

No. 18322

**INTERNATIONAL FUND
FOR AGRICULTURAL DEVELOPMENT
and
INDIA**

Loan Agreement—*Bhima Command Area Development Project* (with schedules and General Conditions applicable to Loan and Guarantee Agreements of the Fund dated 11 April 1978, as amended on 11 December 1978). Signed at Rome on 11 October 1979

Authentic text of the Agreement: English.

Authentic texts of the General Conditions of 11 December 1978: Arabic, English, French and Spanish.

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

**FONDS INTERNATIONAL
DE DÉVELOPPEMENT AGRICOLE
et
INDE**

Accord de prêt — *Projet de mise en valeur de la zone de liaison de Bhima* (avec annexes et Conditions générales applicables aux accords de prêt et de garantie du Fonds en date du 11 avril 1978, telles que modifiées le 11 décembre 1978). Signé à Rome le 11 octobre 1979

Texte authentique de l'Accord : anglais.

Textes authentiques des Conditions générales du 11 décembre 1978 : arabe, anglais, français et espagnol.

Enregistré par le Fonds international de développement agricole le 26 février 1980.

LOAN AGREEMENT¹ (*BHIMA COMMAND AREA DEVELOPMENT PROJECT*) BETWEEN INDIA AND INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Dated 11 October 1979

Loan No. 23-IN

LOAN AGREEMENT

LOAN AGREEMENT dated 11 October 1979 between INDIA, acting by its President (hereinafter called the Borrower), and the 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 Project shall be carried out by the State of Maharashtra (hereinafter called Maharashtra), and for this purpose the Borrower shall make available to Maharashtra the proceeds of the Loan provided for herein upon terms and conditions hereinafter set forth;

NOW THEREFORE, the parties hereto agree as follows:

Article I. GENERAL CONDITIONS; DEFINITIONS; COOPERATING INSTITUTION

Section 1.01. All the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Fund dated 11 April 1978,² as amended 11 December 1978,³ 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 (said General Conditions Applicable to Loan and Guarantee Agreements as so modified being hereinafter called the General Conditions):

Paragraph (b) of Section 6.01 shall read:

“(b) No withdrawals shall be made on account of payments made prior to the date of this Loan Agreement.”

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

(a) “Project Area” means the command area in the Krishna basin extending downstream of the dam at Ujani on the left and right banks of the Bhima and Sina Rivers;

(b) “Project Facilities” means the parts of the Project as they are completed; and

¹ Came into force on 14 December 1979 by notification from the Fund to the Government of India, in accordance with its section 5.01 and with sections 10.01 and 10.02 of the General Conditions.

² See p. 135 of this volume.

³ See p. 379 of this volume.

(c) "CADA" means the Command Area Development Authority of the Project responsible to the Command Area Development Commissioner of Maharashtra.

Section 1.03. The International Development Association is agreed to be appointed as the Cooperating Institution for the administration of the Loan, with the responsibilities set forth in Article V of the General Conditions.

Section 1.04. Except where specifically provided in this Loan Agreement and the General Conditions, or requested by the Fund, the Borrower shall directly furnish to the Cooperating Institution and address all communications to such Institution on all matters referred to in Sections 3.02 to 3.05 and 4.01 to 4.12 of this Loan Agreement and Schedules 3 and 4 to this Agreement, and Sections 6.01 to 6.07 of the General Conditions.

Section 1.05. If for any reason a change of the Cooperating Institution becomes necessary, such a change shall be made by agreement between the Borrower and the Fund in consultation with the Institution administering the Loan.

Article II. THE LOAN

Section 2.01. The Fund agrees to lend to the Borrower, on terms and conditions in this Loan Agreement set forth or referred to, an amount equivalent to thirty eight million five hundred thousand Special Drawing Rights (SDRs 38,500,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account and used for the Project in accordance with the provisions of this Agreement.

Section 2.03. 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 2.04. Except as the Fund and the Borrower shall otherwise agree, 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 2.05. The service and any other charge on the Loan shall be payable semi-annually on 1 April and 1 October in each year, in the currency specified in Section 2.07 of this Agreement.

Section 2.06. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in equal semi-annual installments of SDRs 481,250 payable on each 1 April and 1 October, commencing 1 October 1989 and ending 1 April 2029, in the currency specified in Section 2.07 of this Agreement.

Section 2.07. Except as the Borrower and the Fund shall otherwise agree, the Borrower shall repay the principal amount of the Loan and pay the interest and other charges due on the Loan in the currency of the United States of America.

Article III. USE OF PROCEEDS OF THE LOAN AND WITHDRAWALS FROM THE LOAN ACCOUNT

Section 3.01. The Borrower shall make the proceeds of the Loan available to Maharashtra in accordance with the Borrower's standard arrangement for development assistance to the States of India.

Section 3.02. The Borrower shall cause Maharashtra to apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.03. 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 by further agreement between the Borrower and the Fund.

Section 3.04. Except as the Borrower and the Fund shall otherwise agree, all goods, services and civil works to be financed out of the proceeds of the Loan shall be procured by Maharashtra in accordance with the procedures set forth in Schedule 3 to this Loan Agreement.

Section 3.05. Except as the Borrower and the Fund shall otherwise agree, the Borrower shall cause Maharashtra to use all goods and services financed out of the proceeds of the Loan exclusively in the carrying out of the Project.

Section 3.06. The closing date for withdrawals from the Loan Account for the purposes of Section 9.03 (iii) 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 Fund.

Article IV. PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause Maharashtra to: (i) carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial and engineering practices; and (ii) operate and maintain the Project facilities in accordance with procedures mutually satisfactory to the Borrower and the Fund.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall cause Maharashtra to perform all obligations set forth in this Loan Agreement in the manner as if they were the legally binding obligations of Maharashtra.

Section 4.02. The Borrower shall cause Maharashtra to make available, promptly as needed, the funds, facilities, services 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. The Borrower shall cause the Project to be carried out in accordance with plans, specifications, work schedules and construction methods acceptable to Maharashtra and the Fund. The Borrower shall furnish or cause to be furnished to the Fund, promptly after their preparation, such plans, design standards, specifications, contract documents and work and procurement schedules for the Project, and any material modifications subsequently made therein, in such detail as the Fund shall reasonably request.

Section 4.04. The Borrower shall cause Maharashtra to make arrangements satisfactory to the Fund for insurance of 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 any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 4.05. The Borrower shall cause Maharashtra to: (i) maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Loan, and to disclose their use in the Project; (ii) maintain separate accounts for the Project; (iii) have such accounts and related financial statements audited annually, in accordance with sound auditing principles, by the auditors of the State of Maharashtra; (iv) furnish both to the Fund and the Cooperating Institution, as soon as available but in any event not later than twelve 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, of such scope and in such detail as the Fund or the Cooperating Institution shall reasonably request.

Section 4.06. Without limiting the generality of Section 4.03 of this Agreement, the Borrower shall cause Maharashtra to ensure that design standards and construction of various structures under the Project are carried out in accordance with appropriate engineering standards satisfactory to the Borrower and the Fund. To this effect Maharashtra shall make necessary staff available to: (i) cover the survey, planning and design of the minor distribution system, and (ii) provide quality control of construction and physical performance of the Project.

Section 4.07. In order to maintain quality control of the Project works, the Borrower shall cause Maharashtra to:

- (a) Establish a quality control unit in the irrigation scheme under the Project by 1 January 1980; and
- (b) Appoint a senior engineer in Maharashtra's Department of Irrigation, who shall be responsible for the quality control unit related to the Project.

Section 4.08. The Borrower shall cause Maharashtra to:

- (a) Establish by 1 October 1980 and maintain a training program for land development and water management specialists;
- (b) Establish within Command Area Development Organization a cadre of land development and water management specialists and fill the established posts in the cadre as and when each distributary block is commissioned and as and when the staff trained under the training program referred to at (a) above becomes available;
- (c) Establish in consultation with the Fund, new water allocation procedures in the Project Area, such procedures to be in effect in each distributary block not later than two years after the first water delivery;
- (d) Establish in consultation with the Fund a training and visit agricultural extension scheme in the Project Area, such scheme to be in effect in each distributary block not later than two years after the first water delivery;
- (e) Take all necessary measures to minimize malaria and other water-related diseases in the Project Area;
- (f) Cause the canal systems included in the Project to be operated and maintained in accordance with sound engineering practices and to provide CADA with sufficient funds to carry out the said operation and maintenance; and
- (g) Maintain all the roads under the Project in accordance with sound engineering practices and to this effect Maharashtra shall provide promptly as needed, the funds, facilities and other resources required.

Section 4.09. Maharashtra shall be caused to:

- (a) Complete by 31 December 1980 a review of its existing water and water-related charges in Maharashtra;
- (b) Commence by 1 July 1981, experimental schemes with different systems of volumetric charges to promote efficient water use by consumers, said schemes to be based on the findings of the review referred to in sub-section (a) above and comments by the Fund and the Cooperating Institution on the said review; and
- (c) Commence by 31 December 1983 a system of volumetric charges based on the evaluation of the experimental schemes referred to in sub-section (b) above. The system shall ensure direct recovery of annual operation and maintenance costs and, to the extent possible, cost of infrastructure investment, having regard, *inter alia*, to the incentive and repayment capacity of farmers and the overall budgetary requirements of Maharashtra.

Section 4.10. The Borrower shall cause Maharashtra to establish by 1 January 1980, in consultation with the Cooperating Institution, in the office of the Command Area Development Commissioner, a Project monitoring and evaluation unit satisfactory to the Fund. The unit shall, among other responsibilities, monitor on a continuing basis economic and social impact of the Project, in accordance with the Fund's criteria and guidelines for such monitoring. A detailed plan of the responsibilities, functions and organization of the unit shall be submitted by Maharashtra to the Fund and the Cooperating Institution for their comments sufficiently in advance of the date specified herein for the establishment of the unit.

Section 4.11. The Borrower shall cause Maharashtra to: (i) enable the Fund's and the Cooperating Institution's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (ii) furnish to the Fund and the Cooperating Institution at regular intervals all such information as the Fund or the Cooperating Institution shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditures of such proceeds and the goods and services financed out of such proceeds.

Section 4.12. The Borrower shall cause Maharashtra to continue after the completion of the Project the development of Bhima Irrigation Scheme and to complete it as soon as it is technically and financially feasible to do so.

Article V. EFFECTIVE DATE; TERMINATION

Section 5.01. The date 9 January 1980 is hereby specified for the effectiveness of the Loan for the purposes of Section 10.04 of the General Conditions.

Article VI. REPRESENTATIVES OF THE BORROWER; ADDRESSES

Section 6.01. Any Secretary, Additional Secretary, Joint Secretary, Director or Deputy Secretary of the Department of Economic Affairs in the Ministry of Finance is designated as representative of the Borrower for the purposes of Section 12.02 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 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

Telex Nos.:

For the Fund:

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

Cable Address:
IFAD, Rome

Telex Nos.:
614160 IFAD Rome
614162 IFAD Rome

For the Cooperating Institution:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Cable Address:
INDEVAS
WASHINGTON, D.C.

Telex:
440098 (ITT)
248423 (RCA) or
64145 (WUI)

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.

India:

By: A. DAMODARAN
Authorized Representative

International Fund for Agricultural Development:

By: A. SUDEARY
President

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project is a part of the on-going construction of Bhima irrigation scheme and consists of:

- (a) Completion of the Ujani Dam.
- (b) Completion of earthwork, structures and lining of the full length of Ujani Left Bank canal to serve a command area of approximately 58,600 ha.
- (c) Completion of all works on about 15 km of the Right Bank canal to serve an area of about 3,000 ha. Continuing work on additional length of the canal.
- (d) Completion of an unlined distribution network for approximately 52,000 ha (down to farmgate).
- (e) Lining of distribution networks to the 8 ha level for a service area of about 27,000 ha.
- (f) Construction and modernization of about 300 km of link roads in the Command Area.
- (g) Construction of drainage systems, particularly in the flat areas with deep soils.
- (h) Provision of buildings, vehicles and equipment for the Project works, operation and maintenance and agricultural extension.

The Project is expected to be completed in October 1984.

SCHEDULE 2

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in SDRs)</i>	<i>% of Expenditures to be financed</i>
I. Civil Works	33,880,000	60%
II. Equipment and Vehicles	2,700,000	100% of foreign expenditures; or 100% of ex-factory cost; or 70% of other local expen- ditures.
III. Unallocated	<u>1,920,000</u>	
TOTAL	<u><u>38,500,000</u></u>	

2. For the purposes of this Schedule:

(a) The term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower; and

(b) The term "local expenditures" means expenditures in the currency of the Borrower and for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Fund has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Fund may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Fund are not needed to meet other expenditures, and (ii), if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 3

PROCUREMENT

A. General

1. Except as the Fund shall otherwise agree, the procedure set forth in the following paragraphs of this Schedule shall apply in the procurement of goods, services and civil works to be financed out of the proceeds of the Loan. In the carrying out of the Project, the Borrower shall cause competent contractors to be employed to an extent and upon terms and conditions satisfactory to Maharashtra and the Fund. All procurement shall be free of any duties, levies or taxes under the laws of the Borrower or any of its territory.

2. Procurement of goods and services shall be subject to the provisions of "Guidelines for Procurement Under Financial Assistance from International Fund for Agricultural Development," as they may be amended from time to time.

B. International Competitive Bidding

3. Each contract for the main canal works and contracts for the supply of equipment and vehicles, except as provided in Part C hereof, shall be awarded through international competitive bidding.

4. For goods and works to be procured on the basis of international competitive bidding, in addition to the requirements of paragraph 1.2 of the Guidelines, Maharashtra shall prepare and forward to the Fund as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Fund shall reasonably request; the Fund shall arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. Maharashtra shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

5. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding: (i) the bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically manufactured goods; (ii) custom duties and other import taxes on imported goods, and sales and similar taxes on domestically supplied goods, shall be excluded; and (iii) the cost to Maharashtra of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

C. Other Procurement Procedures

6. Contracts for civil works on the main canals estimated to cost the equivalent of \$6,000,000 or less, and for other civil works, may be awarded on the basis of local competitive bidding in accordance with the procedures satisfactory to the Fund.

7. Manufacturing and installation of gates for the dam and canals may be carried out departmentally.

8. Contracts for light equipment and vehicles may be awarded on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Fund.

D. *Review of Procurement Decisions*

9. Review of invitations to bid and of proposed awards and final contracts:

With respect to all contracts estimated to cost the equivalent of \$1,000,000 or more:

- (a) Before bids are invited, Maharashtra shall furnish to the Fund, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Fund shall reasonably request. Any further modification to the bidding documents shall require the Fund's concurrence before it is issued to the prospective bidders.
- (b) After bids have been received and evaluated, Maharashtra, before a final decision on the award is made, shall inform the Fund of the name of the bidder to which it intends to award the contract and shall furnish to the Fund in sufficient time for its review a detailed report on the evaluation and comparison of the bids received, and such other information as the Fund shall reasonably request. The Fund shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform Maharashtra the reasons for such determination.
- (c) The terms and conditions of the contract shall not, without the Fund's concurrence, materially differ from those on which bids were asked or prequalification invited.
- (d) Two conformed copies of the contract shall be furnished each to the Cooperating Institution and the Fund promptly after its execution and prior to the submission to the Fund of the first application for withdrawal of funds from the Loan Account in respect of such contract.

10. With respect to each contract not governed by the preceding paragraph, Maharashtra shall furnish to the Cooperating Institution and the Fund promptly after its execution and prior to the submission to the Fund of the first application for withdrawal of funds from the Loan Account in respect of such contract two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Fund shall reasonably request. The Fund shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform Maharashtra and state the reasons for such determination.

11. Before agreeing to (a) any material modification or waiver of the terms and conditions of a contract; (b) granting a material extension of the stipulated time for performance of such contract; or (c) issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 15% of the original price, the Borrower shall inform the Cooperating Institution and the Fund of the proposed modification, waiver, extension or change order and the reasons therefor. The Fund, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower the reasons for its determination.

E. *Preference Requirements*

12. In the procurement of goods and awarding of civil works contracts through the procedures prescribed in Part B of this Schedule, civil works contracts from the goods manufactured in India and other developing countries shall be granted a margin of preference in accordance with, and subject to, the requirements to be set out by the Fund in a separate letter directly from the Fund to the Borrower.

SCHEDULE 4

ACCOUNTING; EXECUTION AND OPERATION OF THE PROJECT

1. Disbursements against the following expenditures under respective Categories of the table set forth in paragraph 1 of Schedule 1 to this Agreement will be made against certificates of expenditure, relevant documentation for which need not be submitted to the Fund, but shall be retained by Maharashtra for periodic inspection by representatives of the Fund and the Cooperating Institution:

- (a) Category (1): Payments under civil works contracts for one or more progressive payments not exceeding 100,000 Rupees in the aggregate.
- (b) Category (2): Expenditures for locally procured items costing 50,000 Rupees or less in the aggregate.

2. Maharashtra shall cause to be maintained separate records in respect of expenditures for which withdrawals are made from the Loan Account under provisions of paragraph 1 above.

3. In addition to the auditing requirements of Section 4.05 of this Agreement, Maharashtra shall cause its internal auditors to audit certificates of expenditures at least once in every six months and furnish the audit report to the Fund and the Cooperating Institution promptly thereafter.

4. Auditors' opinion to be furnished to the Fund and the Cooperating Institution pursuant to Section 4.05 of this Agreement and paragraph 3 above shall, *inter alia*, indicate that funds withdrawn were used for the purpose for which they were provided, that goods have been received or work performed, and that payments have been made.

5. If, pursuant to the inspection by the Fund or the Cooperating Institution or the opinions of the auditors, it is determined by the Fund that any funds so withdrawn were not used for the purpose for which they were provided, the Borrower shall, upon request by the Fund, reimburse to the Fund the equivalent amount of funds so withdrawn, in a manner satisfactory to the Fund.

6. Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Fund, Maharashtra shall prepare promptly and furnish to the Fund and the Cooperating Institution a report of such scope and in such detail as the Fund or the Cooperating Institution shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it and accomplishment of the purposes of the Loan.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

GENERAL CONDITIONS APPLICABLE TO LOAN
AND GUARANTEE AGREEMENTS

Dated 11 April 1978

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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.

27. The term "SDR" means the Special Drawing Right(s) as defined by the International Monetary Fund from time to time.

*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 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 Special Drawing Rights of the International Monetary Fund.

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 a Category III Member, withdrawals in the currency of such Member paid to the Fund as its contribution shall be with the consent of the Member concerned. The Loan Account shall be charged with the SDR equivalent of the amount withdrawn on the basis of the SDR rates determined by the International Monetary Fund on the date of withdrawal. In the event that the currency of withdrawal shall have been purchased by the Fund with another currency, the amount charged to the Loan Account shall be the SDR equivalent of such other currency as was used to effect the purchase of the currency of withdrawal.

Section 4.03. CURRENCIES IN WHICH PRINCIPAL, INTEREST AND OTHER CHARGES ARE PAYABLE, AND CALCULATION OF AMOUNT OF PAYMENT. (a) The Borrower shall repay the principal and pay the interest and other charges due under the Loan in the currency* specified in the Loan Agreement in an amount equivalent to the SDR amount

* The currency specified in the Loan Agreement in terms of Section 4.03(a) for the purpose of effecting all loan service payments would be selected by the Borrower from among the five currencies with the largest representative weighting in the Special Drawing Rights.

due, based on International Monetary Fund rates on the due date. For the purpose of this Section, unless the Fund and the Borrower otherwise agree, the currency specified in the Loan Agreement shall remain the sole currency for loan service payments.

(b) In the event that the nature or composition of the SDR changes to an extent which makes its continued use as a loan medium inappropriate, the Fund shall, after consultation with the International Monetary Fund, convert all amounts expressed in SDR's into another currency or unit of account it deems appropriate.

Section 4.04. 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 4.05. 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(b) of the Agreement Establishing the Fund.

Section 4.06. 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. UNQUALIFIED 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 unqualified 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 and 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; LIEN

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 for suspension of its operations.
- (l) Any other event specified in the Loan Agreement for the purposes of this Section shall have occurred.

The rights 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. LIEN IN FAVOUR OF A CO-LENDER. If any lien or similar privilege shall be created by the Borrower on any public assets as security in favour of a co-lender for any external debt related to a project co-financed by the Fund, which will or might result in a priority for the benefit of such co-lender in the allocation, realization or distribution of assets, such lien shall, unless the Fund shall otherwise agree, *ipso facto* and at no cost to the Fund, equally and ratably secure the principal of, and interest and other charges on, the Loan; and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect.

Section 9.09. INFORMATION TO COOPERATING INSTITUTION. 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 requirement of Sections 4.06 (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, regardless of any law to the contrary in the territory of the Borrower or the Guarantor, if any.

(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 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) The parties to the Loan Agreement and the Guarantee Agreement, if any, shall endeavour to settle through amicable means any controversy between them under the Loan or the Guarantee Agreement.

(b) Failing the settlement of a controversy through amicable means under paragraph (a) above, the controversy shall be submitted to arbitration for settlement. 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 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 Agreement 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.