower shall cause FCI to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial and engineering practices, and shall provide, promptly as needed, the funds (an investment presently estimated at Rs 120 million inclusive of initial working capital and interest during construction), facilities, services and other resources required for that purpose, including any required funds which are in excess of the present cost estimate. Funds equivalent to the proceeds of the Credit shall be provided in the form of debt pursuant to the Subsidiary Loan Agreement. The remaining funds within the said present cost estimate shall be provided in the form of equity. Funds in excess of the present cost estimate, if needed, shall be provided with at least half as equity.

(b) The Borrower shall lend the funds equivalent to the proceeds of the Credit to FCI under a Subsidiary Loan Agreement to be entered into between the Borrower and FCI under terms and conditions including *inter alia* the following: (i) the loan will be repaid by FCI to the Borrower in ten equal

annual installments commencing three years from the date of each withdrawal; and (ii) interest, including special charges, if any, shall be paid on the outstanding balance from time to time at the rate of 8.5% per annum; provided that if the Borrower lends further funds to FCI pursuant to the Borrower's undertaking under the preceding paragraph, it shall do so under supplementary loan agreements on terms and conditions normally applicable to Borrower's loans to FCI.

(c) 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, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable FCI to perform all of its obligations under the Project Agreement (including the carrying out of the Project in accordance with the Critical Path Schedule) and the Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

*Section 3.02.* In order to assist FCI in process and engineering design, equipment selection, construction and start-up, the Borrower shall cause FCI to obtain process licenses, plant designs and consultant services acceptable to the Association upon terms and conditions satisfactory to the Association.

*Section 3.03.* In carrying out the Project, the Borrower shall cause FCI to employ such competent and experienced contractors as are necessary to carry out the Project, after having obtained competitive bids whenever possible.

*Section 3.04.* (a) Except as stated in Section 3.04 (b) or (c) of this Agreement or except as the Association shall otherwise agree, equipment and associated services required for the Project 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, as revised in May 1971, and in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement.

(b) The Borrower may reserve certain specified equipment from procurement by international competition and procure such equipment from Indian suppliers, provided that such equipment can be provided in a timely fashion and can meet the quality specifications of the Project. The estimated cost of such items is Rs 3,000,000 equivalent.

(c) For purposes of standardization of equipment, procurement of certain specified equipment may be made directly from the Borrower's foreign suppliers. The estimated cost of such equipment is \$400,000 equivalent.

(d) If at any time it becomes evident that any equipment or material

cannot be delivered on or prior to its scheduled delivery date, and that such delay would adversely affect completion of the Project consistent with Section 2.01 of the Project Agreement, the Borrower shall promptly take all steps necessary to permit the procurement of such equipment or material by international shopping or other procedures which shall be satisfactory to the Association.

*Section 3.05.* (a) When, with respect to any equipment to be procured under Section 3.04 (a) of this Agreement: (i) the lowest evaluated bid is a Foreign Bid (as defined in paragraph 3 (a) of Schedule 3 to this Agreement), the Borrower shall promptly grant permission to import the necessary goods without reconsideration of the eligibility of the items for importation; and (ii) the lowest evaluated bid is a Local Bid (as defined in paragraph 3 (a) of Schedule 3 to this Agreement), the Borrower shall promptly grant permission to import the materials necessary to the performance of the contract.

(b) When FCI needs to import materials to operate the Gorakhpur Plant up to full capacity, the Borrower shall promptly grant permission to import all necessary materials at reasonable prices.

*Section 3.06.* (a) With respect to equipment and materials to be imported pursuant to Section 3.04 or 3.05 of this Agreement, the Borrower shall (i) promptly upon receipt of the appropriate applications, issue, or cause to be issued, such import licenses as shall be required for such purposes; and (ii) make available, or cause to be made available, promptly as needed, all foreign exchange which shall be required for such purposes.

(b) With respect to equipment to be procured pursuant to Section 3.05 (a) (ii) of this Agreement, the Borrower shall, with respect to materials which are subject to allocation, make, or cause to be made, allocations of such materials promptly and in such quantities as shall be required for the timely completion of the Project.

*Section 3.07.* Except as the Association shall otherwise agree, the Borrower shall cause all equipment, materials and services financed out of the proceeds of the Credit to be used exclusively for the Project.

*Section 3.08.* (a) The Borrower shall cause to be furnished to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and construction 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 shall or shall cause FCI to: (i) maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the equipment and services financed out of the proceeds of the Credit, and to disclose the use thereof in the Project; (ii) enable the Association's representatives to inspect the Project, the equipment financed out of the proceeds

of the Credit and any relevant records and documents; and (iii) 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 equipment, materials and services financed out of such proceeds.

*Section 3.09.* The Borrower shall cause FCI to acquire as and when needed all such land and rights in respect of land as shall be required for the construction (and operation) of the facilities included in the Project and shall furnish to the Association, promptly after such acquisition, evidence satisfactory to the Association that such land and rights in respect of land are available for purposes related to the Project.

#### *Article IV*

##### OTHER COVENANTS

*Section 4.01.* In addition to the funds required by Section 3.01 (a) of this Agreement, the Borrower shall provide FCI with :

- (a) sufficient funds to complete all ongoing projects and such other projects as may be undertaken by FCI, on terms which shall be compatible with FCI's sound financial position; and
- (b) sufficient funds, from time to time, to enable FCI to maintain adequate working capital, taking into account funds available to FCI from other sources.

*Section 4.02.* The Borrower shall maintain FCI in a sound financial position and to that end, until the time the Project is ready for start of commercial production, the Borrower shall: (a) cause FCI to maintain a long-term debt equity ratio not greater than 50:50; and (b) take such action as may be necessary to cause FCI to achieve and maintain a ratio of current assets to current liabilities as defined in Section 4.03 of the Project Agreement, of at least 1.2:1. After the start of commercial production the Borrower shall use its best efforts to ensure that the ratios set forth in paragraphs (a) and (b) of this Section are maintained.

For the purposes of this Section :

(a) The term " long-term debt " means all debt maturing after one year from the date of such determination; and

(b) The term " equity " means all unimpaired paid-in share capital plus accumulated earnings or losses from prior fiscal years not set apart for specific purposes.

*Section 4.03.* The Borrower shall cause FCI to maintain adequate working capital for the operation of the Gorakhpur Unit.

*Article V*

## CONSULTATION, INFORMATION AND INSPECTION

*Section 5.01.* The Borrower and the Association shall cooperate fully to assure that the purposes 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 performance by FCI of its obligations under the Project Agreement, the administration, operations and financial condition of FCI and, 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, management and financial condition of FCI and, 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, the performance by FCI of its obligations under the Project Agreement, or the performance by the Borrower or by FCI of their obligations under the Subsidiary Loan Agreement and the Supplementary Loan Agreements, if any.

*Section 5.03.* The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to inspect all plants, installations, sites, works, buildings, property and equipment of FCI and any relevant records and documents and to visit any part of the territories of the Borrower for purposes related to the Credit.



*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 and the Project 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 law 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 or in Section 7.03 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 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) FCI shall have failed to perform any obligation under the Project Agreement.

(b) An extraordinary situation shall have arisen which shall make it improbable that FCI will be able to perform its obligations under the Project Agreement.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of FCI or for the suspension of its operations.

*Section 7.03.* For the purposes of Section 7.01 of the General Conditions, the following additional event is specified, namely, the event specified in Section

7.02 (a) or (c) of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and FCI.

### *Article VIII*

#### EFFECTIVE DATE; TERMINATION

*Section 8.01.* The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

(a) The execution and delivery of the Project Agreement on behalf of FCI have been duly authorized or ratified by all necessary corporate and governmental action.

(b) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and FCI, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.

(c) FCI has entered into agreements referred to in Section 2.07 of the Project Agreement.

*Section 8.02.* The following are specified as additional matters, 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 :

(a) That the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, FCI, and constitutes a valid and binding obligation of FCI in accordance with its terms.

(b) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and FCI, respectively, and constitutes a valid and binding obligation of the Borrower and FCI in accordance with its terms.

*Section 8.03.* The date April 6, 1972 is hereby specified for the purposes of Section 10.04 of the General Conditions.

*Section 8.04.* The obligations of the Borrower under Sections 4.01, 4.02, 4.03, 7.02 and 7.03 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date 16 years after the date of this Agreement, whichever shall be the earlier.

### *Article IX*

#### REPRESENTATIVE OF THE BORROWER; ADDRESSES

*Section 9.01.* Any Secretary, Additional Secretary or Joint Secretary to the Government of India in the Ministry of Finance or a Director of the

Department of Economic Affairs in the Ministry of Finance 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 Government of India  
Ministry of Finance  
Department of Economic Affairs  
New Delhi, India

Cable address :

Ecofairs  
New Delhi

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.

India :

By L. K. JHA  
Authorized Representative

International Development Association :

By J. BURKE KNAPP  
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. Equipment procured by inter- national competition . . . . .	6,800,000	100% of total expenditures
II. Imported equipment for standardization . . . . .	400,000	100% of foreign expenditures
III. Engineering, Design Erection and Commissioning . . . . .	2,200,000	60% of total expenditures
IV. Unallocated . . . . .	600,000	
	TOTAL	
	<u>10,000,000</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 country other than the Borrower;

(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 in respect of :

(a) expenditures prior to November 1, 1971;

(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

(c) expenditures for freight and insurance within the territories of the Borrower.

4. 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; and

(c) Any amounts in Categories I, II and IV which are no longer required therefor shall be reallocated by the Association by increasing correspondingly the amount allocated to Category III and the Association will increase correspondingly (up to a maximum of 100% net of taxes) the percentage of expenditures of Category III.

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

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project consists of the expansion of FCI's facilities near Gorakhpur by construction of additional facilities to increase total design capacity to about 314,000 tons per year of urea fertilizer.

The Project is expected to be completed by August 1, 1974, in accordance with the Critical Path Schedule.

## SCHEDULE 3

### PROCUREMENT

1. Except as the Association shall otherwise agree, with respect to any contract for goods and associated services included in Category I of the table set out in paragraph 1 of Schedule 1 to this Agreement and estimated to cost the equivalent of \$100,000 or more, the Borrower shall cause FCI to :

- (a) If bidders are required to prequalify, before qualification is invited, inform the Association in detail of the procedure to be followed and 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 FCI to the Association for its comments before the applicants are notified and FCI shall make such additions or deletions from the said list as the Association shall reasonably request.

- (b) Before bids are invited, 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 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, 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 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 and FCI whether it has any objection to the intended award on the ground that it is inconsistent with the procedures set forth or referred to in Section 3.04 (a) of this Agreement; and if the Association, after receiving the comments of the Borrower, determines that such inconsistency exists, the Association shall promptly inform the Borrower and FCI of such determination and the reasons therefor.
- (d) Ensure that the terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked.
- (e) Furnish to the Association two conformed copies of the contract 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.

2. With respect to any other contract for goods, the Borrower shall cause FCI to 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 together with the analysis of bids, recommendations for award and such other information as the Association shall reasonably request. If the Association, after receiving the views of the Borrower, shall determine that the award of the contract is not consistent with the procedures set forth or referred to in Section 3.04 (a) of this Agreement, the Association shall promptly inform the Borrower and FCI and state the reasons for such determination.

3. For the purpose of evaluating bids for goods and associated services included in Category I of the table set out in paragraph 1 of Schedule 1 to this Agreement, bid prices shall be determined and compared in accordance with the following rules :

(a) The term " Local Bid " means a bid submitted by a manufacturer established in the territories of the Borrower for goods manufactured or processed to a substantial extent (as reasonably determined by the Association) in such territories; any other bid shall be deemed to be a " Foreign Bid ".

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

- (i) the c.i.f. price of such goods;
- (ii) the amount of any taxes on the importation of such goods into the territories of the Borrower which generally apply to non-exempt importers, or 15% of the amount specified in (i) above, whichever shall be the lower; and
- (iii) handling costs, inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

4. Contracts for the goods and associated services included in Category II of the table set out in paragraph 1 of Schedule 1 to this Agreement may be placed through negotiations with Borrower's foreign suppliers.

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.*]

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