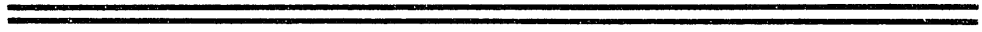


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Public Disclosure Authorized



CREDIT NUMBER 483 BA

Development Credit Agreement

(Irrigation Project)

BETWEEN

SOCIALIST REPUBLIC OF THE UNION OF BURMA

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

DATED JUNE 21, 1974



Public Disclosure Authorized

CREDIT NUMBER 483 BA

Development Credit Agreement

(Irrigation Project)

BETWEEN

SOCIALIST REPUBLIC OF THE UNION OF BURMA

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

DATED JUNE 21, 1974

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 21, 1974, between SOCIALIST REPUBLIC OF THE UNION OF BURMA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS The Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided; and

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 January 31, 1969, with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Sections 5.01 and 6.02(h) thereof and to the renumbering of Section 6.02(i) into 6.02(h) thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, 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) "Project Area" means an area of about 293,000 acres in the Irrawaddy Delta of Lower Burma and 27,000 acres in the central dry zone of Upper Burma; and

(b) "MAF" means Ministry of Agriculture and Forests of the Borrower.

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 seventeen million dollars (\$17,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Association shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit, shall be procured on the basis of international competition under procedures consistent with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in April 1972, as revised in October 1972, and in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1978 or such other date as shall be agreed between the Borrower and the Association.

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 February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 1 and August 1 commencing August 1, 1984, and ending February 1, 2024, each installment to and including the installment payable on February 1, 1994 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.

Section 2.09. The Director-General of the Irrigation Department, or any other person duly authorized by him in writing, is designated as representative of the Borrower for the purpose of taking any action required or permitted to be taken under 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 cause to be carried out, Parts A(i) and (ii) of the Project by its Agricultural Mechanization Department, Part A(iii) of the Project by its Agriculture Corporation, and Parts B, C and D of the Project by its Irrigation Department with due diligence and efficiency and in conformity with appropriate engineering, agricultural, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without limitation or restriction upon any of its obligations under paragraph (a) of this Section, the Borrower shall:

- (i) ensure that adequate quantities of fuel oil and lubricants required for the irrigation pumps to be procured under the Project will be supplied at all times and maintained at a sufficient number of sale points and with running stocks sufficient to operate the pumps to be procured under the Project; and
- (ii) provide adequate credit to the agencies operating such sale points in order to enable such agencies to maintain the required stock of fuel oil and lubricants.

Section 3.02. The Borrower shall establish and maintain a Project Committee under the chairmanship of the Deputy Minister of MAF, with such composition and functions as shall be mutually agreed between the Borrower and the Association, to direct and supervise the implementation and to monitor the benefits of the Project.

Section 3.03. In order to assist the Borrower in carrying out Part D of the Project, the Borrower shall employ consultants acceptable to the Borrower and the Association upon terms and conditions satisfactory to the Borrower and 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 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 Project.

Section 3.05. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower shall: (i) maintain 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) enable the Association's accredited representatives to examine the Project, 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 expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

ARTICLE IV

Other Covenants

Section 4.01. 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. To that end the Borrower shall cause each of its agencies responsible for implementing the project to maintain separate accounts for the sub-project under their responsibility, and shall cause MAF to furnish to the Association copies of the unaudited annual project accounts within four months of the end of each fiscal year, to be followed by audited accounts audited, in accordance with sound auditing principles consistently applied, by the

Director-General, Central Audit and Inspection Office, acting on behalf of the Council of Pyithu's Inspectors of the Borrower, with translations in English of the auditor's report within six months of the end of each fiscal year, together with a translation of the auditor's comments.

Section 4.02. The Borrower shall cause its Irrigation Department to operate and maintain the works included in Part B of the Project in accordance with generally acceptable standards and shall provide promptly as needed the funds for the purpose.

Section 4.03. The Borrower shall cause its Agriculture Corporation to provide adequate extension services and to make available adequate amounts of seeds and fertilizer to farmers throughout the Project Area.

Section 4.04. The Borrower shall:

(a) establish a separate account for that part of the proceeds of the sale of the pumps and accessories included in Part A(i) of the Project which represents the cost of such pumps and accessories financed out of the proceeds of the Credit; and

(b) except as the Association shall otherwise agree, commencing within two years from the date of this Agreement or such other date as may be agreed upon between the Borrower and the Association, use the funds in such account to provide to farmers medium and long-term credit, amounting in the aggregate only to the equivalent of the cost of such pumps and accessories financed out of the proceeds of the Credit, through credit institutions acceptable to the Borrower and the Association.

ARTICLE V

Consultation, Information and Inspection

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party:

(a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the administration, operations, resources and expenditures of MAF and,

in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out any part of the Project, and other matters relating to the purposes of the Credit; and

(b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the administration, operations, resources and expenditures of MAF and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out any part of the Project.

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

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

ARTICLE VI

Taxes and Restrictions

Section 6.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

ARTICLE VII

Remedies of the Association

Section 7.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon, and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

ARTICLE VIII

Effective Date; Termination

Section 8.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01(b) of the General Conditions, namely, that the Project Committee referred to in Section 3.02 of this Agreement shall have been established.

Section 8.02. The date August 21, 1974 is hereby specified for the purposes of Section 10.04 of the General Conditions.

ARTICLE IX

Representative of the Borrower; Addresses

Section 9.01. The Minister of Planning and Finance or the Deputy Minister of Planning and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Ministry for Planning and Finance
Ministers' Office Post Office
Rangoon, Burma

Cable address:

FINANCE
Rangoon

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

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

SOCIALIST REPUBLIC OF THE UNION OF BURMA

By /s/ U. Lwin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mervyn L. Weiner

*Acting Regional Vice President
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 amounts of the Credit to each Category and the percentage of eligible expenditures so to be financed in each Category:

	<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
<i>Part A.</i>	<i>Small Pump Irrigation</i>		
1.	Pumps and Accessories	7,700,000	100% of foreign expenditures for imported equip- ment, or 100% of local expenditures at ex-factory price
2.	Workshop Equip- ment and Tools	700,000	100% of foreign expenditures
3.	Equipment and Imported Mate- rials for Jute Baling Plants	400,000	100% of foreign expenditures
<i>Part B.</i>	<i>Minor Flood Embankment</i>		
4.	Imported Mate- rials	200,000	100% of foreign expenditures
5.	Construction Equipment and Spare Parts	1,500,000	100% of foreign expenditures
<i>Part C.</i>	<i>Repair of Construction Equipment</i>		
6.	Spare Parts	2,200,000	100% of foreign expenditures
<i>Part D.</i>	<i>Feasibility Studies</i>		
7.	Consulting Services	300,000	100% of foreign expenditures
8.	Unallocated	4,000,000	
	TOTAL	<u>17,000,000</u>	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures for goods produced in, or services supplied from, the territories of the Borrower.

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

(a) expenditures prior to the date of this Agreement; and

(b) payments for taxes imposed directly under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above:

(a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;

(b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures; and

(c) 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 Section 2.03 of 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.

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

SCHEDULE 2**Description of the Project**

The Project consists of the provision of small irrigation pumps, the construction and rehabilitation of minor flood embankments in the Project Area, the repair of construction equipment, and feasibility studies, and includes:

Part A. Small Pump Irrigation

- (i) Provision of about 9000 sets of 4 in. low lift pumps and about 1000 sets of 4 in. high lift pumps, both driven by diesel engines, and sale of such pumps and accessories to groups of farmers and cooperatives.
- (ii) Provision of workshop equipment and tools for five major repair and service stations for pumps - four in Lower Burma (Henzada, Myaungmya, Wakema and Maubin) and one in Upper Burma (in the Mandalay Division).
- (iii) Establishment of four jute baling plants, each with a capacity of about 7,000 tons per year, for baling the increased jute production under the Project.

Part B. Minor Flood Embankment

- (i) Rehabilitation and improvement of the Dhantape drain and embankment and construction of a reinforced concrete sluice at the mouth of the drain.
- (ii) Construction of a new Kattiya-Tagundaing embankment.
- (iii) Rehabilitation and strengthening of the existing Kaleik-Tawkanoot embankment and an extension of the existing embankment.
- (iv) Rehabilitation and strengthening of the Kawe-Thandin embankment and an extension of the existing embankment.

Part C. Repair of Construction Equipment

Provision of spare parts necessary for the repair of the construction equipment of the Borrower's Irrigation Department and repair of such equipment.

Part D. Feasibility Studies

- (i) Review and updating of the feasibility study financed by the United Nations Development Programme for the Mu River Irrigation Project.
- (ii) Completion of the feasibility study of another high priority irrigation project to be selected by the Borrower, in consultation with the Association.

The Project is expected to be completed by December 31, 1977.

SCHEDULE 3

Procurement

A. Contracts for Goods to be Awarded under International Competitive Bidding

1. Any contract for goods estimated to cost the equivalent of \$5,000 or more shall be awarded on the basis of international competition under procedures consistent with the guidelines referred to in Section 2.03 of this Agreement, and in accordance with, and subject to, the following provisions:

(a) Before bids are invited, the Association shall be furnished, for its comments, with the text of the invitations to bid and the qualifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and such modifications in the said documents or procedure shall be made 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) Soon after the bids have been received, the Borrower shall inform the Association of the names of the bidders and the respective amounts of the bids.

(c) After bids have been received and evaluated, and before a final decision on the award is made, the Association shall be informed of the name of the bidder to whom it is intended to award the contract and the Association shall be furnished, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Association shall, if it determines that the intended award would be inconsistent with the procedures set forth or referred to in Section 2.03 of this Agreement, promptly inform the Borrower, stating the reasons for such determination.

(d) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked.

(e) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.

B. Contracts for Goods to be Awarded under Other Procurement Procedures

1. Items of goods estimated to cost less than \$5,000 each may be procured without resort to international competition, provided that (i) such items of goods

are procured on the basis of reasonable and competitive procurement procedures, including but not limited to the solicitation of not less than three price quotations and (ii) the total cost of items of goods procured pursuant to this paragraph does not exceed in the aggregate the equivalent of \$50,000.

2. Spare parts included in Part C of the Project may be procured under procedures other than those referred to in Sections A and B(i) of this Schedule after consultation with the Association on the procedures to be followed and the bid prices offered.

C. *Supplemental Rules on Bid Evaluation and Comparison*

1. For the purpose of evaluation and comparison of bids, customs duties and other import taxes on imported goods, and sales and similar taxes on locally supplied goods, shall be excluded, except to the extent hereinafter provided. Bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for locally manufactured goods. The cost of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be taken into account in the evaluation of bids in accordance with paragraph 4.7 of the Guidelines for Procurement referred to in Section 2.03 of this Agreement.

2. For the purpose of evaluation and comparison of bids for the supply of equipment a margin of preference may be granted to goods manufactured in the Socialist Republic of the Union of Burma in accordance with, and subject to, the following provisions:

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

- (1) *Group A*: bids offering goods manufactured in the Socialist Republic of the Union of Burma 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 the Socialist Republic of the Union of Burma equal to at least 20% of the ex-factory bid price of such goods.
- (2) *Group B*: bids offering goods manufactured in the Socialist Republic of the Union of Burma, other than bids classified in Group A.
- (3) *Group C*: bids offering any other goods.

(b) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes in goods to be imported and any sales or similar taxes on goods to be supplied locally, to determine the lowest evaluated bid of each group. The lowest evaluated bids of each group 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 purposes of award.

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

3. The bidding documents shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the methods and stages that will be followed in the evaluation and comparison of bids to give effect to such preference.