

CONFORMED COPY

CREDIT NUMBER 2048 BD

(Third Flood Rehabilitation (Emergency) Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 7, 1989

CREDIT NUMBER 2048 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 7, 1989, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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

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) "BWDB" means the Bangladesh Water Development Board established and operating pursuant to the Bangladesh Water and Power Development Board Order, 1972 (P.O. No. 59 of 1972) as amended to the date of this Agreement;

(b) "ED" means the Education Division within the Ministry of Education of the Borrower;

(c) "BTTB" means the Bangladesh Telegraph and Telephone Board within the Ministry of Post and Telecommunications of the Borrower;

(d) "BIWTA" means the Bangladesh Inland Water Transport Authority established under the Inland Water Transport Authority Ordinance, 1958 (EP Ordinance No. LXXV of 1958);

(e) "LGD" means the Local Government Division within the Ministry of Local Government, Rural Development and Cooperatives of the Borrower;

(f) "RHD" means the Roads and Highways Department of the Ministry of Communications of the Borrower;

(g) "Implementing Agencies" means BWDB, ED, BTTB, BIWTA, LGD and RHD, collectively;

(h) "Bangladesh Bank" means the Central Bank of Bangladesh established under Bangladesh Bank Order, 1972 (President's Order No. 127, 1972);

(i) "Rehabilitation Works" means any program of reconstruction, improvement or repair, including the provision of equipment and technical assistance therefor, selected or proposed to be selected by the Borrower under the Project pursuant to Section 3.02 of this Agreement;

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

(k) "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 one hundred and two million eight hundred thousand Special Drawing Rights (SDR 102,800,000).

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 shall, for the purposes of the Project, open and maintain in dollars six separate special accounts in Bangladesh Bank in the name of the Implementing Agencies on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1992 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 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 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 per cent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 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 April 15 and October 15 commencing October 15, 1999 and ending April 15, 2029. Each installment to and including the installment payable on April 15, 2009 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. (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, shall carry out the Project through the Implementing Agencies with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon generality of paragraph (a) of this Section and the provisions of Section 9.07 of the General Conditions, the Borrower ensure that adequate funds are allocated for the operation and maintenance of the Rehabilitation Works.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall select Rehabilitation Works to be carried out under the Project in accordance with criteria mutually agreed between the Borrower and the Association including those set forth in Schedule 5 to this Agreement.

Section 3.03. 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 3.04. The Borrower shall construct and improve all works included under the Project in accordance with design standards and construction specifications mutually agreed between the Borrower and the Association.

#### ARTICLE IV

##### Other 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, including the Implementing Agencies.

(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 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 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.

#### ARTICLE V

##### Termination

Section 5.01. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representatives of the Borrower; Addresses

Section 6.01. The Secretary, the Additional Secretary, or any Joint Secretary, Deputy Secretary or Assistant Secretary of the External Resources Division of the Ministry of Planning 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:

External Resources Division  
Ministry of Planning  
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:

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

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/ Akbar Ali Khan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shinji Asanuma

Acting Regional Vice President  
Asia

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of 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
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(1) BWDB (Part A of

the Project):

(a)	Civil works (including construction materials)	28,080,000	90%
(b)	Administration and engineer- ing	2,770,000	100%
(c)	Equipment	80,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items pro- cured locally
(d)	Consultants' services	290,000	100%
(2)	ED (Part C of the Project):		
(a)	Civil works (including construction materials)	12,540,000	90%
(b)	Administra- tion and engineering	1,230,000	100%
(c)	Equipment	1,390,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items pro- cured locally
(d)	Consultants' services	290,000	100%
(3)	BIWTA (Part D of the Project):		
(a)	Civil works (including construction materials)	2,540,000	90%
(b)	Equipment	5,620,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items pro- cured locally
(c)	Consultants services	200,000	100%
(4)	LGD		

(a)	(Part B of the Project):		
(i)	Civil works (including construction materials)	10,920,000	90%
(ii)	Consultants' services	470,000	100%
(b)	(Part F of the Project):		
(i)	Civil works (including construction materials)	6,390,000	90%
(ii)	Consultants' services	660,000	100%
(5)	RHD (Part B of the Project):		
(a)	Civil works (including construction materials)	18,850,000	90%
(b)	Equipment	1,230,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(c)	Consultants' services	1,170,000	100%
(6)	BTTB (Part E of the Project):		
(a)	Civil works (including construction materials)	3,460,000	90%
(b)	Equipment	4,620,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
	TOTAL	102,800,000	

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; and

(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.

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 except that withdrawals, not exceeding the aggregate amount of SDR 3,440,000 and consisting, except as the Association shall otherwise agree, of the amounts specified below in respect of the Categories directly opposite to them, may be made on account of payments made for expenditures before that date but after October 1, 1988:

- (i) SDR 380,000 for Category (3);
- (ii) SDR 380,000 for Category (4);
- (iii) SDR 2,300,000 for Category (5); and
- (iv) SDR 380,000 for Category (6).

(b) expenditures under Category (6) until the Association has notified the Borrower that the Association is satisfied with the proposals prepared by the Borrower for purposes of carrying out Part E of the Project, with the assistance of consultants employed by the Borrower for such purposes.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in the financing of a high priority program to restore flood damaged facilities in the Borrower's territory.

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:

Restoration, by BWDB, of irrigation, drainage and flood protection works, including: the compacted filling of embankment breaches; the resectioning, strengthening and protecting of damaged embankments; the retirement of embankments where the existing location is no longer tenable; the repair or replacement of damaged or destroyed water control structures; and the reconstruction of town protection works including gauges, sheet piling, brick mattrassing, boulder and cement block revetments, and flood walls.

#### Part B:

Restoration, by (1) RHD and (2) LGD, of roads and associated structures, including: the compacted filling of embankment breaches; the resectioning, strengthening and protecting of eroded embankments; the reconstruction of damaged culverts, bridges and retaining walls, the restoration of road shoulders; the repair and strengthening of damaged pavement; and the construction of additional drainage and culverts in flood damaged areas.

#### Part C:

Provision of furniture and equipment and reconstruction and repair of primary schools to permanent standards by ED.

#### Part D:

1. Acquisition, by BIWTA, of navigational aids, hydrographic survey, dredging and water gauging equipment and vessel spares to replace the flood damaged equipment, including: steel lantern buoys, mooring gear, dredger pipe, shore beacons markers, gauges and recorders.
2. Acquisition, by BIWTA, of a buoy tender vessel, a crane boat and a tugboat.
3. Repair, by BIWTA, of flood damaged ferry docks and related structures, cargo jetties, passenger jetties, port facilities and pontoons, including replacement of mooring shackles.

#### Part E:



Repair and replacement of telecommunication facilities by BTTB.

Part F:

Reconstruction, by LGD, of damaged roads, culverts, drains and sewers in about forty municipalities.

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The Project is expected to be completed by December 31, 1991.

### SCHEDULE 3

#### Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part D 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. Portable steel bridging required under Part B of the Project may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of all known qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Contracts for civil works shall be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association, provided, however, that: (i) emergency works such as those arising from imminent threats to town protection works, roads and embankments and appurtenant structures, waterways and pontoons, up to an aggregate amount not exceeding SDR 4,000,000 equivalent, may be carried out through force account, and (ii) except as the Association shall otherwise agree, civil works under Part B (a) of the Project shall be grouped into bid packages estimated to cost TK 2,500,000 or more each, and under Part B (b) of the Project into bid packages estimated to cost TK 1,000,000 or more each.

3. Pontoons repairs, buoys and related equipment for Part D of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

4. Proprietary items required for Part D of the Project, up to an aggregate amount not exceeding SDR 350,000 equivalent, may be procured through direct contracting with the suppliers or manufacturers thereof under procedures satisfactory 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 civil works and equipment estimated to cost the equivalent of \$150,000 or more, 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 a 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 said 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 a 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 4 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ or cause to be employed consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 4

#### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Category" means, in respect of each Implementing Agency Special Account, the Category set forth in the table in paragraph 1 of Schedule 1 to this Agreement which applies to such Implementing Agency;

(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 each eligible Category 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) BWDB Special Account, \$8,000,000; (ii) ED Special Account, \$3,500,000; (iii) BTTB Special Account, \$1,600,000; (iv) BIWTA Special Account, \$1,600,000; (v) LGD Special Account, \$4,800,000; and (vi) RHD Special Account, \$5,500,000.

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 all 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 made out of the 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 a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals in respect of the respective Part or Parts of the Project 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 Category for said Special Account 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 respective Part or Parts of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation in respect of such Special Account.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Category 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 said 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 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 a Special Account.

(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.

#### SCHEDULE 5

##### Criteria for the Selection of Rehabilitation Works

1. Except as the Association shall otherwise agree, all Rehabilitation Works estimated to cost the equivalent of \$500,000 or more, shall be undertaken only after

prior review and approval by the Association of the scope and cost of such works.

2. Rehabilitation Works not covered by the preceding paragraph shall be selected in accordance with the following criteria:

(a) damages to be repaired shall be:

(i) (A) a consequence of the 1987 or 1988 floods, or (B) damages which, if not repaired, will vitiate or seriously diminish the effectiveness of other flood damages being repaired under the Project; and

(ii) of significant nature, not include minor works of deferred maintenance, and, except as the Association shall otherwise agree, shall (a) in respect of Part B (1) of the Project have an estimated value of TK 500,000 or more; and (b) in respect of Part B (2) of the Project, have an estimated value of TK 200,000 or more.

(b) reconstruction work shall restore structures to their original specifications or to such higher specifications, including necessary additions or alterations, as may be warranted to ensure their optimal performance and integrity over a reasonable life; and

(c) other external sources of finance are not available.

3. All rehabilitation works selected for financing under the Credit under Parts A, B, C, D and F of the Project shall first have been reviewed by the supervising consultants employed under the Project and found by such consultants as complying with criteria set out in paragraph 2 of this Schedule.

