

No. 19508

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
BANGLADESH**

**Development Credit Agreement — *Ninth Imports Program*
(with schedules and General Conditions Applicable to
Development Credit Agreements dated 30 June 1980).
Signed at Washington on 17 October 1980**

Authentic text: English.

*Registered by the International Development Association on 23 January
1981.*

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
BANGLADESH**

**Contrat de crédit de développement — *Neuvième pro-
gramme d'importation* (avec annexes et Conditions
générales applicables aux contrats de crédit de dévelop-
pement en date du 30 juin 1980). Signé à Washington le
17 octobre 1980**

Texte authentique : anglais.

*Enregistré par l'Association internationale de développement le 23 janvier
1981.*

DEVELOPMENT CREDIT AGREEMENT¹ (NINTH IMPORTS PROGRAM) BETWEEN PEOPLE'S REPUBLIC OF BANGLADESH AND INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 17, 1980

Credit Number 1071 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 17, 1980, between PEOPLE'S REPUBLIC OF BANGLADESH (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the Project by extending the Credit as hereinafter provided; and

(B) The Borrower and the Swiss Government have agreed on a financial contribution in the amount of fifteen million Swiss francs (SwF 15,000,000) to be extended by the Swiss Government to the Borrower to assist in the financing of the Project on the terms and conditions set forth in an agreement between the Borrower and the Swiss Government;

WHEREAS the Association has agreed on the basis *inter alia* of the foregoing, to extend the Credit to the Borrower upon the terms and conditions hereinafter set forth,

NOW THEREFORE the parties hereto hereby agree as follows:

Article I. GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated June 30, 1980, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

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

(a) "BADCO" means Bangladesh Agricultural Development Corporation, a corporate entity established under Ordinance No. XXXVII of 1961, and includes any successor thereto;

(b) "Policy Improvements" means the collective measures the Borrower intends to take, including *inter alia* those set forth in schedule 3 to this Agreement, to enhance the production and distribution of foodgrain in the Borrower's territory; and

(c) "Tk" or "taka" means the currency of the Borrower.

¹ Came into force on 11 November 1980, upon notification by the Association to the Government of Bangladesh of its acceptance of the evidence required by section 12.01, in accordance with section 12.03 of the General Conditions Applicable to Development Credit Agreements annexed to this Agreement.

Article II. THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to forty-nine million five hundred thousand Special Drawing Rights (SDR 49,500,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of schedule 1 to this Agreement, as such schedule may be amended from time to time by agreement between the Borrower and the Association, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Project is a part of the Borrower's program (i) to make available foreign exchange to eligible importers for the import, into the Borrower's territory, of (A) diesel fuel, raw materials, irrigation equipment and spare parts as necessary for the carrying out of the Policy Improvements, and (B) industrial components, chemicals, raw materials and spare parts required by high priority industries, (ii) to monitor the implementation of the ongoing action programs for the jute, textile and pulp and paper industries, (iii) to continue and consolidate ongoing export development programs, and (iv) to carry out the Policy Improvements as more fully set forth in schedule 3 to this Agreement.

Section 2.04. Except as the Association shall otherwise agree, procurement of the goods required for the Project and to be financed out of the proceeds of the Credit, shall be governed by the provisions of schedule 2 to this Agreement.

Section 2.05. The Closing Date shall be December 31, 1982, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.06. The Borrower shall pay to the Association a service charge at the rate of three fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing March 15, 1991, and ending September 15, 2030, each installment to and including the installment payable on September 15, 2000, to be one half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one half per cent ($1\frac{1}{2}$ %) of such principal amount.

Section 2.09. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of section 4.02 of the General Conditions.

Section 2.10. The authorized representatives of the Bangladesh Bank are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of section 2.02 of this Agreement and article V of the General Conditions.

Article III. EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall carry out the Project, or cause it to be carried out, with due diligence and efficiency.

(b) The Borrower shall:

- (i) Promptly upon receipt of appropriate applications from the eligible importers issue, or cause to be issued, such import licenses as shall be required to carry out the Project;
- (ii) Make available, or cause to be made available to the eligible importers promptly as needed, such amounts of foreign exchange as shall be required to import goods to be financed out of the proceeds of the Credit; and
- (iii) Take all such action as shall be necessary to facilitate the timely importation of goods to be financed out of the proceeds of the Credit.

Section 3.02. (a) The Borrower shall cause the imported goods to be financed out of the proceeds of the Credit to be insured, or cause adequate provision to be made for the insurance thereof, against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the purposes described in section 2.03 (i) hereof.

Section 3.03. (a) The Borrower shall: (i) maintain records and procedures adequate to record and monitor the progress of the Project and to identify the goods and services financed out of the proceeds of the Credit; (ii) enable the Association's accredited representatives to examine the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) furnish to the Association all such information as the Association shall reasonably request concerning the Project, the program (referred to in section 2.03 of this Agreement) of which the Project is a part, the cost of the Project and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

(b) The Borrower shall, 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 Association, prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, the benefits derived and to be derived therefrom, the performance by the Borrower and the Association of their respective obligations under this Agreement and the accomplishment of the purposes of the Credit.

Section 3.04. (a) The borrower shall deposit amounts in taka equivalent to the amounts disbursed by the Association pursuant to section 2.02 of this Agreement, in an account currently being maintained with the Bangladesh Bank, which amounts are to be described in accordance with standard practice, as the proceeds from "IDA Credit No. 1071 BD".

(b) The amounts referred to in paragraph (a) of this section shall be utilized entirely to finance the Borrower's development programs.

(c) The Borrower shall, not later than July 31 of each calendar year, inform the Association of the local currency provisions made in the Borrower's Annual Development Program for the fiscal year which began on the preceding July 1, for the development projects being financed by the Association.

(d) The Borrower shall inform the Association on a quarterly basis of the amounts of taka actually released for the projects being financed by the Association.

Section 3.05. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 3.06. Except as the Association may otherwise agree, the Borrower shall take, or cause to be taken, the action described in schedule 3 to this Agreement for the purpose of carrying out the Policy Improvements.

Article IV. EFFECTIVE DATE; TERMINATION

Section 4.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of section 12.01 (b) of the General Conditions, namely, that the Borrower has issued import licenses in respect of goods to be financed out of the proceeds of the Credit covering foreign exchange allocations aggregating not less than \$32,500,000 equivalent.

Section 4.02. The date December 17, 1980, is hereby specified for the purposes of section 12.04 of the General Conditions.

Section 4.03. The obligations of the Borrower under sections 3.04 (c) and (d) and 3.06 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date 10 years after the date of this Agreement, whichever shall be the earlier.

Article V. REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 5.01. Any Secretary, Additional Secretary, Joint Secretary or Deputy Secretary of the External Resources Division of the Ministry of Finance of the Borrower is designated as the representative of the Borrower for the purposes of section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of section 11.01 of the General Conditions:

For the Borrower:

External Resources Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Dacca
Bangladesh
Cable address:
BAHIRSAMPAD
Dacca

For the Association:

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

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

People's Republic of Bangladesh:

By: TABARAK HUSAIN

Authorized Representative on behalf of the President

International Development Association:

By: MICHAEL H. WIEHEN

Acting Regional Vice President, South Asia

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of imported goods eligible for financing out of the proceeds of the Credit and the maximum amount of the Credit which may be withdrawn in respect of each such category:

Category	<i>Maximum amount of the Credit allocated (expressed in SDR equivalent)</i>	
<i>Industry:</i> Raw materials, spare parts, chemicals, components and packaging materials for:		
(1) Textile industry	19,100,000	
(2) Paper and board industry	3,900,000	
(3) Export-oriented industries (excluding jute)	7,700,000	
(4) Steel and foundry industry	11,500,000	
(5) Chemicals and pharmaceutical industry (excluding proprietary items)	11,500,000	
(6) Sugar	3,900,000	
<i>Construction activities:</i>		
(7) Cement and raw materials for cement manufacture including packaging materials, spare parts and other intermediate building materials	15,300,000	
<i>Agricultural inputs:</i> Raw materials, spare parts, chemicals, components and packaging materials for:		
(8) Diesel fuel	6,100,000	
(9) Pesticides	3,100,000	
(10) Irrigation equipment	6,100,000	

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

- (a) Expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;
- (b) Payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$1,500,000 may be made, in respect of categories 9 and 10, on account of payments made for such expenditures before that date but after September 1, 1980;

- (c) Payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; and
- (d) Expenditures under categories 1 through 7 in excess of the aggregate equivalent of \$50,000,000.

3. If the Association shall have reasonably determined that the procurement of any item in any category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit.

SCHEDULE 2

PROCUREMENT

A. General Procedures

1. Except as provided in parts A.3 and A.4 hereof, contracts for goods estimated to cost \$100,000 equivalent or more shall be let, at the Borrower's option, either through international shopping, on the basis of not less than three offers invited from major suppliers from member countries of the Bank and Switzerland, or through international competitive bidding, under procedures consistent with those set forth in the *Guidelines for Procurement under World Bank Loans and IDA Credits* published by the Bank in March 1977 (hereinafter called the Guidelines). The award of any contract shall be made to the supplier whose offer is the lowest evaluated offer. However, whenever the Borrower and the Association shall be satisfied that goods of a specific type, design or manufacture shall be required in the interest of equipment standardization or of other valid considerations relating to the efficient utilization of existing productive capacity, such goods may be procured on a negotiated basis on terms and conditions satisfactory to the Association.

2. Goods estimated to cost less than \$100,000 equivalent may be procured through normal commercial channels.

3. Contracts for steel and cement shall be let on the basis of international competitive bidding under procedures consistent with those set forth in the Guidelines.

4. Diesel fuel shall be procured in accordance with the procedures for negotiated contracts of Bangladesh Petroleum Corporation, acceptable to the Association.

5. For goods to be procured on the basis of international competitive bidding, in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Association 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 Association shall reasonably request; the Association will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods remain to be procured on the basis of international competitive bidding.

B. Review of Procurement Decisions by the Association

1. With respect to any contract for goods estimated to cost the equivalent of \$100,000 or more, the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract, (a) two conformed copies of such contract, (b) the details of the offers sought, the names and addresses of the firms invited to submit offers and a summary of the offers submitted for goods subject to international shopping, (c) the bidding documents as well as a report on the evaluation and comparison of the bids received for goods subject to international competitive bidding, and (d) such other information as the

Association shall reasonably request. In the event the lowest offer or bid is not accepted, the Borrower shall also furnish to the Association the reasons for the award of the contract to the successful supplier. The Association shall, if it determines that the award of such contract was not consistent with the provisions of this schedule or the Guidelines, promptly inform the Borrower and state the reasons for such determination.

2. With respect to each contract to be financed out of the proceeds of the Credit and not governed by the preceding paragraph, the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, and such other information as the Association shall reasonably request.

SCHEDULE 3

POLICY IMPROVEMENTS

A. General

1. Policy Improvements under the Credit concern the allocation of resources to agricultural development, particularly to the development of foodgrain production, encouragement of the private sector's role in the supply of irrigation equipment and in the trading of foodgrains, expansion of foodgrain storage, improvement of food policy coordination and strengthening of agricultural planning.

2. Dates by which actions are required to be taken pursuant to this schedule may be extended by notice from the Association to the Borrower.

B. Action to be taken

1. The Borrower shall take all necessary action, including making provision in the BADC budget and the Annual Import Policy, to ensure the availability of adequate supplies of diesel fuel and spare parts for the full operation of irrigation equipment in Bangladesh.

2. The Borrower shall prepare and furnish to the Association for its comments, not later than April 1, 1981, and thereafter semi-annually, a report on the private sector's progress in setting up domestic facilities for the manufacture of diesel engines for irrigation, and dealerships and servicing depots for irrigation equipment and in obtaining related technical assistance and training.

3. The Borrower shall make available \$8 million through its Import Policy during fiscal year 1981 for the direct importation by the private sector of shallow tubewell equipment and raw materials used in the production of irrigation pumps, pump accessories and spare parts.

4. The Borrower shall cause BADC to increase, as of December 31, 1980, its prices for shallow tubewell equipment in such amounts as required to cover the equivalent of a 15% import duty imposed on such equipment when imported by private traders.

5. The Borrower shall promptly take all such action as shall be necessary to promote the private marketing of foodgrain, including *inter alia*:

- (i) Revision of anti-hoarding legislation to permit private dealers to hold larger stocks and to carry such stocks from harvest to lean season;
- (ii) Elimination of the Approved Grain Dealers system in at least 25% of all official foodgrain procurement centers (both permanent and temporary) with a view to achieving complete elimination of the system within the next three years;
- (iii) Establishment of a program for the introduction of standardized market weights in private foodgrain markets; and
- (iv) Expansion of the coverage of daily broadcasts to farmers on rice and wheat prices and market conditions in major rural and central wholesale and retail markets.

6. The Borrower shall prepare, or cause to be prepared, and furnish to the Association, for its comments, not later than December 31, 1980, proposals for a reasonable allocation in the Annual Credit Program of credit to private traders for holding foodgrain stocks and construction of storage facilities therefor.

7. The Borrower shall, under terms of reference satisfactory to the Association, promptly carry out a study, and furnish the Association with the findings thereof, of the Borrower's needs for additional storage capacity for foodgrains, such study to provide a time-phased projection of such needs by geographical area, together with the required expansion of foodgrain processing facilities.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS DATED JUNE 30, 1980

TABLE OF CONTENTS

<i>Article Number</i>	<i>Title</i>	<i>Article Number</i>	<i>Title</i>
<i>Article I.</i>	Application to Development Credit Agreements	Section 5.03.	Applications for Withdrawal or for Special Commitment
Section 1.01.	Application of General Conditions	Section 5.04.	Evidence of Authority to Sign Applications for Withdrawal
Section 1.02.	Inconsistency with Development Credit Agreements	Section 5.05.	Supporting Evidence
<i>Article II.</i>	Definitions; Headings	Section 5.06.	Sufficiency of Applications and Documents
Section 2.01.	Definitions	Section 5.07.	Payment by the Association
Section 2.02.	References	<i>Article VI.</i>	Cancellation and Suspension
Section 2.03.	Headings	Section 6.01.	Cancellation by the Borrower
<i>Article III.</i>	Credit Account; Service Charges; Repayment; Place of Payment	Section 6.02.	Suspension by the Association
Section 3.01.	Credit Account	Section 6.03.	Cancellation by the Association
Section 3.02.	Service Charges	Section 6.04.	Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association
Section 3.03.	Computation of Service Charges	Section 6.05.	Application of Cancellation to Maturities of the Credit
Section 3.04.	Repayment	Section 6.06.	Effectiveness of Provisions after Suspension or Cancellation
Section 3.05.	Place of Payment	<i>Article VII.</i>	Acceleration of Maturity
<i>Article IV.</i>	Currency Provisions	Section 7.01.	Events of Acceleration
Section 4.01.	Currencies in which Withdrawals are to be Made	<i>Article VIII.</i>	Taxes
Section 4.02.	Currencies in which Principal and Service Charges are Payable	Section 8.01.	Taxes
Section 4.03.	Amount of Repayment	<i>Article IX.</i>	Cooperation and Information; Financial and Economic Data
Section 4.04.	Purchase of Currency of Withdrawal with Other Currency	Section 9.01.	Cooperation and Information
Section 4.05.	Valuation of Currencies	Section 9.02.	Financial and Economic Data
Section 4.06.	Manner of Payment	<i>Article X.</i>	Enforceability of Development Credit Agreement; Failure to Exercise Rights; Arbitration
<i>Article V.</i>	Withdrawal of Proceeds of Credits	Section 10.01.	Enforceability
Section 5.01.	Withdrawal from the Credit Account	Section 10.02.	Failure to Exercise Rights
Section 5.02.	Special Commitments by the Association	Section 10.03.	Arbitration

<i>Article Number</i>	<i>Title</i>	<i>Article Number</i>	<i>Title</i>
<i>Article XI.</i>	Miscellaneous Provisions	Section 12.02.	Legal Opinions or Certificates
Section 11.01.	Notices and Requests	Section 12.03.	Effective Date
Section 11.02.	Evidence of Authority	Section 12.04.	Termination of Development Credit Agreement for Failure to Become Effective
Section 11.03.	Action on Behalf of the Borrower	Section 12.05.	Termination of Development Credit Agreement on Full Payment
Section 11.04.	Execution in Counterparts		
<i>Article XII.</i>	Effective Date; Termination		
Section 12.01.	Conditions Precedent to Effectiveness of Development Credit Agreement		

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS DATED JUNE 30, 1980

Article I. APPLICATION TO DEVELOPMENT CREDIT AGREEMENTS

Section 1.01. APPLICATION OF GENERAL CONDITIONS. These General Conditions set forth certain terms and conditions generally applicable to development credits granted by the Association to its members. They shall apply to any development credit agreement providing for any such development credit to such extent and subject to such modifications as shall be provided in such agreement.

Section 1.02. INCONSISTENCY WITH DEVELOPMENT CREDIT AGREEMENTS. If any provision of a development credit agreement is inconsistent with a provision of these General Conditions, the provision of the agreement shall govern.

Article II. DEFINITIONS; HEADINGS

Section 2.01. DEFINITIONS. The following terms have the following meanings wherever used in these General Conditions:

1. The term "Association" means International Development Association.
2. The term "Bank" means International Bank for Reconstruction and Development.
3. The term "Development Credit Agreement" means the particular development credit agreement to which these General Conditions shall have been made applicable, as such agreement may be amended from time to time; and such term includes these General Conditions as thus made applicable, all agreements supplemental to the Development Credit Agreement and all schedules to the Development Credit Agreement.
4. The term "Credit" means the development credit provided for in the Development Credit Agreement.
5. The term "Borrower" means the member of the Association to which the Credit is granted.
6. The term "currency of a country" means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in that country.
7. The term "dollars" and the sign "\$" mean dollars in currency of the United States of America.
8. The term "Credit Account" means the account opened by the Association on its books in the name of the Borrower to which the amount of the Credit is credited.
9. The term "Project" means the project or program for which the Credit is granted, as described in the Development Credit Agreement and as the description thereof may be amended from time to time by agreement between the Association and the Borrower.

10. The term "Effective Date" means the date on which the Development Credit Agreement shall come into force and effect as provided in section 12.03.

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

12. The term "Closing Date" means the date specified in the Development Credit Agreement as of which the Association may by notice to the Borrower terminate the right of the Borrower to withdraw from the Credit Account any amount theretofore unwithdrawn.

13. The term "Special Drawing Right" and the symbol "SDR" mean a special drawing right as valued by the International Monetary Fund in accordance with its articles of Agreement.

Section 2.02. REFERENCES. References in these General Conditions to articles or sections are to articles or sections of these General Conditions.

Section 2.03. HEADINGS. The headings of the articles and sections and the table of contents are inserted for convenience of reference only and are not a part of these General Conditions.

Article III. CREDIT ACCOUNT; SERVICE CHARGES; REPAYMENT; PLACE OF PAYMENT

Section 3.01. CREDIT ACCOUNT. The amount of the Credit shall be credited to the Credit Account and may be withdrawn therefrom by the Borrower as provided in the Development Credit Agreement and in these General Conditions.

Section 3.02. SERVICE CHARGES. The Borrower shall pay a service charge on the amount of the Credit withdrawn and outstanding from time to time at the rate specified in the Development Credit Agreement. The Borrower shall pay an additional service charge at the rate of one half of one per cent (1/2 of 1%) per annum on the principal amount of any special commitment entered into by the Association pursuant to section 5.02 and outstanding from time to time.

Section 3.03. COMPUTATION OF SERVICE CHARGES. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 3.04. REPAYMENT. (a) The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in installments as provided in the Development Credit Agreement.

(b) The Borrower shall have the right to repay in advance of maturity all or any part of the principal amount of one or more maturities of the Credit specified by the Borrower.

Section 3.05. PLACE OF PAYMENT. The principal of, and service charges on, the Credit shall be paid at such places as the Association shall reasonably request.

Article IV. CURRENCY PROVISIONS

Section 4.01. CURRENCIES IN WHICH WITHDRAWALS ARE TO BE MADE. Except as the Borrower and the Association shall otherwise agree, withdrawals from the Credit Account shall be made in the respective currencies in which the expenditures to be financed out of the proceeds of the Credit have been paid or are payable; provided, however, that withdrawals in respect of expenditures in the currency of the Borrower shall be made in such currency or currencies as the Association shall from time to time reasonably select.

Section 4.02. CURRENCIES IN WHICH PRINCIPAL AND SERVICE CHARGES ARE PAYABLE. (a) The Borrower shall pay the principal amount of, and service charges on, the Credit in the currency specified in the Development Credit Agreement for the purposes of this section or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this section.

(b) For the purposes of this section, the term "eligible currency" means the currency of any member of the Association which the Association from time to time determines to be freely

convertible or freely exchangeable by the Association for currencies of other members of the Association for the purposes of its operations.

(c) If at any time the Borrower shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that so specified or than one theretofore designated pursuant to this paragraph (c) or selected pursuant to paragraph (e) below, the Borrower shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.

(d) If at any time the Association shall determine that a currency payable pursuant to the provisions of this section is not an eligible currency, the Association shall so notify the Borrower in writing and furnish the Borrower with a list of eligible currencies.

(e) Within thirty days from the date of such notice, the Borrower shall notify the Association in writing of its selection from such list of a currency in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty-day period, be payable in the currency so selected.

Section 4.03. AMOUNT OF REPAYMENT. The principal amount of the Credit repayable shall be the equivalent (determined as of the date, or the respective dates, of repayment) of the value of the currency or currencies withdrawn from the Credit Account expressed in terms of Special Drawing Rights as of the respective dates of withdrawal.

Section 4.04. PURCHASE OF CURRENCY OF WITHDRAWAL WITH OTHER CURRENCY. If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of section 4.03.

Section 4.05. VALUATION OF CURRENCIES. Whenever it shall be necessary for the purpose of the Development Credit Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Association.

Section 4.06. MANNER OF PAYMENT. (a) Any payment required under the Development Credit Agreement to be made to the Association in the currency of any country shall be made in such manner, and in currency acquired in such manner, as shall be permitted under the laws of such country for the purpose of making such payment and effecting the deposit of such currency to the account of the Association with a depository of the Association in such country.

(b) The principal of, and service charges on, the Credit shall be paid without restrictions of any kind imposed by, or in the territory of, the Borrower.

Article V. WITHDRAWAL OF PROCEEDS OF CREDITS

Section 5.01. WITHDRAWAL FROM THE CREDIT ACCOUNT. The Borrower shall be entitled to withdraw from the Credit Account amounts expended or, if the Association shall so agree amounts to be expended for the Project in accordance with the provisions of the Development Credit Agreement and of these General Conditions. Except as shall be otherwise agreed between the Borrower and the Association, no withdrawals shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.*

Section 5.02. SPECIAL COMMITMENTS BY THE ASSOCIATION. Upon the Borrower's request and upon such terms and conditions as shall be agreed upon between the Borrower and

* Withdrawals may be made from the Credit Account on account of expenditures in, or for goods produced in or services supplied from, Taiwan.

the Association, the Association may enter into special commitments in writing to pay amounts to the Borrower or others in respect of expenditures to be financed under the Development Credit Agreement notwithstanding any subsequent suspension or cancellation by the Association or the Borrower.

Section 5.03. APPLICATIONS FOR WITHDRAWAL OR FOR SPECIAL COMMITMENT. When the Borrower shall desire to withdraw any amount from the Credit Account or to request the Association to enter into a special commitment pursuant to section 5.02 the Borrower shall deliver to the Association a written application in such form, and containing such statements and agreements, as the Association 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 5.04. EVIDENCE OF AUTHORITY TO SIGN APPLICATIONS FOR WITHDRAWAL. The Borrower shall furnish to the Association evidence of the authority of the person or persons authorized to sign applications for withdrawals and the authenticated specimen signature of any such person.

Section 5.05. SUPPORTING EVIDENCE. The Borrower shall furnish to the Association such documents and other evidence in support of the application as the Association shall reasonably request, whether before or after the Association shall have permitted any withdrawal requested in the application.

Section 5.06. SUFFICIENCY OF APPLICATIONS AND DOCUMENTS. Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Association that the Borrower is entitled to withdraw from the Credit Account the amount applied for and that the amount to be withdrawn from the Credit Account is to be used only for the purposes specified in the Development Credit Agreement.

Section 5.07. PAYMENT BY THE ASSOCIATION. The Association shall pay the amounts withdrawn by the Borrower from the Credit Account only to or on the order of the Borrower.

Article VI. CANCELLATION AND SUSPENSION

Section 6.01. CANCELLATION BY THE BORROWER. The Borrower may by notice to the Association cancel any amount of the Credit which the Borrower shall not have withdrawn prior to the giving of such notice, except that the Borrower may not so cancel any amount of the Credit in respect of which the Association shall have entered into a special commitment pursuant to section 5.02.

Section 6.02. SUSPENSION BY THE ASSOCIATION. If any of the following events of suspension shall have occurred and be continuing, the Association may by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account:

- (a) The Borrower shall have failed to make payment (notwithstanding the fact that such payment has been made by a third party) of principal, interest, service charges or any other payment required under: (i) the Development Credit Agreement, or (ii) any other development credit agreement with the Association, or (iii) any loan agreement or guarantee agreement with the Bank or any bond or any similar instrument delivered pursuant to any such agreement.
- (b) The Borrower shall have failed to perform any other obligation under the Development Credit Agreement.
- (c) (i) The Association or the Bank shall have suspended in whole or in part the right of the Borrower to make withdrawals under any development credit agreement with the Association or any loan agreement with the Bank because of a failure by the Borrower to perform any of its obligations under such agreement; or (ii) the Bank shall have suspended in whole or in part the right of the Borrower to make withdrawals under any loan agreement with

the Bank guaranteed by the Borrower because of a failure by the Borrower to perform any of its obligations under such agreement.

- (d) As a result of events which have occurred after the date of the Development Credit Agreement an extraordinary situation shall have arisen which shall make it improbable that the Project can be carried out or that the Borrower will be able to perform its obligations under the Development Credit Agreement.
- (e) The Borrower: (i) shall have been suspended from membership in or ceased to be a member of the Association; or (ii) shall have ceased to be a member of the International Monetary Fund.
- (f) After the date of the Development Credit Agreement and prior to the Effective Date any event shall have occurred which would have entitled the Association to suspend the Borrower's right to make withdrawals from the Credit Account if the Development Credit Agreement had been effective on the date such event occurred.
- (g) A representation made by the Borrower, in or pursuant to the Development Credit Agreement, or any statement furnished in connection therewith, and intended to be relied upon by the Association in making the Credit, shall have been incorrect in any material respect.
- (h) Any other event specified in the Development Credit Agreement for the purposes of this section shall have occurred.

The right of the Borrower to make withdrawals from the Credit 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 suspension shall have ceased to exist, unless the Association shall have notified the Borrower that the right to make withdrawals has been restored; provided, however, that such notice of restoration may limit the right to make withdrawals.

Section 6.03. CANCELLATION BY THE ASSOCIATION. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) after the Closing Date an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may by notice to the Borrower terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice such amount of the Credit shall be cancelled.

Section 6.04. AMOUNTS SUBJECT TO SPECIAL COMMITMENT NOT AFFECTED BY CANCELLATION OR SUSPENSION BY THE ASSOCIATION. No cancellation or suspension by the Association shall apply to amounts subject to any special commitment entered into by the Association pursuant to section 5.02 except as expressly provided in such commitment.

Section 6.05. APPLICATION OF CANCELLATION TO MATURITIES OF THE CREDIT. Except as otherwise agreed between the Borrower and the Association, any cancellation shall be applied *pro rata* to the several installments of the principal amount of the Credit maturing after the date of such cancellation.

Section 6.06. EFFECTIVENESS OF PROVISIONS AFTER SUSPENSION OR CANCELLATION. Notwithstanding any cancellation or suspension, all the provisions of the Development Credit Agreement shall continue in full force and effect except as in this article specifically provided.

Article VII. ACCELERATION OF MATURITY

Section 7.01. EVENTS OF ACCELERATION. If any of the following events shall occur and shall continue for the period specified below, if any, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the

service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately:

- (a) A default shall occur in the payment of principal or any other payment required under the Development Credit Agreement and such default shall continue for a period of thirty days.
- (b) A default shall occur in the payment of principal or interest or any other payment required under any other development credit agreement between the Borrower and the Association or under any loan agreement or under any guarantee agreement between the Borrower and the Bank or under any bond or similar instrument delivered pursuant to any such agreement and such default shall continue for a period of thirty days.
- (c) A default shall occur in the performance of any other obligation on the part of the Borrower under the Development Credit Agreement, and such default shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower.
- (d) Any other event specified in the Development Credit Agreement for the purposes of this section shall have occurred and shall continue for the period, if any, specified in the Development Credit Agreement.

Article VIII. TAXES

Section 8.01. TAXES. (a) The principal of, and other charges on, the Credit shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Borrower.

(b) The Development Credit Agreement, and any other agreement to which these General Conditions shall be made applicable, shall be free from any taxes levied by, or in the territory of, the Borrower on or in connection with the execution, delivery or registration thereof.

Article IX. COOPERATION AND INFORMATION; FINANCIAL AND ECONOMIC DATA

Section 9.01. COOPERATION AND INFORMATION. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of any one of them:

- (i) Exchange views through their representatives with regard to the progress of the Project, the benefits derived therefrom and the performance of their respective obligations under the Development Credit Agreement and other matters relating to the purposes of the Credit; and
- (ii) Furnish to the other party all such information as it shall reasonably request with regard to the progress of the Project, the benefits derived therefrom and the general status of the Credit.

(b) The Borrower and the Association shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the progress of the Project, the accomplishment of the purposes of the Credit, the maintenance of the service thereof or the performance by any one of them of its obligations under the Development Credit Agreement.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of its territories for purposes related to the Credit.

Section 9.02. FINANCIAL AND ECONOMIC DATA. The Borrower shall furnish to the Association all such information as the Association shall reasonably request with respect to financial and economic conditions in its territory including its balance of payments and its external debt as well as that of its political or administrative subdivisions and any entity owned or controlled by, or operating for the account or benefit of the Borrower or any such subdivi-

sion, and any institution performing the functions of a central bank or exchange stabilization, or similar functions, for the Borrower.

*Article X. ENFORCEABILITY OF DEVELOPMENT CREDIT AGREEMENT;
FAILURE TO EXERCISE RIGHTS; ARBITRATION*

Section 10.01. ENFORCEABILITY. The rights and obligations of the Borrower and the Association under the Development Credit Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any State to the contrary. Neither the Borrower nor the Association shall be entitled in any proceeding under this Article to assert any claim that any provision of these General Conditions or the Development Credit Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Association.

Section 10.02. FAILURE TO EXERCISE RIGHTS. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Development Credit Agreement 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 any action of such party in respect of any default, or any acquiescence by it in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 10.03. ARBITRATION. (a) Any controversy between the parties to the Development Credit Agreement and any claim by either such party against the other arising under the Development Credit Agreement 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 Association and the Borrower.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Association; a second arbitrator shall be appointed by the Borrower; 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 of the parties 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. 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 days after such notice, the other party shall notify to the party instituting the proceeding the name of the arbitrator appointed by such other party.

(e) If within sixty days after the notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an 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) The Arbitral Tribunal shall decide all questions relating to its competence and shall, subject to the provisions of this section and except as the parties shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to the 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 Development Credit

Agreement. 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 parties. 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 Development Credit Agreement and any claims by either party against the other party arising thereunder.

(k) The Association shall not be entitled to enter judgment against the Borrower upon the award, to enforce the award against the Borrower by execution or to pursue any other remedy against the Borrower for the enforcement of the award, except as such procedure may be available against the Borrower otherwise than by reason of the provisions of this section. If, within thirty days after counterparts of the award shall be delivered to the parties, the award shall not be complied with by the Association, the Borrower may take any such action for the enforcement of the award against the Association.

(l) Service of any notice or process in connection with any proceeding under this section or in connection with any proceeding to enforce any award rendered pursuant to this section may be made in the manner provided in section 11.01. The parties to the Development Credit Agreement waive any and all other requirements for the service of any such notice or process.

Article XI. MISCELLANEOUS PROVISIONS

Section 11.01. NOTICES AND REQUESTS. Any notice or request required or permitted to be given or made under the Development Credit Agreement and any other agreement between the parties contemplated by the Development Credit Agreement shall be in writing. Except as otherwise provided in section 12.03, such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by 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 Development Credit Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

Section 11.02. EVIDENCE OF AUTHORITY. The Borrower shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of the Borrower, take any action or execute any documents required or permitted to be taken or executed by the Borrower under the Development Credit Agreement, and the authenticated specimen signature of each such person.

Section 11.03. ACTION ON BEHALF OF THE BORROWER. Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Development Credit Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Development Credit Agreement for the purposes of this section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of the Development Credit Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by him; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Development Credit Agreement. The Association may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any

modification or amplification of the provisions of the Development Credit Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder.

Section 11.04. EXECUTION IN COUNTERPARTS. The Development Credit Agreement may be executed in several counterparts, each of which shall be an original.

Article XII. EFFECTIVE DATE; TERMINATION

Section 12.01. CONDITIONS PRECEDENT TO EFFECTIVENESS OF DEVELOPMENT CREDIT AGREEMENT. The Development Credit Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that:

- (a) The execution and delivery of the Development Credit Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action; and
- (b) All other events specified in the Development Credit Agreement as conditions to its effectiveness have occurred.

Section 12.02. LEGAL OPINIONS OR CERTIFICATES. As part of the evidence to be furnished pursuant to section 12.01, the Borrower shall furnish to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Borrower, showing:

- (a) That the Development Credit Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms; and
- (b) Such other matters as shall be specified in the Development Credit Agreement or as shall be reasonably requested by the Association in connection therewith.

Section 12.03. EFFECTIVE DATE. (a) Except as shall be otherwise agreed by the Borrower and the Association, the Development Credit Agreement shall come into force and effect on the date on which the Association dispatches to the Borrower notice of its acceptance of the evidence required by section 12.01.

(b) If, before the Effective Date, any event shall have occurred which would have entitled the Association to suspend the right of the Borrower to make withdrawals from the Credit Account if the Development Credit Agreement had been effective, the Association may postpone the dispatch of the notice referred to in paragraph (a) of this section until such event or events shall have ceased to exist.

Section 12.04. TERMINATION OF DEVELOPMENT CREDIT AGREEMENT FOR FAILURE TO BECOME EFFECTIVE. If the Development Credit Agreement shall not have come into force and effect by the date specified therein for the purposes of this section, the Development Credit Agreement and all obligations of the parties thereunder shall terminate, unless the Association, after consideration of the reasons for the delay, shall establish a later date for the purposes of this section. The Association shall promptly notify the Borrower of such later date.

Section 12.05. TERMINATION OF DEVELOPMENT CREDIT AGREEMENT ON FULL PAYMENT. If and when the entire principal amount of the Credit withdrawn from the Credit Account and all charges which shall have accrued on the Credit shall have been paid, the Development Credit Agreement and all obligations of the parties thereunder shall forthwith terminate.
