

CONFORMED COPY

CREDIT NUMBER 2233 BD

(Agricultural Support Services Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 17, 1991

CREDIT NUMBER 2233 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 17, 1991, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

(B) the Borrower intends to obtain from the Overseas Development Agency (ODA) a grant (the ODA Grant) in an amount equivalent to \$15,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the ODA Grant Agreement) to be entered into between the Borrower and ODA; 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 set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. 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) "Fiscal Year" or "FY" means the Borrower's fiscal year commencing July 1 and ending June 30;

(b) "Foundation" means the foundation to be established pursuant to the Borrower's Companies Act, for the purposes of developing horticultural exports;

(c) "Shadow Market Rate" means such interest rate as shall be determined by Bangladesh Bank, on a semi-annual basis, for various lending categories. Such rate shall be determined by aggregating the Borrower's banking sector's average cost of funds, average administrative costs, cost of potential loan loss provisions, and a profit margin, or pursuant to such other method as shall be acceptable to the Association;

(d) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(e) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and the Foundation pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Agreement;

(f) "Sub-loan" means a loan made by the Foundation to a farmer or group of farmers for purposes of Part E.2 of the Project; and

(g) "taka" means the currency of the Borrower.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty-four million four hundred thousand Special Drawing Rights (SDR 24,400,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement 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.

(b) The Borrower shall, for the purposes of the Project, open and maintain in convertible taka, in one or more commercial banks, five separate special deposit accounts in the name of the Department of Agricultural Extension, the Bangladesh Agricultural Research Institute, the Bangladesh Rice Research Institute, the Bangladesh Jute Research Institute, and the Foundation, respectively, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1998, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 2001, and ending March 15, 2031. Each installment to and including the installment payable on March 15, 2011, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end shall carry out Parts A, B, C and D of the Project, and shall cause the Foundation to carry out Part E of the Project with due diligence and efficiency and in conformity with appropriate administrative, agricultural, engineering and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts A, B, C and D of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall:

(i) relend a portion of the proceeds of the Credit to the Foundation for purposes of Part E.2 of the Project under a subsidiary agreement to be entered into between the Borrower and the Foundation, under terms and conditions which shall be approved by the Association which shall include the following: (A) interest on the Subsidiary Loan shall be payable at an annual rate equal to the Shadow Market Rate less seven percent; (B) the Subsidiary Loan shall be repaid not later than June 30, 1997; and (C) the foreign exchange risk shall be borne by the Borrower; and

(ii) make available, as a grant, a portion of the proceeds of the Credit to the Foundation for purposes of Part E.1 of the Project under the above referenced Subsidiary Agreement, under conditions which shall have been approved by the Association.

(d) The Borrower shall exercise its rights under the Subsidiary Agreement referred to in paragraph (d) of this Section in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods and works required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

(b) In order to assist the Borrower in carrying out Parts A, B, C and D of the Project, the Borrower shall, by December 1, 1991, employ consultants whose qualifications, experience, and terms of reference shall be satisfactory to the Association.

Section 3.03. The Borrower shall cause the Foundation, in carrying out Part E.2 of the Project:

(a) to provide Sub-loans to farmers producing horticultural products for export in accordance with procedures and on terms and conditions which shall have been approved by the Association which shall include the following: (i) interest on the Sub-loan shall be payable at an annual rate equal to the Shadow Market Rate; and (ii) the Sub-loan shall be repaid over a maximum period of one year; and (iii) when procured by the farmers, goods and services to be financed out of the proceeds of the Sub-loan shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them; and

(b) to exercise its rights in relation to each Sub-loan in such manner as to: (i) protect the interests of the Borrower and the Association, (ii) comply with its obligations under the Subsidiary Agreement, and (iii) achieve the purposes of Part E of the Project.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound 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.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts, for each fiscal year audited, in accordance with appropriate 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 nine months after the end of each such year, a certified copy of 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 information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account for the Project were made on the basis of statements of expenditure, the borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Accounts was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall cause the Foundation to maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall cause the Foundation to:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate 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 its financial statements for such year as so audited; 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 information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

## ARTICLE V

### Other Covenants

Section 5.01. The Borrower shall cause the Foundation to carry on its operations and conduct its affairs in accordance with sound administrative, agricultural, engineering and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 5.02. The Borrower shall cause the Foundation at all times to operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound agricultural, engineering and financial practices.

Section 5.03. The Borrower shall cause the Foundation to take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

## ARTICLE VI

### Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

- (a) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms 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 or termination 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.

(b) The agreement referred to in paragraph 3 (c) (i) of Schedule 1 to this Agreement shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

- (a) the event specified in paragraph (a) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section; and
- (b) the event specified in paragraph (b) of Section 6.01 of this Agreement shall occur.

## ARTICLE VII

### Effective Date; Termination

Section 7.01. 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) all conditions precedent to the effectiveness of the ODA Grant Agreement have been fulfilled, other than those related to the effectiveness of this Agreement; and
- (b) the Borrower has approved the Project Proforma for the carrying out of the Project.

Section 7.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.03. The provisions of Article V of this Agreement shall cease and determine on the date on which this Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

## ARTICLE VIII

### Representatives of the Borrower; Addresses

Section 8.01. The Secretary or the Additional Secretary, or any Joint Secretary, Deputy Secretary or Assistant Secretary of the Economic Relations Division of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Relations Division  
Ministry of Finance  
Government of the People's  
Republic of Bangladesh  
Dhaka, Bangladesh

Cable address:

BAHIRSAMPAD  
Dhaka

Telex:

642226 SETU BJ

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.

Telex:

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ A.H.S. Ataul Karim

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. Karaosmanoglu

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 the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

| Category  | Amount of the<br>Credit Allocated<br>(Expressed in<br>SDR Equivalent) | % of<br>Expenditures<br>to be Financed |
|---|---|--|
| (1) Civil works,<br>including<br>architects fees: |   | 90%                                    |
| (a) Parts A, B.1<br>and C.1 of                    | 2,180,000   |  |

|     |   |            |  |
|-----|---|------------|--|
|     | the Project   |            |  |
|     | (b) Part E.1<br>of the Project                                | 150,000    |  |
| (2) | Equipment, materials and vehicles:                            |            | 100% of foreign expenditures,<br>100% of local expenditures                      |
|     | (a) Parts A, B.1 and C.2 of the Project                       | 4,060,000  | (ex-factory cost) and 70% of local expenditures for other items procured locally |
|     | (b) Part B.6 of the Project                                   | 100,000    |  |
|     | (c) Part E.1 of the Project                                   | 930,000    |  |
| (3) | Sub-loans under Part E.2 of the Project                       | 5,200,000  | 100%   |
| (4) | Training:   |            | 100%   |
|     | (a) Part B.2 and B.3 of the Project                           | 2,350,000  |  |
|     | (b) Part B.4 of the Project                                   | 400,000    |  |
| (5) | Local services under Part A of the Project                    | 4,170,000  | 85% in FY 1992 through FY 1994, 70% in FY 1995 and FY 1996, and 35% thereafter   |
| (6) | Operation and maintenance for Parts A, B and C of the Project | 2,360,000  | 85% in FY 1992 through FY 1994, 70% in FY 1995 and FY 1996, and 35% thereafter   |
| (7) | Unallocated   | 2,500,000  |  |
|     | TOTAL   | 24,400,000 |  |

2. For the purposes of this Schedule:

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

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

(c) the term "local services" means agricultural supplies, incremental cost of manual labor and advertisement costs.

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

(a) payments made for expenditures prior to the date of this Agreement;

(b) Categories (2) (b) and (4) (b) for payments made for expenditures incurred prior to July 1, 1995; and

(c) Categories (2) (c) and (3) until: (i) the Borrower has entered into an agreement with the United States Agency for International Development for the financing of the establishment and the operation of the Foundation, (ii) the Foundation has been established with powers and staffing satisfactory to the



Association, and (iii) the Borrower has entered into the Subsidiary Agreement referred to in Section 3.01 (c) of this Agreement.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to increase agricultural production, especially foodgrains, and initiate a diversification process aimed at the introduction of high value export crops.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### Part A: Technology Transfer

1. Carrying out of about 36,000 on-farm demonstrations annually, with a primary focus on local agricultural production issues.
2. Carrying out of farmer field days and meetings at all administrative levels of the Borrower's Districts to broaden the outreach of extension information, including meetings with non-governmental organizations, commercial farm input suppliers, and other groups in the private sector with linkage to agriculture.
3. Carrying out of media campaigns, including radio, television and newspapers, and production of basic extension pamphlets to publicize field demonstration.
4. Carrying out of adaptive research work in collaboration with the research institutes, farm demonstrations, field days and promotional campaigns to strengthen technology transfer by local government at the upazila level including contribution of local revenues for such activities.
5. Construction of Extension Centers (two per District) for use as an office by Block supervisors and as a meeting place for farmers.
6. Acquisition of about 1,390 motorcycles and about 10,000 bicycles for extension field staff; and acquisition of computers, televisions, VCRs, public address systems and related equipment for use in demonstration activities, field days and farmer meetings.

#### Part B: Training

1. Rehabilitation of ten of the Borrower's Agricultural Training Institutes (ATI) and of the Central Extension Resources Development Institute (CERDI), including: construction and renovation of buildings and staff housing; improvement of water supply; upgrading of internal roads; acquisition of laboratory, teaching and kitchen equipment; acquisition of minibuses, four-wheel drive vehicles and motorcycles for each of the ATIs and for CERDI.
2. In-service training of middle and professional level staff of the Borrower's Department of Agricultural Extension to upgrade extension skills; and initial training of agricultural graduates joining the Department of Agricultural Extension.
3. Carrying out of one-day training courses for farmers at demonstration sites, research sub-stations, multi-locational trial sites and irrigation schemes.
4. Carrying out of local post-graduate and professional training of middle- and senior-level staff of the Borrower's Ministry of Agriculture, and career development courses for selected Block supervisors having completed two-year diploma training.
5. Provision of foreign long- and short-term training and study tours for staff of the Borrower's Ministry of Agriculture.
6. Provision of training materials and publications.

#### Part C: Seed Industry Development

Improvement and expansion of maintenance breeding and breeder seed multiplication at each of nine of the Borrower's research sub-stations through:

1. Construction of seed processing and storage facilities.

2. Acquisition of vehicles, laboratory equipment, and office equipment and furniture.
3. Acquisition of seed processing and conditioning equipment and farm machinery.

Part D: Homestead Production Component

Establishment of technology transfer services, with the assistance of relevant Non-Government Organizations, for homestead garden production with special emphasis on developing income generating opportunities for women.

Part E: Agro-Business Development

Development of horticultural exports from small farmers through:

1. Development of three pilot schemes, each including construction of a small packing and storage plant, acquisition of a refrigerated transport vehicle, and carrying out of demonstration activities.
2. Provision of credit to farmers for the financing of the production, the processing and the export marketing of horticultural products.

\* \* \*

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Bangladesh may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Goods for Parts A, B, C.2 and E.1 of the Project estimated to cost less than the equivalent of \$10,000 per contract, up to an aggregate amount equivalent to \$50,000, and goods for Part E.2 of the Project when procured by the Foundation, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods estimated to cost the equivalent of \$10,000 or more, and the first three contracts for civil works awarded in accordance with Part C.1 of this Schedule, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### SCHEDULE 4

##### Implementation Program

1. In carrying out Part A of the Project, the Borrower shall, not later than December 31, 1991, prepare a program, acceptable to the Association, to improve the effectiveness of the extension staff of the Borrower's Department of Agricultural Extension; and, thereafter, promptly carry out such program.

2. In carrying out Part A of the Project, the Borrower shall, by October 31, 1991, take all actions required to establish the autonomous role and the broader structure of the District Technical Committees.

3. In carrying out Part B of the Project, the Borrower shall:

(a) not later than March 31, 1992, prepare a detailed farmer training needs assessment and a training action plan for Part B of the Project, satisfactory to the Association; and

(b) not later than June 30, 1992, incorporate in the Borrower's National Training Plan the Project training action plan referred to in paragraph (a) above.

4. In carrying out Part C of the Project, the Borrower shall:

(a) not later than October 31, 1991, establish a Seed Wing in its Ministry of Agriculture;

(b) not later than June 30, 1992, cause the Bangladesh Agricultural Development Corporation to restrict the marketing of its seeds to wholesaling to private dealers;

(c) not later than June 30, 1992, take all necessary actions to allow both public and private sector seed companies to freely import, under normal quarantine controls, all types of crop seeds for testing;

(d) not later than June 30, 1992, furnish to the Association, for comments, the proposed amendments to the seed regulations relating to varietal registration and seed importation, and, thereafter, promptly take all necessary steps to issue amendments taking into account the Borrower's Draft Seed Policy dated July 1990; and

(e) not later than October 31, 1991, take all necessary actions to allow private seed companies equal access with the Bangladesh Agricultural Development Corporation to breeder and foundations seeds produced by the Borrower's research institutes.

5. The Borrower shall, not later than June 30, 1994, carry out, in consultation with the Association, a mid-term review of the implementation of the Project and, promptly thereafter, take any actions recommended by such review.

#### SCHEDULE 5

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) set forth

in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures 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 allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means in respect of each Special Account, the convertible taka amount specified below for each such Special Account, to be withdrawn from the Credit Account and deposited in the respective Special Account pursuant to paragraph 3 (a) of this Schedule:

- (i) the Department of Agricultural Extension Special Account, convertible taka 46,500,000;
- (ii) the Bangladesh Agricultural Research Institute Special Account, convertible taka 5,400,000;
- (iii) the Bangladesh Rice Research Institute Special Account, convertible taka 2,700,000;
- (iv) the Bangladesh Jute Research Institute Special Account, convertible taka 2,700,000; and
- (v) the Foundation Special Account, convertible taka 32,200,000.

2. Payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Accounts have been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation in respect of each Special Account. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the respective Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Association requests for deposits into the Special Accounts at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of said Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Accounts, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Accounts:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph

(a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Accounts as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into said Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into said Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

