

CONFORMED COPY

CREDIT NUMBER 1870 BD

(Second Small Scale Flood Control,  
Drainage and Irrigation Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 19, 1988

CREDIT NUMBER 1870 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 19, 1988, 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;

(B) the Borrower intends to contract from the Government of Canada, acting through the Canadian International Development Agency (CIDA) a grant (hereinafter called the CIDA Grant) in an amount equivalent to nine million six hundred thousand dollars (\$9,600,000) to assist in financing Parts B and C of the Project on the terms and conditions set forth in an agreement (hereinafter called the CIDA Agreement) to be entered into between the Borrower and Canada; 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 and in the Preamble to this Agreement have the respective meaning 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 Boards Order, 1972 (P.O. No. 59 of 1972) as amended to the date of this Agreement;

(b) "Bangladesh Bank" means the Central Bank of Bangladesh established under Bangladesh Bank Order, 1972 (President's Order No. 127, 1972) as amended to the date of this Agreement;

(c) "Part A Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(d) "Part D Special Account" means the account referred to in Section 2.02 (c) of this Agreement;

(e) "FY" and "fiscal year" mean the fiscal year of the Borrower, commencing July 1 and ending June 30; and

(f) "Rehabilitation Works" means any program of reconstruction or repair, including the provision of equipment and technical assistance therefor, selected or proposed to be selected by the Borrower under Part D of the Project pursuant to Section 3.04 of this Agreement.

## 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 sixty one million seven hundred thousand Special Drawing Rights (SDR 61,700,000).

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 Part A of the Project, open and maintain in dollars a special account in Bangladesh Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, this Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) The Borrower shall, for the purposes of Part D of the Project, open and maintain in dollars a special account in Bangladesh Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, this Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1995 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

at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 June 15 and December 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 June 15 and December 15 commencing June 15, 1998, and ending December 15, 2027. Each installment to and including the installment payable on December 15, 2007 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 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 the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without any limitation to the generality of paragraph (a) above and the provisions of Section 9.07 of the General Conditions, the Borrower shall ensure that adequate funds will be allocated for the operation and maintenance of: (i) the sub-projects under Part A of the Project upon completion thereof; and (ii) the Rehabilitation Works under Part D of the Project.

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. Without any limitation to the provisions of Section 9.08 of the General Conditions, in order to ensure the timely acquisition of the land required for the construction of the embankments, roads and other structures included in the Project, the Borrower shall:

- (i) cause BWDB to submit land acquisition plans and funds to the concerned Deputy Commissioners at least nine months before the land is needed for construction;
- (ii) ensure that possession of the land is obtained by BWDB at least one month before construction is due to start.

Section 3.04. Without limitation on the Borrower's obligations under Section 3.01 of this Agreement, the Borrower shall select the sub-projects under Part A and the Rehabilitation Works under Part D of the Project in accordance with the criteria set forth in Schedule 7 to this Agreement.

Section 3.05. The Borrower shall:

(a) with respect to selected BWDB irrigation projects covering about 100,000 ha of irrigable land:

- (i) periodically adjust water rates to levels sufficient to enable BWDB to recover from the beneficiaries of its irrigation schemes increasing portions of the cost of the operation and adequate maintenance thereof, as follows: 33% of cost by June 30, 1991, 66% by June 30, 1993 and 100% by June 30, 1995;
- (ii) cause BWDB to improve its collection procedures in accordance with a program satisfactory to the Association with a view to recover by June 30, 1995, the full cost of operation and adequate maintenance thereof; and

(b) prepare and furnish to the Association, not later than June 30, 1988, for comments by the Association, proposals to improve irrigation services in the other BWDB irrigation projects.

#### 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 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

##### Remedies of the Association

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

(a) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of BWDB or for the suspension of its operations.

(b) (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, cancelled 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 (d) 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

(b) the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (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 CIDA Agreement (other than, if applicable, the effectiveness of this Agreement) have been fulfilled;

(b) the consultants to assist BWDB in the implementation of Part A of the Project have been appointed;

(c) the consultants to assist the Borrower in carrying out Part D.1 of the Project have been appointed; and

(d) the Project Proforma for the carrying out of the Project have been approved by the Borrower.

Section 6.02. 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 6.03. The obligations of the Borrower under Section 3.01 (c) of this Agreement and the provisions of paragraph (a) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Secretary or any Additional Secretary, Joint Secretary, Deputy Secretary or Assistant Secretary of the External Resources 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:

External Resources 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:

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/ 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 Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Part A of the Project		
(a) Civil works (including construction materials)	22,860,000	90%
(b) Administration and engineering	2,570,000	100%
(c) Equipment and vehicles	300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local ex- penditures for other items pro- cured locally
(d) Investigations and surveys	150,000	100%
(e) Operation and maintenance	1,210,000	100% through FY 1993, 75% in FY 1994 and 50% in FY 1995
(2) Part D of the Project		
(a) Civil works (including construction materials)	23,090,000	90%

(b) Administration and engineering	2,270,000	100%
(c) Equipment and vehicles	80,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(d) Technical assistance	2,730,000	100%
(3) Unallocated		
(a) Part A of the Project	3,220,000	
(b) Part D of the Project	3,220,000	
TOTAL	61,700,000	

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 payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 150,000, may be made in respect of Category 1 (c) and (d) on account of payments made for expenditures before that date but after May 1, 1987.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to increase agricultural production and farm incomes through the construction of permanent water control structures; (ii) to strengthen BWDB's capacity to implement new projects and operate and maintain completed sub-projects; and (iii) to rehabilitate BWDB's infrastructure damaged during the 1987 floods.

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:

The carrying out of about 215 sub-projects consisting of the construction, repair and modification of permanent structures, improvement of earthworks, and provision of equipment and vehicles therefor.

Part B:

Strengthening of BWDB through the provision of technical assistance and staff training, the modernization of its financial management and accounting systems and the establishment of an operation and maintenance cost cell.

Part C:



1. The carrying out of training of local level staff of support agencies and of farmers involved in the implementation and operation and maintenance of sub-projects.
2. The carrying out of benchmark and evaluation studies of selected sub-projects.

Part D:

1. Rehabilitation of flood protection, drainage and irrigation works.
2. Rehabilitation of town protection works.
3. Provision of technical assistance for design and construction monitoring of Rehabilitation Works.
4. Provision of technical assistance for the mathematical modelling of the river sections protected by the existing Brahmaputra Right Embankment.

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The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, vehicles and equipment 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, including investigations and surveys, shall be procured under contracts awarded on the basis of competitive bidding advertised locally under procedures satisfactory to the Association, provided, however, that the following may be carried out through force account: (i) data collection undertaken as part of investigations and surveys, up to an aggregate amount of \$100,000; (ii) earthwork estimated to cost less than \$5,000 equivalent in each case, up to an aggregate amount of \$400,000; and (iii) fabrication of gates and lifting arrangements estimated to cost less than \$10,000 for each structure, up to an aggregate amount of \$1,500,000.
2. Concrete moulds may be procured under contracts awarded on the basis of competitive bidding advertised locally under procedures satisfactory to the Association.
3. Items of equipment estimated to cost less than the equivalent of \$10,000 each, up to an aggregate amount of \$100,000 equivalent, may be procured through prudent shopping on the basis of at least three price quotations from different sources.

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 all contracts for equipment and vehicles procured under Part A hereof and each contract for civil works estimated to cost the equivalent of \$100,000 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 the Special Accounts, 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 Accounts 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 Accounts, 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 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

1. In order to assist the Borrower in carrying out the Project (other than Part D thereof), the Borrower shall employ the following consultants whose qualifications and experience shall be satisfactory to the Association:

(a) by June 30, 1988, to undertake benchmark and evaluation studies;

(b) by June 30, 1988, to assist BWDB in modernizing its financial management and accounting systems; and

(c) by June 30, 1988, to assist BWDB in establishing an operation and maintenance cost cell.

2. In order to assist the Borrower in carrying out Part D of the Project, the Borrower shall employ 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

### Implementation Program

1. The Borrower will establish, at the planning stage of each sub-project, a sub-project committee with membership, powers and responsibilities satisfactory to the Association.

2. The Borrower will prepare and furnish to the Association by June 30, 1988, for review by the Association, a construction manual describing construction methods for Project work, the supervision requirements to be conducted during execution of the work, and the responsibilities of various categories of field staff.

3. The Borrower will appoint, by October 31, 1988, consultants for carrying out the mathematical modelling study under Part D.4 of the Project.

4. The Borrower will ensure that about 40 sub-assistant engineers would be assigned to the sub-project sites from the FY 1989 construction season until completion of construction work.

5. The Borrower will prepare and furnish to the Association for its review, by July 1 of each year of Project execution, an annual work program for the fiscal year commencing on that date.

6. The Borrower will ensure that: (i) an operational plan will be prepared by BWDB during the detailed engineering phase of each sub-project and that (ii) a detailed operation and maintenance manual will be finalized within two years after completion of construction work of each sub-project.

7. The Borrower shall: (i) prepare and furnish to the Association, by December 31,

1988, for comments by the Association, a draft plan of action for modernizing the BWDB's financial management and accounting system; and (ii) thereafter, implement such recommendations arising out of said plan of action as the Borrower and the Association may agree.

#### SCHEDULE 5

##### Part A Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (1) 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 Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to SDR 3,000,000 to be withdrawn from the Credit Account and deposited in the Part A Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Part A 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 Part A Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Part A Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Part A Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Part A Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Part A Special Account such amounts as shall be required to replenish the Part A Special Account with amounts not exceeding the amount of payments made out of the Part A Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the eligible Category, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Part A Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Part A Special Account shall be made by the Association when either of the following situations first arises:

(i) 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

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Category, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 the Part A 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 the Part A Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit into the Part A Special Account (or, if the Association shall so request, refund to the Association for crediting to the Credit Account) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Part A Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Part 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 for crediting to the Credit Account.

#### SCHEDULE 6

##### Part D Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (2) 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 Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to SDR 4,500,000 to be withdrawn from the Credit Account and deposited in the Part D Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Part D 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 Part D Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Part D Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Part D Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Part D Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Part D Special Account such amounts as shall be required to replenish the Part D Special Account with amounts not exceeding the amount of payments made out of the Part D Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the eligible Category, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Part D Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no

further deposit into the Part D Special Account shall be made by the Association when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Category, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 the Part D 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 the Part D Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit into the Part D Special Account (or, if the Association shall so request, refund to the Association for crediting to the Credit Account) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Part D Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Part D 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 for crediting to the Credit Account.

#### SCHEDULE 7

##### Part I

##### Criteria for Selection of Sub-projects under Part A of the Project

Unless the Association shall otherwise agree, to qualify for Project finance, sub-projects would have to meet the criteria outlined below. These criteria would ensure the technical, economic, and financial viability of the sub-projects. Included in the criteria would be requirements that sub-projects would:

##### 1. For all Sub-projects

(a) be the subject of an up-to-date appraisal by BWDB and its consultants, including an evaluation of hydrology, soils, crops, fisheries, and transport requirements of the schemes, and an assessment of the impact the scheme is likely to have on adjacent areas; for sub-projects other than repairs and rehabilitation works, an economic analysis would be made and their economic rate of return would be at least 15% on project investments (excluding sunk costs);

(b) be discussed during preparation with farmers, local authorities, and representatives of the technical departments concerned, particularly agriculture and fisheries; farmers should be willing to execute on-farm developments below the eight ha farm turnouts at their cost and to contribute to the operation and maintenance of the sub-project upon its completion;

(c) be completed before June 30, 1993;

(d) be operated and maintained under arrangements satisfactory to the Association;

##### 2. For Appurtenant Structures Sub-projects Only

- (e) cost not more than \$375 per ha (in 1987 prices);
- (f) have been designed originally by BWDB and, except for repair and rehabilitation works, would have been constructed under the Food-for-Work Programme;
- (g) have a base cost not to exceed \$400,000;
- (h) be completed within two construction seasons;

3. For Fully Planned Sub-projects Only

(i) cost no more than \$500 per ha in (1987 prices) for flood control and drainage works; \$2,000 per ha for irrigation works, including on-farm distribution system to eight ha farm turnouts; and \$2,500 per ha for schemes combining flood control, drainage, and irrigation works;

(j) have a gross protected area not to exceed 7,500 ha (flood control and drainage schemes) and a net irrigated area not to exceed 1,000 ha (irrigation schemes);

(k) have a base cost not to exceed \$1,500,000; and

(l) be completed within three construction seasons.

Part II

Criteria for Selection of Rehabilitation Works under  
Part D of the Project

1. Unless the Association shall otherwise agree, all Rehabilitation Works estimated to cost the equivalent of \$500,000 or more may be undertaken only after prior review and approval by the Association of the scope of such works and of the expenditures involved.

2. Rehabilitation Works not covered under the preceding paragraph do not need prior approval by the Association but must be selected in accordance with the following criteria:

(a) damages to be repaired are:

(i) a consequence of the 1987 floods, or

(ii) damages which, if not repaired, will vitiate or seriously diminish the effectiveness of other flood damages being repaired under the Project.

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

(c) other sources of financing are not available.

