

No. 18314

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**INTERNATIONAL FUND  
FOR AGRICULTURAL DEVELOPMENT  
and  
SRI LANKA**

**Loan Agreement—*Kirindi Oya Irrigation and Settlement Project* (with schedules and General Conditions applicable to Loan and Guarantee Agreements of the Fund dated 15 December 1977). Signed at Rome on 20 May 1978**

*Authentic text of the Agreement: English.*

*Authentic texts of the General Conditions of 15 December 1977: English and French.*

*Registered by the International Fund for Agricultural Development on 26 February 1980.*

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**FONDS INTERNATIONAL  
DE DÉVELOPPEMENT AGRICOLE  
et  
SRI LANKA**

**Accord de prêt — *Projet d'irrigation et de peuplement de Kirindi Oya* (avec annexes et Conditions générales applicables aux accords de prêt et de garantie du Fonds en date du 15 décembre 1977). Signé à Rome le 20 mai 1978**

*Texte authentique de l'Accord : anglais.*

*Textes authentiques des Conditions générales du 15 décembre 1977 : anglais et français.*

*Enregistrés par le Fonds international de développement agricole le 26 février 1980.*

LOAN AGREEMENT<sup>1</sup> (*KIRINDI OYA IRRIGATION AND SETTLEMENT PROJECT*) BETWEEN REPUBLIC OF SRI LANKA AND INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

20 May 1978

Loan No. 1-SRI

LOAN AGREEMENT

LOAN AGREEMENT dated 20 May 1978 between the REPUBLIC OF SRI LANKA (hereinafter called the Borrower) and INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (hereinafter called the Fund).

WHEREAS

(A) The Borrower has applied to the Fund for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) The Borrower and the Asian Development Bank (hereinafter called the Bank) have entered into a loan agreement dated 25 January 1978 for the purposes of the Project (hereinafter called the Bank Loan Agreement); and

(C) The Fund has agreed to make a loan to the Borrower from the Fund's resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

*Article I. GENERAL CONDITIONS; DEFINITIONS*

*Section 1.01.* All the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Fund, dated 15 December 1977,<sup>2</sup> are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (the said General Conditions as so modified being hereinafter called the General Conditions): the following subparagraph is added to Section 4.01:

“(d) In various currencies equivalent to an amount in United States dollars.”

*Section 1.02.* Wherever used in this Loan 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) “MIPH” means the Ministry of Irrigation, Power and Highways of the Borrower;

(b) “ID” means the Irrigation Department, a department of MIPH, which shall be the principal Project Executing Agency for the purposes of, and within the meaning of, the General Conditions, being responsible for the carrying out of

<sup>1</sup> Came into force on 3 July 1978 by notification from the Fund to the Government of Sri Lanka, in accordance with its section 6.01 and with sections 10.01 and 10.02 of the General Conditions.

<sup>2</sup> See p. 111 of this volume.

the Project, particularly the design and construction of the irrigation works included in Part A of the Project;

(c) "LDD" means the Land Development Department, a department of MIPH, which shall be the Project Executing Agency for the purposes of, and within the meaning of, the General Conditions, being responsible for the provision of infrastructure and associated facilities for land settlement included in Part B of the Project;

(d) "DA" means the Department of Agriculture, a department of the Ministry of Agriculture and Lands of the Borrower, which shall be the Project Executing Agency for the purposes of, and within the meaning of, the General Conditions, being responsible for the execution of the agricultural development for the Project described in Part C of the Project;

(e) "Central Coordinating Committee" means a Committee to be established by the Borrower to assume responsibility for the overall execution, coordination and review of the activities of all Government departments, corporations and agencies involved in the carrying out of the Project;

(f) "Project Manager" means an official to be appointed by the ID who will assume primary responsibility for the day-to-day execution of all activities involved in the carrying out of the Project and in the initial operation and maintenance of the Project facilities in accordance with the provisions of this Loan Agreement;

(g) "Project Office" means an office to be established at Tissamaharama by the ID, headed by the Project Manager, to assist the Project Manager in the discharge of his responsibilities;

(h) "Project Coordinating Committee" means a Committee to be established by the Borrower, headed by the Project Manager, to assume responsibility for execution, coordination and review of the activities in the Project area of all Government departments, corporations, agencies and personnel involved in the carrying out of the Project and in the initial operation and maintenance of the Project facilities in accordance with provisions of this Loan Agreement;

(i) "Project area" means an area comprising approximately 21,000 hectares on the left and right banks of the Lower Kirindi Oya and adjacent drainage area in the Hambantota District in the Republic of Sri Lanka; and

(j) "Project facilities" means the facilities constructed and the equipment procured under the Project.

## *Article II. THE LOAN*

*Section 2.01.* The Fund agrees to lend to the Borrower an amount in various currencies equivalent to twelve million dollars (\$12,000,000).

*Section 2.02.* The Borrower shall pay to the Fund a service charge at the rate of one percent (1%) per annum on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

*Section 2.03.* For any special commitment entered into by the Fund at the request of the Borrower pursuant to Section 6.02 of the General Conditions, the Borrower shall pay to the Fund a fee at the rate of one half of one percent (0.5%) per annum on the principal amount of such special commitment outstanding from time to time.

*Section 2.04.* The service charge and any other charge on the Loan shall be payable semi-annually on 1 June and 1 December in each year.

*Section 2.05.* The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in equal semi-annual instalments of \$150,000 payable on each 1 June and 1 December commencing 1 June 1988 and ending 1 December 2027.

### *Article III. USES OF PROCEEDS OF THE LOAN*

*Section 3.01.* The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

*Section 3.02.* The goods and services to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services shall be in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time.

*Section 3.03.* Except as the Borrower and the Fund shall otherwise agree, all goods and services to be financed out of the proceeds of the loan shall be procured in accordance with the principles of international competitive bidding specified in the provisions of the Bank Loan Agreement and in accordance with the eligibility requirements specified by the Fund from time to time.

*Section 3.04.* Except as the Borrower and the Fund shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

*Section 3.05.* The closing date for withdrawals from the Loan Account for the purposes of Section 9.03 of the General Conditions shall be 31 December 1985 or such other date as may from time to time be agreed between the Borrower and the Bank.

### *Article IV. PARTICULAR COVENANTS*

*Section 4.01. (a)* The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, engineering, agricultural and land development practices.

*(b)* In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 3 to this Loan Agreement.

*Section 4.02.* The Borrower shall make available, promptly as needed, the funds, facilities, services, lands and rights thereto, and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.

*Section 4.03. (a)* In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors acceptable to the Borrower and the Fund to be employed to an extent and upon terms and conditions satisfactory to the Borrower and the Fund.

*(b)* The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and the Fund. The Borrower shall furnish or cause to be furnished to the Fund, promptly after their preparation, such plans,

design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as the Fund shall reasonably request.

*Section 4.04.* The Borrower shall ensure that the activity of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

*Section 4.05.* (a) The Borrower shall make arrangements satisfactory to the Fund for insurance of the Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure or cause to be insured the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance and indemnity shall be payable in a currency freely usable to replace or repair such goods.

*Section 4.06.* (a) The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition, to the extent relevant to the Project, of ID, LDD and DA and any other agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof.

(b) The Borrower shall: (i) maintain or cause to be maintained separate accounts for the Project; (ii) have such accounts and related financial statement audited annually, in accordance with sound auditing principles, by auditors acceptable to the Fund; (iii) furnish to the Fund, as soon as available but in any event not later than six months after the end of each related fiscal year, certified copies of such audited financial statements and the report of the auditors relating thereto, all in the English language, and furnish to the Fund such other information concerning such accounts and financial statements and the audit thereof as the Fund shall from time to time reasonably request.

*Section 4.07.* (a) The Borrower shall furnish or cause to be furnished to the Fund all such reports and information as the Fund shall reasonably request concerning: (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services financed out of the proceeds of the Loan; (iii) the Project; (iv) the administration, operations and financial condition, to the extent relevant to the Project, of ID, LDD and DA and any other agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof; (v) financial and economic conditions in the territory of the Borrower and the international balance of payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, the Borrower shall furnish or cause to be furnished and shall cause the ID to furnish to the Fund quarterly reports on the carrying out of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such

details and within such a period as the Fund shall reasonably request and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems and proposed program of activities and expected progress during the following quarter.

*Section 4.08.* The Borrower shall enable the Fund's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents.

*Section 4.09.* (a) The Borrower shall ensure that the Project facilities are operated, maintained and repaired in accordance with sound administrative, financial, engineering, and maintenance and operational practices, and shall cause such additional facilities, services and resources to be provided in the Project area, both while the Project is being carried out and after completion thereof, as are necessary to ensure that the full benefits of the Project are realized.

(b) The Borrower shall take all action necessary to ensure efficient use for agricultural development of the water made available by the works included in the Project.

*Section 4.10.* Except as the Borrower and the Fund shall otherwise agree, the Borrower shall, not later than 1 January 1979, prepare and submit a cost recovery program acceptable to the Fund whereby the total operation and maintenance costs and a portion of the capital costs of the Project will be recovered from the beneficiaries of the Project. The Borrower shall ensure that (a) all administrative and other measures necessary to implement such cost recovery program will be taken prior to the completion of the Project; and (b) that thereafter such cost recovery program will be implemented in accordance with its provisions.

*Section 4.11.* Except as the Borrower and the Fund shall otherwise agree, the Borrower shall not undertake any development within areas located upstream of the Project area which might adversely affect the supply of water to the Project Area.

#### *Article V. REMEDIES OF THE FUND*

*Section 5.01.* Pursuant to Section 9.02 (1) of the General Conditions, the following is specified as an additional event for the purposes of the said Section:

The Loan from the Bank shall have become liable at the option of the lender for suspension, or termination prior to its agreed maturity date or a default shall have occurred in the performance of any obligation of the Borrower pursuant to the Bank Loan Agreement concerning the Project.

#### *Article VI. EFFECTIVENESS*

*Section 6.01.* The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(e) of the General Conditions: that the Bank Loan Agreement shall have been declared effective.

*Section 6.02.* A date of ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan for the purposes of Section 10.04 of the General Conditions.

*Article VII.* MISCELLANEOUS

*Section 7.01.* The Secretary, Ministry of Finance and Planning, of the Borrower is designated as representative of the Borrower for the purpose of Section 12.02 of the General Conditions.

*Section 7.02.* The following addresses are specified for the purposes of Section 12.01 of the General Conditions:

For the Borrower:

Secretary  
Ministry of Finance and Planning  
Colombo 1, Sri Lanka

Cable Address:

SECFIN  
Colombo

Telex Number:

1232 (FORAID)

For the Fund:

International Fund for Agricultural Development  
107 Via del Serafico  
00142 Rome, Italy

Cable Address:

IFAD  
Rome

Telex Number:

65160 (IFAD)

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of the Fund, as of the day and year first above written.

Republic of Sri Lanka:

*Signed by:* RONNIE DE MEL  
Authorized Representative

International Fund for Agricultural Development:

*Signed by:* A. SUDEARY  
President

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project is designed to increase agricultural production and effect land settlement in the Project area and consists of the following Parts:

Part A. *Irrigation Works*

1. Rehabilitation of existing Kirindi Oya Irrigation System, covering about 4,000 hectares.

2. Construction near Lunuganwehera village of a homogeneous rolled earthfill dam of dimensions approximately 5,000 meters long, 25 meters high at the riverbed, with a live storage capacity of 197 million cubic meters.

3. Construction of a right bank canal (approximately 28.3 kms.) and left bank canal (approximately 33.3 kms.), including all necessary siphons and bridges.

4. Clearing, land levelling and construction of distributaries, farm ditches and drains for the irrigation of an additional area of approximately 8,400 hectares.

#### Part B. *Land Settlement*

Provision of the following infrastructure and facilities to assist the settlement of approximately 8,320 farm families in the Project area, in 28 hamlets of approximately 300 families each:

1. Clearing and preparation of land;
2. Network of roads;
3. Establishment of three new village centers and the improvement of two existing village centers to the same standard as the new centers;
4. Five health centers and 28 health clinics;
5. Five secondary schools and 28 primary schools;
6. Five branch cooperatives, and 28 cooperative depots;
7. Residential quarters for staff of schools, health centers and branch cooperatives; market places; and sub-post office buildings; and
8. Construction of wells, according to then prevailing public health standards of the Republic of Sri Lanka, to provide potable water at the rate of about one well for each 20 families.

#### Part C. *Agricultural Development*

1. Extension and Research Facilities: Provision of an adequately equipped district training center in Weerawila, a mobile van with audio visual facilities and vehicles (four jeeps, six motorcycles and 25 bicycles) for extension workers and reference materials for cotton and paddy research works.

2. Pilot Scheme: Establishment of two adequately equipped pilot areas of about 20 hectares each for paddy and one pilot area for about 10 hectares for cotton.

3. Farm Mechanization: Provision of about 45 four-wheel tractors, about 164 power tillers, and spares for both types of tractors, for use by the farmers in the Project area.

4. Training in Water Management.

#### Part D. *Consulting Services*

The provision of approximately 112 man-months of expert services in the fields of engineering, design and construction, and agronomy.

It is expected that Parts A.2, C.1 and C.2 of the Project will be completed by the end of 1982 and the remainder of the Project will be completed by the end of 1984.

## SCHEDULE 2

### ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS

1. The amount of \$4 million equivalent of the total loan amount is to be used for financing foreign expenditures for the Project for such goods or services as may be mutually agreed between the Fund and the Bank. Such amount may be withdrawn from the Loan Account as and when necessary for the payment of the foreign expenditures so financed, up to a maximum of \$4 million equivalent.

2. The amount of \$8 million equivalent of the total loan amount is to be used for financing local expenditures for the Project. Such amount currently represents 58% of the estimated total local expenditures for the Project. The Borrower may withdraw from the Loan Account such percentage of each local expenditure for the Project, up to a maximum of \$8 million equivalent. If the estimated total local expenditures for the Project varies, the Borrower shall consult and agree with the Fund on a varied percentage to be applied for the purposes of withdrawals from the Loan Account.

### SCHEDULE 3

#### EXECUTION OF THE PROJECT AND OPERATION OF PROJECT FACILITIES

1. *Central Coordinating Committee.* (a) The Central Coordinating Committee (hereinafter called the CCC) referred to in Section 1.02(e) of this Loan Agreement shall have as members the Secretary of MIPH (to act as Chairman of the CCC), the Director of ID (to act as Secretary of the CCC) and the Secretary, Ministry of Agriculture and Lands, the Directors of DA, LDD and Rural Institutions, the Land Commissioner, the Commissioner of Cooperative Development, the Conservator of Forests, the Surveyor General, and the General Managers of the Bank of Ceylon, the People's Bank and the State Trading (Tractors) Corporation.

(b) The CCC shall be responsible for the overall execution, coordination, review of, and reporting to the Fund upon the activities of all Government departments, corporations and agencies involved in the carrying out of the Project. The CCC shall hold meetings as often as necessary but at least at intervals of no longer than three months.

2. *Project Office and Project Manager.* (a) The Project Office referred to in Section 1.02(g) of this Loan Agreement shall be established at Tissamaharama in the district of Hambantota prior to the Effective Date of this Loan Agreement. The Project Office shall be headed by the Project Manager supported by adequate technical and administrative staff. DA and LDD shall each assign to the Project Office a Project Officer-in-Charge, for their respective components of the Project, to work closely with the Project Manager.

(b) Upon its establishment, the Project Office shall take over management of the existing irrigation facilities in the Project area from the Territorial Civil Engineering Organization (TCEO). The Project Office shall manage all irrigation facilities in the Project area until its dissolution, after which TCEO will resume authority for such management.

(c) The Project Office shall continue to operate for not less than four years after completion of the entire Project to ensure that Parts B and C of the Project are implemented efficiently and economically.

(d) If it becomes necessary to replace the Project Manager, the Borrower shall, prior to appointing a replacement, seek the acceptance of the Fund of the qualifications and experience of the replacement.

3. *Project Coordinating Committee.* (a) The Project Coordinating Committee (hereinafter called the PCC) referred to in Section 1.02(h) of this Loan Agreement shall have as members the Project Manager (to act as Chairman of the PCC), the Project Officers-in-Charge of LDD and DA, the District Government Agent, Additional District Agricultural Extension Officer, Divisional Revenue Officer, Superintendent of Surveys, Assistant Superintendent of Police, District Land Officer, Assistant Commissioners of Co-op Development and Marketing, Assistant Director of Rural Institutions, and Managers of the Bank of Ceylon and the People's Bank.

(b) The PCC shall be responsible for execution, coordination and review of, and reporting to the CCC upon, the activities in the Project area of all Government departments, corporations, agencies and personnel involved in the carrying out of the Project and in the initial operation and maintenance of the Project facilities. The PCC shall hold meetings as often as necessary but at least at intervals of no longer than one month.

4. *Construction of the Project Facilities.* (a) The ID, with the assistance of the engineering consultants, shall prepare final plans and designs for the works described in Part A of the Project and shall undertake, by force-account, rehabilitation of the existing irrigation system clearing and levelling of land for new irrigation works, construction of new canals, access roads, distributaries, farm ditches and drainage works. The construction of the dam, gated spillway, sluices and related structures shall be carried out, with the assistance of the engineering consultants, by a prequalified local contractor selected after local competitive bidding conducted in a manner acceptable to the Fund.

(b) The LDD shall undertake, by force-account, the provision of the infrastructure and facilities described in Part B of the Project.

(c) The DA, with the assistance of the agronomy consultants, shall undertake the agricultural development described in Part C of the Project. The DA shall use the pilot farms to acquaint and motivate farmers to use appropriate techniques in the Project area.

5. *Farm mechanization.* The tractors to be provided under the Project for use by the farmers shall be procured by DA, through Sri Lanka State Trading (Tractors) Corporation (SLSTC) according to specifications approved by DA. The two-wheel tractors shall be sold to the farmers within the Project area at a price to be specified, and to farmer buyers approved by a committee ("the Tractor Committee") comprising the District Agricultural Extension Officer, Assistant Government Agent, and the District Representative of the Department of Rural Institutions. The four-wheel tractors shall be sold to Agricultural Productivity Committees and to persons approved by the Tractor Committee on condition that the tractors will be used exclusively in the Project area for the purposes of the Project. Credit facilities for the purchase of tractors and farm equipment shall be provided by the People's Bank and the Bank of Ceylon, under credit programs acceptable to the Fund.

6. *Settlement in the Project area.* (a) One hectare of irrigable farm land and 0.2 hectare of homestead land in the Project area shall be provided to each farm family settled in the Project area.

(b) Selection of settlers in the Project area shall be undertaken by the Borrower's Land Commissioner's Department (hereinafter called LCD) on the basis of the following priorities: first, to evacuees from the proposed reservoir site; second, to farm families cultivating or living in the Project area; and third, to other interested applicants from outside the Project area. The applicants in the third category shall be selected in accordance with the then prevailing laws and practices relating to such selection including preference for the landless.

(c) Land clearance in the Project area shall be undertaken in sufficient time to enable evacuees to settle and cultivate their new lands in the Project area immediately upon their evacuation from proposed reservoir site.

(d) During each farmer's initial period of settlement in the Project area, the provision of necessary goods and services to that farmer shall be subsidized, to the extent necessary to enable smooth settlement, in accordance with then prevailing laws and practices relating to such subsidies.

(e) Settlement of farm families in the Project area shall begin from the end of 1982. Approximately seven hamlets shall be constructed annually so that approximately 2,000 farm families may be settled each year. A closely coordinated program of land clearance, infrastructure construction and selection of settlers shall be designed jointly by ID, LDD and LCD to ensure efficient settlement in the Project area.

(f) The Borrower shall ensure that appropriate arrangements, including provision of necessary furniture, equipment and staff, will be made well in time to make the settlement facilities, such as schools and clinics, functional concurrently with the arrival of the settlers in the Project area.

7. *Watershed management.* Prior to the end of 1978, ID shall survey the water catchment areas of the reservoir and prepare and submit to the Bank for its comments a program of watershed management which, in particular, will enhance water catchment and minimize soil erosion and silting of the reservoir.

8. *Water management.* To ensure the efficient use of water in the Project area, the ID shall prepare a viable water management plan for the Project area and submit such plan to the Fund before 30 June 1982 for review and comment. Prior to the completion of the headworks, the ID shall ensure the implementation of the water management plan.

9. *Malaria eradication.* The Borrower's Anti-Malaria Organization, with the assistance of the World Health Organization, shall, as a matter of urgency, take appropriate preventive and remedial measures to eradicate malaria from the Project area.

10. *Supply of agricultural credit, inputs and extension services.* (a) The Borrower shall ensure that the farmers in the Project area have access to adequate credit to enable them to meet their credit requirements. The Borrower shall cause the Bank of Ceylon and the People's Bank to strengthen the supervision of such credit in order to substantially improve the repayment performance of farmers in the Project area.

(b) Sufficient quantities of fertilizers, pesticides and improved seeds shall be made available, in time, to the farmers in the Project area to ensure the most efficient utilization of the Project facilities.

(c) The Borrower shall submit to the Fund, within twelve months after the signing of this Loan Agreement, detailed proposals of the organizational arrangements for supply of all production inputs to farmers in the Project area.

(d) The DA shall assign to the Project area one village-level worker (*Krushikarma Viyapta Sevaka*) to provide agricultural extension services to each 500 farm families and one Agricultural Instructor to supervise the work of each five village-level workers. In addition, the Borrower shall assign to the Project area one woman farm extension worker to provide services to each 1,000 farm families and one Agricultural Instructor to supervise the work of each eight women farm extension workers.

(e) The village level workers and Agricultural Instructors shall follow a prescribed program of work and timetable of activities. This program and timetable shall be prepared on an annual basis from the end of 1981 onwards for a period of five years and shall be submitted promptly to the Fund for information and comments.

11. *Paddy marketing.* The Borrower shall ensure that its Paddy Marketing Board shall, to the extent necessary, expand its operations to enable it to purchase, store, mill and transport paddy produced in the Project area. The Borrower shall expand the operations of its Paddy Marketing Board, and shall extend necessary assistance, including funding, to enable it to carry out this function.

12. *Cotton marketing.* The Borrower shall ensure that the entire cotton crop produced in the Project area shall be purchased by its National Textile Corporation at a guaranteed price based upon production costs. The Borrower shall expand the operations of its National Textile Corporation and shall extend necessary assistance, including funding, to enable it to carry out this function.

13. *Monitoring.* The Borrower and the Fund shall agree on adequate monitoring arrangements for the entire Project in accordance with the policies and criteria of the Fund to be carried out at the cost of the Borrower. For this purpose, the Agrarian Research and Training Institute of the Borrower shall be designated as the monitoring agency. The Borrower shall submit directly to the Fund, within six months after the signing of this Loan Agreement, detailed proposals for monitoring the Project.

14. *Land acquisition.* The Borrower shall ensure that all land (whether State land or private land), properties, rights of way, easements, licenses and other rights or privileges which may be necessary for the Project, will be made available or acquired by the Borrower in sufficient time to avoid any delay in the implementation of the Project.

## GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

### *Article I. PURPOSE: APPLICATION TO LOAN AGREEMENTS AND GUARANTEE AGREEMENTS*

*Section 1.01. PURPOSE.* These General Conditions set forth certain terms and conditions generally applicable to loans made by the Fund.

*Section 1.02. APPLICATION OF GENERAL CONDITIONS.* Any loan agreement with the Fund and any guarantee agreement with the Fund relating to a loan made by the Fund may provide that the parties thereto accept these General Conditions. To the extent and subject to such modifications as shall be provided in any such agreement, these General Conditions shall apply thereto and shall govern the rights and obligations thereunder of the parties thereto with the same force and effect as if they were fully set forth therein. No revocation or amendment of these General Conditions shall be effective in respect of any such agreement unless the parties thereto shall so agree.

*Section 1.03. INCONSISTENCY WITH LOAN AGREEMENTS AND GUARANTEE AGREEMENTS.* If any provision of a loan agreement or guarantee agreement is inconsistent with a provision of these General Conditions, the provision of that agreement shall govern.

### *Article II. DEFINITIONS*

*Section 2.01. DEFINITIONS.* Except where the context otherwise requires, the following terms have the following meanings wherever used in these General Conditions or in a loan agreement or guarantee agreement to which these General Conditions have been made applicable:

1. The term "Fund" means International Fund for Agricultural Development.
2. The term "Member" means a Member of the Fund.
3. The term "Loan Agreement" means the particular loan agreement (including all schedules thereto) whereby the parties thereto accept the application of these General Conditions with the same force and effect as if they were fully set forth therein, as such agreement may be amended from time to time; and such term includes these General Conditions as thus incorporated and all agreements supplemental to the Loan Agreement.
4. The term "Loan" means the loan provided for in the Loan Agreement.
5. The term "Loan Account" means the account opened or to be opened by the Fund on its books in the name of the Borrower to which the amount of the Loan has been or will be credited.
6. The term "Borrower" means the party to the Loan Agreement which is the recipient of the Fund's Loan.
7. The term "Guarantee Agreement" means the particular guarantee agreement (including all schedules thereto) which provides for the guarantee of the Loan and whereby parties thereto accept the application of these General Conditions with the same force and effect as if they were fully set forth therein, as such agreement may be amended from time to time; and such term includes these General Conditions as thus incorporated and all agreements supplemental to the Guarantee Agreement.
8. The term "Guarantor" means the party to the Guarantee Agreement which guarantees the Loan.
9. The term "Project" means the project or programme for which the Loan is made, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between the Fund and the Borrower.
10. The term "Project Executing Agency" means the national entity or entities of a Member responsible for the execution of the Project.

11. The term "Project Agreement" means the project agreement (including all schedules thereto), if any, between the Fund and the Project Executing Agency, as such agreement may be amended from time to time; and such term includes all agreements supplemental to the Project Agreement.

12. The term "Cooperating Institution" means the institution responsible for the administration of the Loan on behalf of the Fund for the purposes of disbursing the proceeds of the Loan and supervising the implementation of the Project.

13. The term "Loan Administration Agreement", if any, means the particular agreement or any other arrangement whereby the Cooperating Institution is vested with the authority to administer the Loan on behalf of the Fund, as such agreement may be amended from time to time.

14. The term "currency" of a state or a territory means such currency as at the time referred to is legal tender for the payment of public and private debts in that state or territory.

15. The term "local currency" means the currency of the Member in whose territory the Project is to be carried out.

16. The term "foreign currency" means any currency other than local currency.

17. The term "freely convertible currency" means any currency so designated by the Fund at any given time.

18. The term "dollars" or the sign "\$" means dollars in the currency of the United States of America.

19. The term "local expenditure" means expenditure made, or to be made, in the currency of the Member in whose territory the Project is to be carried out for goods produced in, and services supplied from the territories of such Member.

20. The term "foreign expenditure" means any expenditure other than local expenditure.

21. The term "external debt" means any debt payable in any medium other than local currency, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium.

22. The term "assets" includes property, revenues and claims of any kind.

23. The term "Effective Date" means the date on which the Loan Agreement and the Guarantee Agreement, if any, shall come into force and effect as provided in Section 10.03.

24. The term "taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Loan Agreement or Guarantee Agreement, or thereafter imposed.

25. The "Closing Date" means the date specified in the Loan Agreement as of which the Fund may by notice to the Borrower terminate the right of the Borrower to withdraw from the Loan Account any amount theretofore unwithdrawn.

26. Wherever reference is made to the incurring of debt, such reference includes the assumption and guarantee of debt.

### *Article III. LOAN ACCOUNT; INTEREST AND OTHER CHARGES; REPAYMENT; PLACE OF PAYMENT*

*Section 3.01. LOAN ACCOUNT.* The amount of the Loan shall be credited to the Loan Account and may be withdrawn therefrom in accordance with the provisions of the Loan Agreement and these General Conditions.

*Section 3.02. INTEREST AND OTHER CHARGES.* Interest and other charges, if any, at the rate specified in the Loan Agreement shall be payable on the amount of the Loan

withdrawn from the Loan Account and outstanding from time to time. Interest and other charges shall accrue from the respective dates on which amounts shall be withdrawn from the Loan Account.

*Section 3.03. COMPUTATION OF INTEREST AND OTHER CHARGES.* Interest and other charges shall be computed on the basis of a 360-day year of twelve 30-day months.

*Section 3.04. REPAYMENTS.* (a) The principal amount of the Loan withdrawn from the Loan Account shall be repayable in accordance with the amortization schedule to the Loan Agreement.

(b) The Borrower shall have the right, upon payment of all accrued interest and other charges, and upon giving 45 days' notice to the Fund (which period of notice may be waived or reduced by the Fund), to repay in advance of maturity (i) all of the principal amount of the Loan at the time outstanding or (ii) all of the principal amount of any one or more maturities, provided that on the date of such prepayment there shall not be outstanding any portion of the Loan maturing after the portion to be prepaid.

*Section 3.05. PLACE OF PAYMENT.* The principal and interest and other charges on the Loan shall be paid at such places as the Fund shall reasonably request.

#### *Article IV. CURRENCY PROVISIONS*

*Section 4.01. DENOMINATION OF THE LOAN.* The amount of the Loan shall be expressed in either of the following manners:

- (a) In the Special Drawing Right (SDR) of the International Monetary Fund,
- (b) In a specified currency (e.g., the "United States dollar"), or
- (c) In various currencies equivalent to an amount in SDRs.

*Section 4.02. CURRENCIES FOR WITHDRAWALS.* Unless the Fund and the Borrower shall otherwise agree, withdrawals from the Loan Account in respect of foreign expenditures shall be made either in the respective currencies in which the cost of goods and services has been paid or is payable, or in such freely convertible currency or currencies as the Fund may from time to time select; provided, however, that for procurement of goods and services from the territories of category III Members, withdrawals shall be in such currencies as the Fund may from time to time prescribe in consultation with the Member concerned.

*Section 4.03. CURRENCIES FOR REPAYMENT OF PRINCIPAL.* (a) The principal of the Loan shall be repayable in the several currencies withdrawn from the Loan Account, and the amount repayable in each currency shall be the amount withdrawn in that currency. If withdrawal shall be made in any currency which the Fund shall have purchased with another currency for the purpose of such withdrawal, the portion of the Loan so withdrawn shall be repayable in such other currency, and the amount so repayable shall be the amount paid by the Fund on such purchase. Notwithstanding the foregoing provisions of this Section, the Borrower and the Fund may agree to substitute any freely convertible currency as the currency of repayment.

(b) Except as the Fund and the Borrower shall otherwise agree, the portion of the Loan to be repaid in any particular currency shall be repayable in such instalments as the Fund shall from time to time specify, provided that the amount of the Loan to be repaid on each maturity date shall remain as set forth in the amortization schedule to the Loan Agreement, including in terms of SDR if any.

*Section 4.04. CURRENCY FOR PAYMENT OF INTEREST.* Interest on any portion of the Loan shall be payable in the currency in which the principal of such portion of the Loan is repayable.

*Section 4.05. CURRENCY FOR PAYMENT OF OTHER CHARGES.* Other charges, if any, on the Loan shall be payable in the currency in which the Loan is denominated or as specified in the Loan Agreement.

*Section 4.06. PURCHASE OF CURRENCIES.* The Fund shall, at the request of the Borrower and on such terms and conditions as the Fund shall determine, use its best efforts to purchase any currency needed by the Borrower for payment of principal, interest and other charges required under the Loan Agreement upon payment by the Borrower of sufficient funds therefor in a currency or currencies to be specified by the Fund from time to time. In purchasing the currencies required, the Fund shall be acting as agent of the Borrower and the Borrower shall be deemed to have made any payment required under the Loan Agreement only when and to the extent that the Fund has received such payment in the currency or currencies required.

*Section 4.07. VALUATION OF CURRENCIES.* Whenever it shall be necessary for the purposes of the Loan Agreement or the Guarantee Agreement, if any, to determine the value of one currency in terms of another or the SDR, the value of one currency in terms of another shall be as reasonably determined by the Fund and the value of a currency in the SDR shall be calculated in accordance with Article 5.2(a) of the Agreement Establishing the Fund.

*Section 4.08. MANNER OF PAYMENT.* (a) Any payment required under the Loan Agreement or the Guarantee Agreement, if any, to be made to the Fund in the currency of any State shall be made in such manner, and in the currency acquired in such manner, as shall be permitted under the laws of such State for the purpose of making such payment and effecting the deposit of such currency to the account of the Fund with a depository of the Fund in such State.

(b) Where either the Borrower or the Guarantor, if any, is a Member, such Member shall ensure that the principal of, and interest and other charges on, the Loan are paid without restrictions of any kind imposed by, or in the territory of, such Member. Where either the Borrower or the Guarantor, if any, is not a Member, the Borrower shall obtain and, prior to the effective date of the Loan Agreement, furnish to the Fund evidence of an assurance from the Member concerned that the principal of, and interest and other charges on, the Loan will be paid without restrictions of any kind imposed by, or in the territory of, such Member.

#### *Article V. COOPERATING INSTITUTION*

*Section 5.01. RESPONSIBILITIES OF COOPERATING INSTITUTION.* (a) To administer the Loan, the Fund shall appoint a suitable and competent institution acceptable to the Borrower and the Guarantor, if any.

(b) The Cooperating Institution shall be responsible for:

- (i) Such reviews and approvals as the Cooperating Institution shall consider necessary for procurement of goods and services under the Loan;
- (ii) Such periodic inspection of the Project as shall be considered necessary by the Cooperating Institution;
- (iii) Issuing such instructions to the Borrower and the Project Executing Agency as the Cooperating Institution shall consider necessary for efficient and proper implementation and initial operation of the Project;
- (iv) Disbursing the proceeds of the Loan;
- (v) Bringing to the attention of the Fund any substantial violation or non-compliance by the Borrower and the Guarantor, if any, or the Project Executing Agency of any covenant of the Loan Agreement and the Guarantee Agreement, if any, and recommending to the Fund the remedy for any such default; and
- (vi) Carrying out such other functions as may be necessary for proper supervision of the implementation of the Project or disbursement of proceeds of the Loan as agreed between the Fund and the Cooperating Institution.

*Section 5.02. EXTENT OF COOPERATING INSTITUTION'S RESPONSIBILITY.* Except as otherwise agreed between the Fund and the Cooperating Institution, the Cooperating Institution shall have exclusive responsibility in respect of the matters referred to in Section 5.01(b) above. Any action by the Cooperating Institution pursuant to its responsibilities thereto shall be regarded and treated by the Borrower, the Guarantor, if any, and the Project Executing Agency as action taken by the Fund.

*Section 5.03. LOAN ADMINISTRATION AND THE FUND'S POLICIES.* The Cooperating Institution shall administer the Loan in accordance with the regulations, criteria and policies of the Fund prescribed from time to time and communicated to the Institution.

*Section 5.04. ACTION BY THE BORROWER, THE GUARANTOR, AND THE PROJECT EXECUTING AGENCY TO ENABLE THE COOPERATING INSTITUTION TO CARRY OUT ITS FUNCTIONS.* The Borrower, the Guarantor, if any, and the Project Executing Agency shall take all such steps as shall be necessary to enable the Cooperating Institution to carry out its functions smoothly and effectively.

#### *Article VI. WITHDRAWAL OF LOAN PROCEEDS*

*Section 6.01. WITHDRAWAL FROM THE LOAN ACCOUNT.* (a) Subject to any conditions or restrictions specified in the Loan Agreement, the Borrower shall be entitled to withdraw from the Loan Account such amounts as shall have been paid or, if the Fund shall so agree, such amounts as shall be required to meet payments to be made, for the reasonable cost of goods and services and any other expenditures required for the Project and to be financed under the Loan Agreement.

(b) Except as the Fund and Borrower shall otherwise agree, no withdrawals shall be made on account of payments made or due prior to the effective date of the Loan Agreement.

*Section 6.02. SPECIAL COMMITMENTS BY THE FUND.* Upon the Borrower's request and upon such terms and conditions as shall be agreed upon between the Fund and the Borrower, the Fund may enter into special commitments to pay amounts in respect of the cost of goods and services to be financed under the Loan Agreement notwithstanding any subsequent suspension or cancellation.

*Section 6.03. APPLICATION FOR WITHDRAWAL.* When the Borrower shall desire to withdraw any amount from the Loan Account or to request the Fund to enter into a special commitment pursuant to Section 6.02, the Borrower shall deliver to the Cooperating Institution an application in such form and containing such statements and agreements, as the Cooperating Institution shall reasonably request. Applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall be made promptly in relation to expenditures for the Project.

*Section 6.04. SUFFICIENCY OF APPLICATIONS AND DOCUMENTS.* Each application for withdrawal and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Cooperating Institution that the Borrower is entitled to withdraw from the Loan Account the amount specified and that the amount to be withdrawn from the Loan Account is to be used only for the purposes specified in the Loan Agreement.

*Section 6.05. SUPPORTING EVIDENCE.* The Borrower shall furnish to the Cooperating Institution such documents and other evidence in support of the application for withdrawal as the Cooperating Institution shall reasonably request, whether before or after the Cooperating Institution shall have permitted any withdrawal requested in the application.

*Section 6.06. EVIDENCE OF AUTHORITY TO SIGN APPLICATIONS.* The Borrower shall furnish to the Cooperating Institution evidence, satisfactory to the Cooperating Institution, of the authority of the person or persons authorized to sign applications for

withdrawal and the authenticated specimen signature of each such person, all in accordance with the provisions of Sections 12.02 and 12.03.

*Section 6.07. PAYMENT BY THE COOPERATING INSTITUTION.* Payment by the Cooperating Institution of amounts which the Borrower is entitled to withdraw from the Loan Account shall be made to or on the order of the Borrower.

#### *Article VII. COOPERATION; INFORMATION*

*Section 7.01. COOPERATION.* The Fund, the Cooperating Institution, the Borrower and the Guarantor, if any, shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

*Section 7.02. REPORTING.* (a) The Borrower and the Guarantor, if any, shall furnish or cause to be furnished to the Cooperating Institutions such reports and information as the Cooperating Institution shall reasonably request on any matters relating to the Project, the Project Executing Agency and the Loan.

(b) The Borrower and the Guarantor, if any, shall promptly inform the Fund and the Cooperating Institution of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of their respective obligations under the Loan Agreement and the Guarantee Agreement, if any, the performance by the Project Executing Agency of its obligations under the Project Agreement, if any, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

*Section 7.03. EXCHANGE OF VIEWS.* The Fund, the Cooperating Institution, the Borrower and the Guarantor, if any, shall from time to time, at the request of any one of them, exchange views through their representatives with regard to the progress of the Project, the performance of their respective obligations under the Loan Agreement and the Guarantee Agreement, if any, the performance by the Project Executing Agency of its obligations under the Project Agreement, if any, and any other matter relating to the Project, the Project Executing Agency and the Loan.

*Section 7.04. INFORMATION.* Where either the Borrower or the Guarantor, if any, is a Member, such Member shall furnish to the Fund all such information as the Fund may reasonably request with respect to financial and economic conditions in its territory, including its balance of payments and its external debt, and the accomplishment of the purposes of the Loan.

*Section 7.05. VISITS FOR LOAN PURPOSES.* Where either the Borrower or the Guarantor, if any, is a Member, such Member shall afford all reasonable opportunity for representatives of the Fund or of the Cooperating Institution to visit any part of its territory for purposes related to the Loan.

#### *Article VIII. EXEMPTION FROM TAXATION*

*Section 8.01. EXEMPTION FROM TAXATION.* (a) Where either the Borrower or the Guarantor, if any, is a Member, such Member shall ensure that:

- (i) The principal of, and interest and other charges on, the Loan are exempt from, and shall be paid without deduction for and free from any taxes and all restrictions imposed by, or in the territory of, such Member; and
- (ii) The Loan Agreement, the Guarantee Agreement, if any, and the Project Agreement, if any, are exempt from any taxes levied by, or in the territory of, such Member on or in connection with the execution, delivery or registration thereof.

(b) Where the Borrower is not a Member, the Borrower shall obtain and, prior to the Effective Date of the Loan Agreement, furnish to the Fund evidence of an assurance from the Member concerned that:

- (i) The principal of, and interest and other charges on, the Loan shall be exempt from and be paid without deduction for and free from any taxes, imposed by, or in the territory of, such Member; and

- (ii) The Loan Agreement, the Guarantee Agreement, if any, and the Project Agreement, if any, shall be exempt from any taxes levied by, or in the territory of, such Member on or in connection with the execution, delivery or registration thereof.

*Article IX. SUSPENSION; CANCELLATION; ACCELERATION OF MATURITY*

*Section 9.01. CANCELLATION BY THE BORROWER.* After consultation with the Fund and with the concurrence of the Guarantor, if any, the Borrower may by notice to the Fund and the Cooperating Institution cancel any amount of the Loan which the Borrower shall not have withdrawn prior to the giving of such notice, except as provided in Section 9.04.

*Section 9.02. SUSPENSION BY THE FUND.* If any of the following events shall have occurred and be continuing, the Fund may by notice to the Borrower and the Guarantor, if any, suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account:

- (a) The Borrower shall have failed to make payment (notwithstanding the fact that such payment may have been made by the Guarantor, if any, or a third party) of principal, interest or any other charge required under (i) the Loan Agreement or (ii) any other loan agreement or guarantee agreement with the Fund.
- (b) The Guarantor, if any, shall have failed to make payment of principal, interest or any other charge required under (i) the Guarantee Agreement or (ii) any other loan agreement or guarantee agreement with the Fund.
- (c) The Borrower or the Guarantor, if any, shall have failed to perform any other obligation under the Loan Agreement, the Guarantee Agreement, if any, or the Loan Administration Agreement, if any.
- (d) The Project Executing Agency shall have failed to perform any of its obligations under the Project Agreement, if any.
- (e) The Fund shall have suspended in whole or in part the right of the Borrower or the Guarantor, if any, to make withdrawals under any other loan agreement with the Fund because of a failure by the Borrower or the Guarantor to perform any of its obligations under such loan agreement or any related guarantee agreement with the Fund.
- (f) A situation shall have arisen or developed which in the reasonable opinion of the Fund will or may make it improbable that the Project can be successfully carried out or that the Borrower, the Guarantor, if any, or the Project Executing Agency, if any, will be able to perform any of its obligations under the Loan Agreement, the Guarantee Agreement, the Project Agreement or the Loan Administration Agreement, if any.
- (g) The Member in whose territory the Project is to be carried out shall have been suspended from membership in, or ceased to be a Member of, the Fund, or shall have delivered a notice to withdraw from the Fund.
- (h) A representation made by the Borrower or the Guarantor, if any, in or pursuant to the Loan Agreement or the Guarantee Agreement, or any statement furnished in connection therewith and intended to be relied upon by the Fund in making the Loan, shall have been incorrect in any material respect, or where the Borrower is not a Member, any material adverse change in the condition of the Borrower as so represented by the Borrower shall have occurred in the reasonable opinion of the Fund.
- (i) Where the Borrower is not a Member, the Borrower shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by the Borrower or by others whereby any of the assets of the Borrower shall or may be distributed among its creditors.
- (j) Where the Borrower is not a Member, the Member in whose territory the Project is to be carried out or any other authority having jurisdiction shall have taken any

action for the dissolution or disestablishment of the Borrower or for the suspension of its operations.

- (k) Any authority having jurisdiction shall have taken action for the dissolution or disestablishment of the Project Executing Agency or for suspension of its operations.
- (l) Any other event specified in the Loan Agreement for the purposes of this Section shall have occurred.

The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension have, in the reasonable opinion of the Fund, ceased to exist or until the Fund shall have notified the Borrower that the right to make withdrawals has been restored in whole or in part, whichever is the earlier.

*Section 9.03. CANCELLATION BY THE FUND.* If (i) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty (30) days, or (ii) at any time the Fund determines, after consultation with the Borrower, that any amount of the Loan will not be required for the purposes of the Project, or (iii) by the date specified in the Loan Agreement as the Closing Date for withdrawals an amount of the Loan shall remain unwithdrawn from the Loan Account, the Fund may by notice to the Borrower and the Guarantor, if any, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled.

*Section 9.04. AMOUNTS SUBJECT TO SPECIAL COMMITMENT.* No cancellation or suspension shall apply to amounts subject to any special commitment entered into by the Fund pursuant to Section 6.02, except as expressly provided in such commitment.

*Section 9.05. APPLICATION OF CANCELLATION.* Except as the Fund and the Borrower shall otherwise agree, any cancellation shall be applied *pro rata* to the several maturities of the principal amount of the Loan which shall mature after the date of such cancellation.

*Section 9.06. EFFECTIVENESS OF PROVISIONS AFTER SUSPENSION OR CANCELLATION.* Notwithstanding any cancellation or suspension, all the provisions of the Loan Agreement, the Guarantee Agreement, if any, and the Project Agreement, if any, and the Loan Administration Agreement, if any, shall continue in full force and effect except as in this Article specifically provided.

*Section 9.07. ACCELERATION OF MATURITY.* If any of the following events shall have occurred and continued for the period, if any, specified below, then at any subsequent time during the continuance thereof the Fund, at its option, may by notice to the Borrower and the Guarantor, if any, declare the principal of the Loan then outstanding, together with all accrued interest and other charges thereon, to be due and payable immediately, and upon any such declaration such principal, interest and other charges shall become due and payable immediately:

- (a) Any event specified in paragraph (a) or (b) of Section 9.02 shall have occurred and continued for a period of thirty (30) days.
- (b) Any event specified in paragraph (c) or (d) of Section 9.02 shall have occurred and continued for a period of sixty (60) days after notice thereof shall have been given by the Fund to the Borrower and the Guarantor, if any.
- (c) Any event specified in paragraph (h) or (j) of Section 9.02 shall have occurred.
- (d) Any other event specified in the Loan Agreement for the purposes of this Section shall have occurred and continued for the period, if any, specified in the Loan Agreement.

*Section 9.08.* INFORMATION TO COOPERATING INSTITUTIONS. The Fund shall promptly inform the Cooperating Institution of any action taken under Sections 9.02, 9.03, and 9.07.

*Article X.* EFFECTIVENESS; TERMINATION

*Section 10.01.* CONDITIONS PRECEDENT TO EFFECTIVENESS. The Loan Agreement and the Guarantee Agreement, if any, shall not become effective until evidence satisfactory to the Fund shall have been furnished to the Fund that:

- (a) The execution of the Loan Agreement on behalf of the Borrower has been duly authorized or ratified by all necessary corporate and governmental action;
- (b) Where there is a Guarantee Agreement, the execution of the Guarantee Agreement on behalf of the Guarantor has been duly authorized or ratified by all necessary corporate and governmental action;
- (c) Where the Borrower is an entity other than the Member, the condition of the Borrower, as represented to the Fund at the date of the Loan Agreement, has undergone no material adverse change between such date and the date specified by the Fund for the purposes of this Section, provided that the Fund shall have requested such evidence;
- (d) Where the Borrower is not a Member, the requirements of Sections 4.08(b) and 8.01(b) have been fulfilled; and
- (e) All other events specified in the Loan Agreement as additional conditions to its effectiveness have occurred.

*Section 10.02.* LEGAL OPINIONS. As part of the evidence to be furnished pursuant to Section 10.01, the Fund may request the Borrower to furnish, or cause to be furnished, to the Fund an opinion or opinions satisfactory to the Fund of counsel acceptable to the Fund or, if the Fund shall so request, a certificate satisfactory to the Fund of a competent official of the Member which is the Borrower or the Guarantor, showing:

- (a) On behalf of the Borrower, that the Loan Agreement has been duly authorized or ratified by, and executed on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms;
- (b) On behalf of the Guarantor, if any, that the Guarantee Agreement has been duly authorized or ratified by, and executed on behalf of, the Guarantor and is legally binding upon the Guarantor in accordance with its terms; and
- (c) Such other additional matters as shall be specified in the Loan Agreement or the Guarantee Agreement, if any.

*Section 10.03.* EFFECTIVE DATE. Except as the Fund and the Borrower shall otherwise agree, the Loan Agreement and the Guarantee Agreement, if any, shall come into force and effect on the date upon which the Fund dispatches to the Borrower and to the Guarantor notice of its acceptance of the evidence required by Section 10.01.

*Section 10.04.* TERMINATION FOR FAILURE TO BECOME EFFECTIVE. If the Loan Agreement shall not have come into force and effect by the date specified in the Loan Agreement for the purposes of this Section, the Loan Agreement and the Guarantee Agreement, if any, and all obligations of the parties thereunder shall terminate, unless the Fund, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section. The Fund shall promptly notify the Borrower and the Guarantor, if any, of such later date.

*Section 10.05.* TERMINATION ON FULL PAYMENT. If and when the entire principal amount of the Loan withdrawn from the Loan Account and all interest and other charges which shall have accrued on the Loan shall have been paid, the Loan Agreement, the Guarantee Agreement, if any, the Project Agreement, if any, and the Loan Administration Agreement, if any, and all obligations of the parties thereunder shall forthwith terminate.

*Article XI. ENFORCEABILITY; FAILURE TO EXERCISE RIGHTS; ARBITRATION*

*Section 11.01. ENFORCEABILITY.* (a) The rights and obligations of the Fund and the Borrower under the Loan Agreement and of the Fund and the Guarantor under the Guarantee Agreement, if any, shall be valid and enforceable in accordance with their terms and, where either the Borrower or the Guarantor is a Member, notwithstanding the law of any State, or political subdivision thereof, to the contrary.

(b) Neither the Fund nor the Borrower nor the Guarantor, if any, shall be entitled in any proceeding under this Article to assert any claim that any provision of these Regulations or the Loan Agreement or the Guarantee Agreement, if any, is invalid or unenforceable because of any provision of the Agreement Establishing the Fund.

*Section 11.02. OBLIGATIONS OF THE GUARANTOR.* The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof; any failure of the Borrower to comply with any requirement of any law, regulation or order of the Member in whose territory the Project is to be carried out or of any political subdivision or agency of such Member.

*Section 11.03. FAILURE TO EXERCISE RIGHTS.* No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Loan Agreement or the Guarantee Agreement, if any, upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other subsequent default.

*Section 11.04. ARBITRATION.* (a) Any controversy between the parties to the Loan Agreement, if any, and any claim by any such party against any other such party arising under the Loan Agreement or the Guarantee Agreement, if any, which shall not be settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Fund on the one side and the Borrower and the Guarantor, if any, on the other side.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Fund; a second arbitrator shall be appointed by the Borrower and the Guarantor, if any, or where applicable, if they shall not agree, by the Guarantor; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either side shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party or parties. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought and the name of the arbitrator appointed by the party instituting such proceeding. Within thirty (30) days after the giving of such notice, the

other party or parties shall notify the party instituting the proceeding of the name of the arbitrator appointed by such other party or parties.

(e) If within sixty (60) days after the giving of the notice instituting the arbitration proceeding the parties shall not have agreed upon the Umpire, any party may request the appointment of the Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Loan Agreement and the Guarantee Agreement, if any. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the Fund on the one side and the Borrower and the Guarantor, if any, on the other side. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to the Loan Agreement and the Guarantee Agreement, if any, and any claim by either party against the other such party arising thereunder.

(k) If within thirty (30) days after the counterparts of the award have been delivered to the parties the award shall not be complied with, any party may enter judgement upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party, and may enforce such judgement by execution or may pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Loan Agreement or the Guarantee Agreement, if any. Notwithstanding the foregoing, this Section shall not authorize any entry of judgement or enforcement of the award against any party that is a Member except as such procedure may be available otherwise than by reason of the provisions of this Section.

(l) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 12.01. The parties to the Loan Agreement and the Guarantee Agreement, if any, waive any and all other requirements for the service of any such notice or process.

## *Article XII. MISCELLANEOUS PROVISIONS*

*Section 12.01. NOTICES AND REQUESTS.* Any notice or request required or permitted to be given or made under the Loan Agreement or the Guarantee Agreement, if any, and any other agreement between any of the parties contemplated by the Loan Agree-

ment or the Guarantee Agreement, if any, shall be in writing. Except as otherwise provided in Section 10.03, such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address specified in the Loan Agreement or the Guarantee Agreement, if any, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

*Section 12.02. AUTHORITY TO TAKE ACTION.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Loan Agreement or the Guarantee Agreement, if any, on behalf of the Borrower or the Guarantor, as the case may be, may be taken or executed by the representative of the Borrower or the Guarantor designated in the Loan Agreement or the Guarantee Agreement for the purpose of this Section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of the Loan Agreement or the Guarantee Agreement, if any, may be agreed to on behalf of the Borrower or the Guarantor, as the case may be, by written instrument executed on behalf of the Borrower or the Guarantor by the representative so designated or any person thereunto authorized in writing by him; provided that, in the opinion of such representative or other person, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Loan Agreement or of the Guarantor under the Guarantee Agreement, as the case may be. The Fund may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative or other person any modification or amplification of the provisions of the Loan Agreement or the Guarantee Agreement, if any, effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower or of the Guarantor thereunder.

*Section 12.03. EVIDENCE OF AUTHORITY.* The Borrower and the Guarantor, if any, shall furnish to the Fund sufficient evidence of the authority of the person or persons who will, on behalf of the Borrower or the Guarantor, take any action or execute any documents required or permitted to be taken or executed by the Borrower under the Loan Agreement or by the Guarantor under the Guarantee Agreement, and the authenticated specimen signature of each such person.

*Section 12.04. EXECUTION IN COUNTERPARTS.* The Loan Agreement, the Guarantee Agreement, if any, the Project Agreement, if any, the Loan Administration Agreement, if any, may be executed in several counterparts, each of which shall be an original.

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