

CONFORMED COPY

CREDIT NUMBER 3284 BD

Development Credit Agreement

(Agricultural Services Innovation and Reform Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 30, 1999

CREDIT NUMBER 3284 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 30, 1999, 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 hasintends to obtained from the United Kingdom of Great Britain and Northern Ireland (United Kingdom), acting through the Department for International Development (DfID) a grant (the DfID Grant) in an amount of British Pound Sterling 9,244,000 of which about \$6,900,000 equivalent will be used to assist in financing part of the Project on the terms and conditions set forth in an agreement (the DfID Grant Agreement) to be entered into between the Borrower and the United Kingdom on May 31, 1999; and

(C) the Borrower (i) has obtainedintends to obtain from the Food and Agricultural Organization (FAO) a grant (the FAO Grant) in an amount of \$338,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the FAO Grant Agreement) to be entered into between the Borrower and FAO on June 30, 1999; and (ii) intends to obtain from FAO a second grant in the amount of \$241,900 for South-South cooperation in the exchange of technical personnel, of which about \$193,000 will be used to finance part of the Project;

(D) Part A of the Project will be carried out by the Horticultural Export Development Foundation (HORTEXHortex) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to HORTEX part of the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement of even date herewith between the Association and HORTEX;

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, (as amended through December 2, 1997) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:.

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries.

(b) the second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "DAE" means the Department of Agricultural Extension within the Borrower's Ministry of Agriculture;

(b) "HORTEX" means the Horticultural Export Development Foundation, a body corporate established and existing under the Bangladesh Companies Act, 1913, (amended in 1994);

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

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

(e) "Trust Fund Agreement" means an agreement to be entered into between the Borrower and FAO, with the concurrence of the Association under which FAO would provide agreed services, financed from the proceeds of the Credit, for assisting the Borrower in carrying out Part C of the Project, and would establish trust fund accounts for this purpose;

(f) "NGOs" means non-governmental organizations established and operating in the Borrower's territory;

(g) Extension Policy Implementation Coordinating Committee (EPICC), District Extension Partnerships Programming Committees (DEPCs), and Thana Agricultural Extension Coordinating Committees (TAECCs) mean committees established in 1997 at the National, District, and Thana levels respectively, each including representatives of DAE, other government agencies involved in extension, NGOs and the private sector;

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

- (i) "FY" means the Borrower's fiscal year commencing on July 1 and ending on June 30; and
- (j) "TK" means Taka, 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 the Development Credit Agreement, an amount in various currencies equivalent to three million eight hundred thousand Special Drawing Rights (SDR 3,800,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Taka two separate special deposit accounts (the DAE Special Account and the HORTEX Special Account) in commercial banks on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of each respective Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 2003 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 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 semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing February 1, 2010 and ending August 1, 2039. Each installment to and including the installment payable on August 1, 2019 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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

repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end: (i) shall carry out Parts B, C and D of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project and (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause HORTEX to perform in accordance with the provisions of the Project Agreement all the obligations of HORTEX therein set forth with respect to Part A of the Project, shall take and cause to be taken all actions, including the provision of funds, facilities, services and other resources necessary or appropriate to enable HORTEX to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere such performance.

(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 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 make available the proceeds of the Credit allocated from time to time to cCategory (1) of Schedule 1 to this Agreement to HORTEX under a Subsidiary Grant Agreement to be entered into between the Borrower and HORTEX, under terms and conditions which shall have been approved by the Association, which shall include, inter alia, those set forth or referred to in Schedule 5 to this Agreement.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services 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.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or

such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan. Section 3.04. In order to assist the Borrower in carrying out Part C of the Project, the Borrower shall enter into trust fund agreements, satisfactory to the Association, under which FAO would provide agreed services with respect to those portions of Part C to be financed from the proceeds of the Credit and would establish trust fund accounts for this purpose.

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 its part 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 six months after the end of each such year, 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 and 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 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 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) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for its part of the Project in order to enable the Borrower, not later than January 1, 2001, 2001 or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for its part of the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for its part of the Project for the six-month period following the

period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under its part of the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) HORTEX shall have failed to perform any of its obligations under the Project Agreement or the Subsidiary Grant Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that HORTEX will be able to perform its obligations under the Project Agreement or the Subsidiary Grant Agreement.

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

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

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

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraphs (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) all conditions precedent to the effectiveness of the DfID Grant Agreement and the FAO Grant Agreement (other than the effectiveness of this Agreement) have been fulfilled; and

(b) the Subsidiary Grant Agreement has been executed on behalf of the Borrower and HORTEX and TK 5 million has been deposited by the Borrower into a revolving fund to be operated by HORTEX.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by HORTEX, and is legally binding upon HORTEX in accordance with its terms; and

(b) that the Subsidiary Grant Agreement has been duly authorized or ratified by the Borrower and HORTEX and is legally binding upon the Borrower and HORTEX in accordance with its terms.

Section 6.03. 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary, or the Additional Secretary, or any Joint Secretary, Joint Chief, Deputy Secretary, Deputy Chief, Senior Assistant Secretary, Assistant Secretary, Senior Assistant Chief, Assistant Chief 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 7.02. 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
672796 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 (MCI) or
64145 (MCI)

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

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Khondkar Tajuddin Ahmed

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mohsin Alikhan

Acting Country Director, Bangladesh
South Asia Region

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 Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Part A of the Project		
(a) Goods	228,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(b) Civil works	76,000	90%
(c) Consultants' services (including private auditors), training and international travel	684,000	100%
(d) Operating costs	684,000	100% in FY2000; FY99 and FY2000; 95% in FY2001; FY2001; and 90% thereafter
(2) Part B of the Project		
(a) Thana Partnerships Grants under Part B.1	836,000	50%
(b) District Partnerships Grants under Part B.2 in the three Districts of the Borrower agreed with the Association	456,000	
(i) goods		70%
(ii) other than goods		100%
(3) Part C of the Project expenditures under Trust Fund Agreements		100%

(a) Part C1 and C2	332,000
(b) Part C3	345,000
(4) Unallocated	159,000
TOTAL	3,800,000

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 "operating costs" means salaries and allowances of HORTEX staff and Governing Board, costs of rental of facilities and equipment, local travel and vehicle maintenance and repair, office supplies and utilities, costs of pilot production demonstrations and export transportation, and others recurrent costs of HORTEX operations.

3. Notwithstanding the provisions of paragraph 1 above no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 37,000, may be made in respect of Category 1 on account of payments made for expenditures before that date but after July 1, 1999; (b) under Category (3) (a), or (b) prior to approval by the Association of the Trust Fund Agreement pertaining to Parts C1 and C2, or C3 respectively and appointment of a Subproject Coordinators director for the respective at components.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditures for expenditures: (a) for goods and works under contracts costing less than \$100,000 equivalent each; (b) for training, travel and operating costs; and (c) for consultants' services under contracts not exceeding the equivalent of \$100,000 in the case of firms, and \$50,000 in the case of individuals, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to achieve higher agricultural productivity and incomes through production intensification and diversification, and, to that effect, to test and refine various agricultural technology transfer programs designed to foster more demand-driven and locally responsive technology transfer methodologies, to provide relevant advice to farmers, and to increase horticultural exports.

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: Support to Pioneering Horticultural Production and Export Activities

Provision of support through HORTEX to pioneering horticultural production and export activities through provision of catalytic technical services, logistical services (such as refrigerated transport), training, market intelligence, exhibitions, study tours, and seminars.

Part B: Extension Partnerships Programs

Pilot programs for encouraging extension partnerships among DAE, NGOs and other government agencies, through:

(1) Thana level partnerships programs under the control of TAECCs, including local representatives from DAE, NGOs, local government, and other government agencies;

(2) District Level Partnership Grants, to be provided in twelve districts, on a

competitive basis, based upon proposals received from TAECCs; and

(3) National Partnerships Programs, for provision of services by NGOs as requested by TAECCs or DEPCs, to facilitate NGO/government agency/private sector cooperative extension activities..

Part C: Small Scale Pilot Agricultural Technology Transfer Trial and Demonstration Programs

Trial and demonstration programs in (1) improved on-farm water management, (2) village level soil fertility management; and (3) crop forecasting and weather advice to farmers.

Part D: Monitoring and Evaluation

Monitoring and evaluation of the impact of the programs under Parts B and C of the Project through studies by DAE staff and by consultants, and equipment and technical assistance to strengthen DAE monitoring and evaluation capacity.

* * *

The Project is expected to be completed by September 30, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines), and (b) the following provisions of Section I of this Schedule of this Section I. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract, and civil works estimated to cost \$20,000 equivalent or more per contract, up to an aggregate amount not to exceed \$200,000 equivalent for all goods and works, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) The provisions under the following subparagraph (c) shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of subparagraph (a) of this paragraph 1.

(c) Improvement of Bidding Procedures

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 of the Guidelines:

- (i) invitations to bid shall be advertised in at least one widely circulated national daily newspaper, at least 30 days prior to the deadline for the submission of bids;
- (ii) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (iii) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed by the Association;
- (iv) bids shall be opened in public in one place, immediately after the deadline for submission of bids;
- (v) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
- (vi) qualification criteria (in case pre-qualification was not carried out) shall be stated in the bidding documents, and, if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;
- (vii) contracts shall be awarded to the lowest evaluated bidders;
- (viii) post bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (xix) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (x) re-bidding shall not be carried out without the Association's prior concurrence;
- (xi) all bidders/contractors shall provide bid/performance security as indicated in the bidding/contract documents;
- (xii) a bidder's Bid Security shall apply only to a specific bid, and a contractor's performance security shall apply only to the specific contract under which it was furnished;
- (xiii) bids shall not be invited on the basis of percentage premium or discount over the estimated cost;
- (xiv) extension of bid validity shall not be allowed unless justified by exceptional circumstances; and
- (xv) there shall not be any restrictions on the means of delivery of the bids.

2. International or National Shopping

(a) Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed US\$200,000 equivalent, may be procured under contracts awarded on the basis of international/national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines; and

(b) Minor civil works for Part A of the Project estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured through obtaining 3 quotations from qualified national contractors.

3. Procurement from UN Agencies Goods and services for pPart C of the project may be procured by FAO under a trust fund agreement in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Off-the-Shelf

Goods estimated to cost less than \$1,500 may be procured by single source methods.

Part D: Review by the Bank of Procurement Decisions Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph

1. Prior Review

With respect to the first two contracts for goods or works procured under NCB procedures, and thereafter each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the following provisions of of the following Parts of this Section II of this Schedule.

In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for auditing may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Single-Source Selection

Services for Part C of the Project provided by FAO under trust fund agreements may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for Part A of the Project may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications

Services for consulting firms estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

5. Services of NGOs

Services of NGOs, not exceeding \$30,000 per contract, for work under Part B of the Project may be procured under competitive grant procedures acceptable to approved by the Association, as such procedures may be adjusted from time to time in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement.

Part D: Review by the Bank of the Selection of Consultants Selection Planning

1. Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, or amendments to contracts raising the contract value above \$100,000 equivalent, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, or amendments to contracts raising the contract value above US\$50,000 equivalent, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of its part of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of its part of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of its part of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by May 31, 2001, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of its part of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

2. In carrying out Partt B (1) (a) and B (2)(b), the Borrower shall employ policies and procedures for award and administration of grants acceptable to the Association. The Borrower shall annually review the effectiveness of these policies and procedures, based on the results of the prior years activities, and adjust such policies and

procedures, in consultation with the Association, based on the results of such review.

SCHEDULE 5

Terms and Conditions of Subsidiary Grant Agreement

1. Except as the Association shall otherwise agree, the Subsidiary Grant Agreement shall, inter alia provide that:

(a) For purpose of carrying out Part A of the Project, T the Borrower shall provide a portion of the proceeds of the Credit to HORTEX as a grant for purpose of carrying out Part A of the Project.

(b) The Borrower shall provide to HORTEX as a grant adequate funds (not from the proceeds of the Credit) to finance duties and taxes on imported goods and consultant services, 30% o percent off the cost of goods procured off-the-shelf and 10 percent of the expenditures incurred on account of civil works to be carried out under the Project.

(c) The Borrower shall provide to HORTEX as a grant TK 5 million to establish a revolving fund for financing expenditures prior to receipt of reimbursements from the Credit.

(d) The Borrower shall suspend or terminate the right of HORTEX to the use of the proceeds of the Credit upon:

(i) failure by HORTEX to perform any of its obligations under the Project Agreement or the Subsidiary Grant Agreement, or upon notice by the Association to the Borrower that it intends to exercise any of its remedies under Section 6.02 and 7.01 of the General Conditions or Article V of the Development Credit Agreement; or

(ii) upon notice by HORTEX that it intends to terminate the Subsidiary Grant Agreement, or upon the actual termination of the Subsidiary Grant Agreement, whichever occurs first.

(e) HORTEX to charge for provision of inputs to contract farmers or entrepreneurs, after the first successful year of demonstrating a new productcrop in an area, at a level sufficient to cover the full cost of such inputs plus a service charge.

(f) HORTEX to charge for the provision of logistical services (such as provision of refrigerated transport facilities) amounts which would be sufficient to cover operational costs and amortized capital costs assuming 80% percent use of capacity.

(g) Any HORTEX program beyond the current trial shipments, to support contracts for the export of products from the Chittagong Hill Tracts would, in accord with the Borrower's policies for participation of tribal population in decision making, be taken in consultation with the respective councils in the relevant areas to support contracts for the export of products from the Chittagong Hill Tracts would be in accord with the Borrower's policies for inclusion of tribal peoples in decision making regarding projects in their areas.

SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 2 and 3 set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of DAE Special Account and Category 1 set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of HORTEX Special Account.

(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, an amount equivalent to the dollar figure specified below for each such Special Account, to be withdrawn from the Credit Account and deposited into the respective Special Account pursuant to paragraph 3 (a) of this Schedule: (i) DAE Special Account, TK9,600,000; (ii) HORTEX Special Account TK14,400,000, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to TK4,800,000 in respect of the DAE Special Account and an amount equivalent to TK7,200,000 in respect of the HORTEX Special Account until (i) in respect of the DAE Special Account, the aggregate amount of withdrawals from categories 2 and 3 of Schedule 1 to this Agreement plus the total amount of all outstanding special commitments entered into by the Association with respect to these Categories pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 500,000, and (ii) in respect of the HORTEX Special Account, the aggregate amount of withdrawals from Category 1 of Schedule 1 to this Agreement plus the total amount of all outstanding special commitments entered into by the Association with respect to this Category pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 600,000.

2. Payments out of the respective Special Account 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

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

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account 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 the respective 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 respective Special Account, 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 respective Special Account:

(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;

(b) if the Borrower or HORTEX shall have failed to furnish to the Association, within the period of time specified in Sections 4.01 (b) (ii) of this Agreement and of the Project Agreement, respectively, any of the audit reports required to be furnished to the Association pursuant to said Sections in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments 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 respective Special Account 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 any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (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 the respective 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 any 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 any 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.

[Redacted]