
OFFICIAL
DOCUMENTS

LOAN NUMBER 1787 TH

Loan Agreement

(Eleventh Irrigation Project)

between

KINGDOM OF THAILAND

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *January 17*, 1980

LOAN NUMBER 1787 TH

LOAN AGREEMENT

AGREEMENT, dated *January 17*, 1980, between KINGDOM OF THAILAND (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank 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) "RID" means the Royal Irrigation Department within the Borrower's Ministry of Agriculture and Cooperatives;

(b) "BAAC" means the Bank for Agriculture and Agricultural Cooperatives established pursuant to the Borrower's Bank for Agriculture and Agricultural Cooperatives Act, B. E. 2509 (1966);

(c) "DAE" means the Department of Agricultural Extension in the Borrower's Ministry of Agriculture and Cooperatives; and

(d) "Joint Project Agreement (Second Northeast Thailand Irrigation Project)" means the agreement dated December 4, 1978, between the Borrower, the Bank and the International Fund for Agricultural Development (with respect to the Loans 1630-TH and 5-THA).

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth

or referred to, an amount in various currencies equivalent to eighty million dollars (\$80,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between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 Bank, for expenditures made (or, if the Bank 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 Loan.

Section 2.03. Except as the Bank shall otherwise agree, procurement of the goods and civil works to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be June 30, 1986 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven and ninety-five hundredths per cent (7.95%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other 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 Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower shall carry out the Project through RID with due diligence and efficiency and in conformity with appropriate agricultural, engineering, economic and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. The Borrower shall cause RID to establish promptly a Project Organization, satisfactory to the Bank, to be responsible for the execution and operation of the Project, such Organization to include inter alia the appointment of two senior officers of RID in the following capacities:

(a) a Project Manager to be responsible for management and coordination of Part A of the Project; and

(b) a Project Manager to be responsible for management and coordination of Parts B and D (3) of the Project.

Section 3.03. In order to assist the Borrower in (i) the design of, the preparation of specifications and bidding documents for, and the supervision of the construction of Parts A, B and C of the Project, and (ii) the carrying out of Part D of the Project, the Borrower shall employ agricultural, engineering and management consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

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 Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

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

(b) The Borrower: (i) shall maintain or cause to be maintained, records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Loan, and to disclose their use in the Project; (ii) shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of

the Loan and any relevant records and documents; and (iii) shall furnish, or cause to be furnished, to the Bank at regular intervals all such information as the Bank shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

(c) Without limitation or restriction upon the provisions of Section 3.05 (b) (i) above, the Borrower shall, not later than December 31, 1980, cause RID to submit to the Bank for review and comment detailed proposals for monitoring and evaluation of Bank-financed irrigation projects.

(d) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.

Section 3.06. 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 carrying out the Project and shall furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Project.

Section 3.07. The Borrower shall at all times ensure that:

(a) DAE is adequately staffed and provided with resources sufficient to enable it to provide an effective extension service to beneficiaries under Parts A and B of the Project; and

(b) BAAC is adequately staffed and provided with resources sufficient to meet the reasonable short-term and long-term credit needs of beneficiaries under Parts A and B of the Project.

ARTICLE IV

Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek,

in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

Section 4.02. The Borrower shall cause RID to:

(a) maintain one account covering the expenditures incurred in carrying out Part A of the Project and another separate account covering expenditures incurred in carrying out Part B of the Project; and

(b) furnish to the Bank such information concerning the accounts and financial statements of RID as the Bank shall from time to time reasonably request.

Section 4.03. The Borrower shall cause RID to operate and maintain all irrigation, service roads and drainage systems required for the functioning of the facilities constructed under the Project, in accordance with the procedures established under Part D (2) of the Project, and shall make all necessary funds available through appropriate annual budgetary allocations as may be required for the above purposes.

Section 4.04. Subject to the provisions contained in the legislative measures to be enacted and implemented pursuant to Section 4.02 (a) of the Joint Project Agreement (Second North-east Thailand Irrigation Project), the Borrower shall or shall cause RID to:

(a) not later than June 30, 1981, prepare and submit to the Bank, for its review and comment, proposals for the establishment of appropriate levels of fees to recover operation and maintenance costs from beneficiaries under the Project, together with appropriate procedures proposed to be implemented for the collection of such fees;

(b) on the basis of the proposals referred to in paragraph (a) of this Section and of the Bank's concurrence thereto, impose and collect fees equivalent to operation and maintenance costs from beneficiaries under the Project within one year of the completion of the tertiary systems in blocks of about 1,000 hectares, and under such other terms and conditions as shall be satisfactory to the Bank;

(c) carry out in a timely manner and complete not later than June 30, 1984, a capital cost recovery study which shall take into account, inter alia, the incentives to farmers, the capacity of farmers to pay, the size of farm holdings and other charges and taxes paid by farmers;

(d) on the basis of the results of the study referred to in paragraph (c) of this Section, not later than December 31, 1984, furnish to the Bank, for its review and comment, proposals for the establishment of appropriate levels of charges designed to recover the capital costs from beneficiaries under the Project, together with the appropriate collection procedures therefor; and

(e) on the basis of the proposals referred to in paragraph (d) of this Section and of the Bank's concurrence thereto, and after completion of tertiary systems in blocks of about 3,000 hectares, impose and collect charges adequate to ensure the recovery from said beneficiaries of a reasonable portion of such capital costs on terms and under procedures satisfactory to the Bank.

ARTICLE V

Termination

Section 5.01. The date *April 17, 1980*, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance
Ministry of Finance
Bangkok 2
Thailand

Cable address:

MINANCE
Bangkok

Telex:

TH-2823

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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.

KINGDOM OF THAILAND

By *[Signature]* *Klos Visessura Karn*
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By *[Signature]* *S. Shahid Husain*
Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works	51,700,000	50%
(2) Vehicles and equipment	15,100,000	
(a) directly imported		100% of for- foreign expendi- tures
(b) locally manufactured		100% (ex-factory)
(c) locally procured		65%
(3) Consultants' services and training	6,500,000	100%
(4) Unallocated	6,700,000	
	<hr/>	
TOTAL	80,000,000	
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2. For the purposes of this Schedule 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.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan 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 Loan decreases or increases, the Bank 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 Bank.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$350,000 may be made in respect of Category (1) on account of payments made for such expenditures before that date but after September 1, 1979.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank 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 Bank 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 Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

The Project is part of the Borrower's continuing program for improving and expanding its irrigation facilities. The Project consists of the following Parts:

Part A: Meklong Irrigation Works

Construction and/or improvement of main, lateral and tertiary canals and drains (including adjacent farm roads) for irrigation of an area of about 66,000 hectares on the right bank of the Meklong River (Stage II) downstream from the Vajiralongkorn Diversion Dam.

Part B: Pattani Irrigation Works

Construction and/or improvement of main, lateral and tertiary canals and drains for irrigation of an area of about 15,000 hectares on the right bank of the Pattani River served by the right bank main canal originating at the Ban Kurat Diversion Dam.

Part C: Operation and Maintenance

Construction and equipping of operation and maintenance facilities for the irrigation works included under the Project.

Part D: Technical Assistance and Training

1. Establishment of efficient procedures for monitoring and evaluating the benefits of Bank-financed irrigation projects.
2. Establishment of efficient procedures for water management and for the operation and maintenance of the irrigation works under the Project to ensure timely and adequate deliveries of irrigation water.
3. Preparation of detailed designs for a further 35,000 hectares to be irrigated from the Pattani River.

* * * *

The Project is expected to be completed by December 31, 1985.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each March 15 and September 15 beginning September 15, 1985 through September 15, 1999	2,665,000
On March 15, 2000	2,715,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	1.20%
More than three years but not more than six years before maturity	2.40%
More than six years but not more than eleven years before maturity	4.35%
More than eleven years but not more than sixteen years before maturity	6.35%
More than sixteen but not more than eighteen years before maturity	7.15%
More than eighteen years before maturity	7.95%

SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Part C hereunder, goods and civil works shall be procured under contracts awarded 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. For goods and works to be procured on the basis of international competitive bidding, in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Bank 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 Bank shall reasonably request; the Bank 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 and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

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

B. Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A of this Schedule, goods manufactured in the Kingdom of Thailand may be granted a margin of preference in accordance with, and subject to, the following provisions:

1. 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.

2. After evaluation, responsive bids will be classified in one of the following three groups:

- (1) Group A: bids offering goods manufactured in the Kingdom of Thailand if the bidder shall have established to the satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in the Kingdom of Thailand equal to at least 20% of the ex-factory bid price of such goods.
- (2) Group B: all other domestic bids.
- (3) Group C: bids offering any other goods.

3. 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.

4. If, as a result of the comparison under paragraph 3 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 evaluated 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 3 is the lowest evaluated bid shall be selected.

C. Other Procurement Procedures

Notwithstanding the provisions contained in Part A.1 of this Schedule:

1. Vehicles and equipment with unit prices not exceeding the equivalent of about \$20,000 each, up to an aggregate amount of about \$300,000 equivalent, may be purchased in accordance with the procurement procedures of the Borrower, satisfactory to the Bank.

2. Contracts for civil works estimated to cost not more than \$5,000,000 equivalent each may be procured following local advertising in accordance with such of the Borrower's competitive bidding procedures as shall be satisfactory to the Bank, including those set forth in the Annex to this Schedule, provided however that some civil works, as may be agreed between the Borrower and the Bank, may be carried out through force account by RID.

D. Review of Procurement Decisions by the Bank

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

With respect to all contracts for civil works estimated to cost the equivalent of \$1,500,000 or more, and goods estimated to cost the equivalent of \$100,000 or more:

(a) before bids are invited, the Borrower shall furnish to the Bank, 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 Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank'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 Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Bank shall reasonably request. The Bank 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 Bank's concurrence, materially differ from those on which bids were asked or prequalification invited; and

(d) two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

2. With respect to each contract not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank 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.

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

ANNEX TO SCHEDULE 4

Provisions included in Borrower's
Competitive Bidding Procedures

A. Notification and Advertising

1. Advertising in a reasonable number of Thai and English language local newspapers, clearly specifying that foreign firms are eligible to bid.
2. Bidding period: 30 - 45 days.

B. Prequalification

1. May be used, at the option of the Borrower.

C. Bidding Documents

1. Specimen form of contract shall be in the English language.
2. Conformed copies of signed contracts shall be in English or Thai language. In the latter case, a certified translation of the form of contract and general and special conditions of contract shall be provided.
3. Bidding documents shall contain a clear statement whether prices are subject to adjustment on the occurrence of specified events, and the criteria for adjustment shall be included in the invitation to bid.

D. Bid Evaluation

Bid evaluation and decision on awards shall be carried out in accordance with Chapter III of the Guidelines, unless otherwise specified in this Annex.

E. General

The Borrower shall take all reasonable steps to expedite the preparation of bid documents, the evaluation of bids and the award of contracts.