Development Credit Agreement

(Salinity Control and Reclamation
SCARP VI Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 19, 1978
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 19, 1978, between ISLAMIC REPUBLIC OF PAKISTAN, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

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

(B) By an agreement of even date herewith between the Association and the Borrower's Province of Punjab (hereinafter referred to as Punjab), Punjab has agreed to undertake certain obligations in respect of the Project;

(C) By an agreement of even date herewith between the Association and the Water and Power Development Authority of Pakistan (hereinafter referred to as WAPDA), WAPDA has agreed to undertake certain obligations in respect of the Project;

(D) The Government of the United Kingdom and Northern Ireland intends to make a grant (hereinafter referred to as the UK Grant) to the Borrower in an aggregate principal amount equivalent to fifteen million dollars ($15,000,000) to assist in financing the Project on terms and conditions set forth in an agreement to be entered into between the United Kingdom and Northern Ireland and the Borrower (hereinafter referred to as the UK Grant Agreement);

(E) The Kreditanstalt für Wiederaufbau intends to make a loan (hereinafter referred to as the KfW Loan) to the Borrower in an aggregate principal amount equivalent to twenty million Deutsche Marks (DM 20,000,000) to assist in financing the Project on terms and conditions set forth in an agreement to be entered into between the Kreditanstalt für Wiederaufbau and the Borrower (hereinafter referred to as the KfW Agreement); and

(F) The Association is willing to make the Credit available upon the terms and conditions set forth hereinafter and in a project agreement of even date herewith between the Association and Punjab;

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 March 15, 1974, 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Punjab Project Agreement" means the agreement between the Association and Punjab of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Punjab Project Agreement and all agreements supplemental to the Punjab Project Agreement;

(b) "WAPDA Project Agreement" means the agreement between the Association and WAPDA of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the WAPDA Project Agreement and all agreements supplemental to the WAPDA Project Agreement;

(c) "Act" means the Pakistan Water and Power Development Authority Act, 1958, as amended to the date of this Agreement and all regulations framed thereunder;

(d) "WAPDA" means the Borrower's Water and Power Development Authority established under the Act, and includes any agency or entity of the Borrower or of any political subdivision of the Borrower which shall perform in whole or in part, the services performed at the date of this Agreement by such Authority;

(e) "SCARP VI Area" means the Salinity Control and Reclamation Project (VI) Area of about 1,700,000 acres mainly in the Rahimyar Khan District, subdivided into Units I to V as described in the Panjnad-Abbasia Salinity Control and Reclamation Project Planning Report by Sabasun Technical Services for WAPDA dated June 19, 1976;
(f) "Project Area" means the area in which the Project is to be carried out, and consists of Units II to V of the SCARP VI Area;

(g) "SBP" means the State Bank of Pakistan or any successor thereof;

(h) "Participating Banks" means the banks selected by the Borrower and the Association to provide funds for Part C of the Project;

(i) "Project Implementation Plan" means the plan referred to in Section 2.03 of the WAPDA Project Agreement; and

(j) "Project Steering Committee" and "Project Coordinating Committee" mean the committees established pursuant to Section 3.08 of 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 seventy million dollars ($70,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule 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. Except as the Association shall otherwise agree, contracts for the purchase of goods or for civil works to be financed out of the proceeds of the Credit, shall be procured in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be June 30, 1985 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.
Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing April 1, 1988, and ending October 1, 2027, each installment to and including the installment payable on October 1, 1997 to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall carry out the Project or cause the Project to be carried out with due diligence and efficiency and in conformity with appropriate engineering, agricultural and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose. To that end, the Borrower shall make adequate and timely budgetary provisions for the implementation of the Project in line with the estimated financial requirements for the Project included in the Project Implementation Plan.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause Punjab and WAPDA to perform in accordance with the provisions of the Punjab Project Agreement and the WAPDA Project Agreement, respectively, all the obligations therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Punjab and WAPDA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.
Section 3.02. (a) In order to assist WAPDA in carrying out Parts A (except Parts A.3 and A.6) and D of the Project, the Borrower shall make available to WAPDA the proceeds of the Credit allocated under Categories (1) and (4) of Schedule 1 to this Agreement, under terms and conditions which shall have been approved by the Association.

(b) In order to assist Punjab in carrying out Part A.6 of the Project, the Borrower shall make available to Punjab the proceeds of the Credit allocated under Category (2) of Schedule 1 to this Agreement, under terms and conditions which shall have been approved by the Association.

(c) In order to carry out Part C of the Project, the Borrower shall make available through SBP to the Participating Banks, to be made further available to contractors and farmers, the proceeds of the Credit allocated under Category (3) of Schedule 1 to this Agreement, under terms and conditions which shall have been approved by the Association.

Section 3.03. In order to assist WAPDA in carrying out: (i) Part D.1 of the Project, and (ii) Part D.2 of the Project, the Borrower shall cause WAPDA to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association.

Section 3.04. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against hazards incidental 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, all goods and services financed out of the proceeds of the Credit shall be used exclusively for the Project.

Section 3.05. The Borrower shall: (i) by June 30, 1979, or such other date as the Borrower and the Association shall further agree, submit to the Association a plan to improve grain storage in Pakistan, including proposals satisfactory to the Association for improving arrangements for the storage of grain produced in the Project Area, and (ii) by July 1, 1980, or such other date as the Borrower and the Association shall further agree, commence implementation of such plan with regard to the Project Area.
Section 3.06. Insofar as the Borrower provides grants to farmers for the installation of private tubewells for irrigation purposes anywhere in its territories, the Borrower shall make corresponding grants to farmers in the Project Area for construction of privately owned tubewells irrespective of the size of land holding.

Section 3.07. The Borrower shall provide or cause to be provided funds necessary to enable Participating Banks to meet the agricultural credit requirements under Part C of the Project.

Section 3.08. The Borrower shall cause to be established and maintained, a Project Steering Committee at the Provincial level and a Project Coordinating Committee at the District level, acceptable to the Association, responsible for coordination among agencies which will implement the Project, consisting of, but not limited to, representatives of such agencies and farmer beneficiaries in the Project Area.

Section 3.09. (a) The Borrower shall furnish or shall cause to be furnished to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

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

Section 3.10. The Borrower shall take or cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for the construction and operation of the facilities included in the Project and shall furnish to the Association,
promptly after such acquisition, evidence satisfactory to the Association that such land and rights in respect of land are available for purposes related to the Project.

ARTICLE IV

Other Covenants

Section 4.01. (a) 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 and Punjab responsible for carrying out the Project or any part thereof, and WAPDA, SBP and Participating Banks.

(b) The Borrower shall cause the departments or agencies of the Borrower and Punjab responsible for carrying out the Project or any part thereof, and WAPDA, SBP and Participating Banks, in respect of activities related to the Project to: (i) have their accounts and financial statements (statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association as soon as available but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements for such year as so audited, except for SBP and Participating Banks whose accounts shall be consolidated by the Borrower for review by the Association as soon as available and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other Project related information concerning the accounts and financial statements of the agencies and departments referred to hereinabove, as the Association shall from time to time reasonably request.

Section 4.02. The Borrower shall carry out or cause to be carried out:

(a) a study, under terms of reference satisfactory to the Association, to be furnished to the Association for discussion on or before September 30, 1979, on the structure and level of agricultural pricing and taxation with particular reference to water charges; and
(b) the measures referred to in Article I:1 of the Punjab Project Agreement.

ARTICLE V

Remedies of the Association

Section 5.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified pursuant to paragraph (h) thereof:

(a) Punjab shall have failed to perform any covenant, agreement or other obligation of Punjab under the Punjab Project Agreement;

(b) WAPDA shall have failed to perform any covenant, agreement or other obligation of WAPDA under the WAPDA Project Agreement;

(c) a change shall have been made in the Act or other legislation has been enacted or is implemented which materially and adversely affects the responsibilities or operations of WAPDA;

(d) an extraordinary situation shall have arisen which shall make it improbable that (i) Punjab will be able to perform its obligations under the Punjab Project Agreement, or (ii) WAPDA will be able to perform its obligations under the WAPDA Project Agreement; and

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the UK Grant or the KfW Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the UK Grant or the KfW Loan Agreement, respectively, or

(B) the KfW Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its
obligations under such agreement, and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following events are specified pursuant to paragraph (d) thereof:

(a) any events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) any events specified in paragraphs (c) and (e) (i) B of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

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

(b) the execution and delivery of the WAPDA Project Agreement on behalf of WAPDA have been duly authorized or ratified by all necessary corporate and governmental action;

(c) all the conditions applicable to the Borrower, Punjab and WAPDA for the disbursement of the UK Grant and the KfW Loan have been fulfilled;

(d) the consultants referred to in Section 3.03 (i) of this Agreement have been appointed; and

(e) the Project Steering Committee and the Project Coordinating Committee have been established.
Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Punjab Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Punjab, and is legally binding upon Punjab in accordance with its terms; and

(b) that the WAPDA Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, WAPDA, and is legally binding upon WAPDA in accordance with its terms.

Section 6.03. The date April 25, 1978, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary to the Government of Pakistan, Economic Affairs Division, is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Secretary to the Government of Pakistan
Economic Affairs Division
Islamabad
Pakistan

Cable address:

ECONOMIC
Islamabad
For the Association:

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

Cable address: INDEVAS
Telex: 440098 (ITT)
Washington, D.C. 248423 (RCA) or
64145 (WUI)

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.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Nisar Ali Shah
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ W. David Hopper
Regional Vice President
South Asia
### SCHEDULE 1

**Withdrawal of the Proceeds of the Credit**

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Credit Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>45,000,000</td>
<td></td>
</tr>
<tr>
<td>(a) Civil Works under Parts A.1, 2, 4 and 5 of the Project, and</td>
<td></td>
<td>100% of foreign expenditures and 50% of local expenditures</td>
</tr>
<tr>
<td>(b) Equipment and materials under Parts A.1 and 2 of the Project</td>
<td></td>
<td>100% of foreign expenditures, or 100% of local expenditures (ex-factory) for locally manufactured items, or 50% of expenditures for other locally procured goods</td>
</tr>
<tr>
<td>(2) Gypsum under Part A.6 of the Project</td>
<td>2,000,000</td>
<td>50%</td>
</tr>
<tr>
<td>(3) Agricultural Credits through Participating Banks under Part C of the Project</td>
<td>8,500,000</td>
<td>50% of amounts disbursed</td>
</tr>
<tr>
<td>(4) Consultants' Services</td>
<td>4,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(a) under Part D.1 of the Project</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
- 13 -

<table>
<thead>
<tr>
<th>Category</th>
<th>Credit Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) under Part D.2 of the Project</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>8,500,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>70,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

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. The disbursement percentages have been calculated in compliance with the policy of the Association that no proceeds of the Credit shall be disbursed on account of 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; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Credit decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Association.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

5. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will
be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association 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.

6. 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 and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.
SCHEDULE 2

Description of the Project

The Project consists of the following Parts:

Part A:
1. Construction in Unit II of about 930 tubewells of various discharge capacities, and appurtenant works.
2. Construction of about 250 drainage tubewells in Unit V.
3. Construction of disposal works, including pumping stations and evaporation ponds for saline effluent.
4. Construction of an electrification network in the Project Area to provide energy for the public tubewells and pumping stations.
5. Construction or enlargement, as necessary, of canals and structures, irrigation outlets and water courses.
6. Provision and application of gypsum for soil reclamation on about 40,000 acres.

Part B:
1. Provision of communication and computer equipment to improve operation of the irrigation works in the Panjnad Barrage command.
2. Provision of equipment and vehicles for the soils laboratory at Bahawalpur.
5. Provision of equipment for the electrification network.

Part C:
Provision of agricultural credit through Participating Banks to farmers for:
1. Installation of tubewells in Unit III.
2. Land leveling, the hiring of bulldozers and fine leveling equipment.

Part D: Consultants' services for:

1. Project implementation.

2. Preparation of other irrigation and drainage projects.

* * *

The Project is expected to be completed by December 31, 1984.
SCHEDULE 3

Procurement

A. International Competitive Bidding

1. Except as provided in Part B hereof, contracts for the purchase of goods or for civil works shall be procured in accordance with 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), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. Bidders for the works included in the Project other than those referred to in Part B.1 hereunder, shall be prequalified as described in paragraph 1.3 of Part A of the Guidelines.

B. Other Procurement Procedures

1. Civil works and the application of gypsum under Parts A.5 and 6 of the Project shall be carried out in accordance with the Borrower's competitive bidding procedures acceptable to the Association.

2. Equipment and vehicles with unit prices not exceeding the equivalent of $25,000 shall be procured in accordance with the Borrower's competitive bidding procedures acceptable to the Association, provided that the aggregate expenditure of items so procured shall not exceed the equivalent of $300,000.

C. Evaluation and Comparison of Bids for Goods; Preference for Domestic Manufacturers

1. For the purpose of evaluation and comparison of bids for the supply of goods except those to be procured in accordance with local procedures: (i) bidders shall be required to state in their bid the c.i.f. (Pakistan port of entry) price for imported goods, or the ex-factory price for domestically manufactured goods; (ii) customs 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 Pakistan of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.
2. Goods manufactured in Pakistan may be granted a margin of preference in accordance with, and subject to, the following provisions:

   (a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

   (b) After evaluation, responsive bids will be classified in one of the following three groups:

      (1) **Group A**: bids offering goods manufactured in Pakistan if the bidder shall have established to the satisfaction of the Borrower and the Association that the manufacturing cost of such goods includes a value added in Pakistan equal to at least 20% of the ex-factory bid price of such goods.

      (2) **Group B**: all other bids offering goods manufactured in Pakistan.

      (3) **Group C**: bids offering any other goods.

   (c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

   (d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the c.i.f. bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group C bid; or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the
group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph (c) is the lowest evaluated bid shall be selected.

D. Evaluation and Comparison of Bids for Civil Works; Preference for Domestic Contractors

With respect to any contract for civil works included under Category (1) (a) of the table set forth in Schedule 1 to the Development Credit Agreement and to be procured on the basis of international competitive bidding as described in Part A of the Guidelines, the Borrower may grant a margin of preference of 7-1/2% to domestic contractors, in accordance with, and subject to, the following provisions:

(a) Contractors shall be required to prequalify as provided in Part A.2 of this Schedule and applicants for qualification applying also for such preference shall be asked to provide, as part of the data for qualification, such information, including details of ownership, as shall be required to determine whether, according to the classification established by the Borrower and accepted by the Association, a particular firm or group of firms qualifies for a domestic preference. The bidding documents shall clearly indicate the preference and the method that will be followed in the evaluation and comparison of bids to give effect to such preference.

(b) After bids have been received and reviewed by the Borrower, responsive bids will be classified into the following groups:

(i) bids offered by domestic contractors eligible for preference; and

(ii) bids offered by other contractors.

For the purpose of evaluation and comparison of bids an amount equal to 7-1/2% of the bid amount shall be added to bids received under group (ii) above.

E. Review of Procurement Decisions by the Association

1. Review of prequalification. The Borrower shall, before qualification is invited, inform the Association in detail of the procedure to be followed, and shall introduce such modifications
in said procedure as the Association shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and, where applicable, of their eligibility for domestic preference under Part D.1 above and of the reasons for the exclusion of any applicant for prequalification and for such eligibility shall be furnished by the Borrower to the Association for its comments before the applicants are notified of the Borrower's decision, and the Borrower shall make such additions to, deletions from, or modifications in, the said list as the Association shall reasonably request.

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

With respect to contracts for equipment and materials estimated to cost the equivalent of $100,000 or more and contracts for civil works estimated to cost the equivalent of $250,000 or more:

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

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to which it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report, by the consultants referred to in Section 3.03 of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants and such other information as the Association shall reasonably request. The Association shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked or prequalification invited.
(d) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract.

3. 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, together with the analysis of the respective bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.