

CONFORMED COPY

CREDIT NUMBER 2099 BD

Development Credit Agreement

(BWDB Systems Rehabilitation Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 23, 1990

CREDIT NUMBER 2099 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 23, 1990, 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 European Economic Community (EEC) a grant (the EEC Grant) in an amount of thirteen million five hundred thousand European Currency Units, to assist in financing part of the Project on the terms and conditions set forth in an agreement (the EEC Financing Agreement) to be entered into between the Borrower and EEC;

(C) the Borrower intends to contract from the Netherlands' Minister for Development Cooperation a grant (the Netherlands Grant) in an amount of twenty-five million two hundred thirty thousand Dutch Guilders, to assist in financing part of the Project on the terms and conditions set forth in an administrative arrangement (the Netherlands Arrangement) to be entered into between the Borrower and the Netherlands' Minister for Development Cooperation; 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 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 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 (P.O. No. 127 of 1972) as amended to the date of this Agreement;

(c) "FY" means the Borrower's fiscal year commencing on July 1 and ending on June 30;

(d) "Rehabilitation Works" means any program of repair, reconstruction or improvement, 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;

(e) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(f) "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 this Agreement, an amount in various currencies equivalent to forty million eight hundred thousand Special Drawing Rights (SDR 40,800,000).

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

Section 2.03. The Closing Date shall be December 31, 1997, 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 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 March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 1 and September 1 commencing September 1, 2000 and ending March 1, 2030. Each installment to and including the installment payable on March 1, 2010 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 BWDB 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 shall ensure that adequate funds will be allocated for the operation and maintenance of the Rehabilitation Works under the Project. To that effect, the Borrower shall ensure that allocations for maintenance works, electricity, and fuel in BWDB's existing irrigation, drainage and flood control projects not financed by the Borrower's Annual Development Program will be increased by at least 10% per year in real terms until such time as all financial requirements for operation and maintenance are fully covered.

(c) 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.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall select the Rehabilitation Works to be carried out under the Project in accordance with the criteria set forth in Schedule 6 to this Agreement.

Section 3.03. Except as the Association shall otherwise agree, procurement of the works required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. The Borrower shall carry out the Rehabilitation Works in accordance with design standards and construction specifications mutually agreed

between the Borrower and the Association.

Section 3.05. Without any limitation to the provisions of Section 9.08 of the General Conditions, and in order to ensure the timely acquisition of the land required for the Project, the Borrower shall:

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

#### 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 Account 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 the 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, the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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 6.01 of this Agreement shall occur; and

(b) the event specified in paragraph (b) (i) 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 EEC Financing Agreement and the Netherlands Arrangement (other than, if applicable, the effectiveness of this Agreement) have been fulfilled;

(b) an order designating the Chief Engineer for Operation and Maintenance and Directors for Operation and Maintenance and for Rehabilitation in BWDB has been issued;

(c) an order designating the Director General for Training and Staff Development in BWDB has been issued;

(d) the amendment to the Bangladesh Irrigation Water Rate Ordinance, 1983, has been promulgated by the Borrower; and

(e) the Project Proforma for the carrying out of the Project has 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.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Secretary or 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 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 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:

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

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) Civil works (including construction materials)	24,860,000	95%
(2) Geotechnical investigations and engineering surveys	110,000	100%
(3) Administration and engineering	3,470,000	100%

(4) Operation and maintenance	7,920,000	100% through FY 1995, 80% in FY 1996 and 50% thereafter
(5) Training and staff development	330,000	100%
(6) Unallocated	4,110,000	
TOTAL	40,800,000	

2. 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; and (b) expenditures under Category (4) until the Borrower has furnished to the Association a staffing plan, acceptable to the Association, for BWDB's Chandpur, Karnafuli and Muhuri irrigation projects, and the Nawabganj Operation and Maintenance Subdivision.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to protect and increase agricultural production and incomes and to raise standards of living, particularly of landless people and women, through rehabilitation and improved operation and maintenance of BWDB's existing projects.

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 80 sub-projects consisting of Rehabilitation Works and maintenance of such Works.

#### Part B:

The carrying out of an improved operation and maintenance program for the Chandpur, Karnafuli and Muhuri irrigation projects, and seven flood control and drainage schemes in the Nawabganj Subdivision under the Rajshahi Operation and Maintenance Division.

#### Part C:

The carrying out of on-farm development works for Polder 55/1 and Buri Teesta Irrigation Scheme, including construction of irrigation distribution channels and provision of drainage sluices and sliding gates.

#### Part D:

Provision of training and staff development to upgrade the capacity of BWDB staff and beneficiaries and strengthen personnel planning at BWDB.

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The Project is expected to be completed by June 30, 1997.

## SCHEDULE 3

### Procurement of Works

#### Part A: International Competitive Bidding

1. Except as provided in Part C hereof, works 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).

2. Bidders for the works shall be prequalified as described in paragraph 2.10 of

the Guidelines.

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Civil works, including geotechnical investigations and engineering surveys, estimated to cost less than \$500,000 per contract, may 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 \$10,000 equivalent in each case, up to an aggregate amount of \$500,000; 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. Where bidders for works for the construction of regulators are prequalified by the Borrower such prequalification shall be made in a manner satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 (i) hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract for civil works 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 the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

(c) The provision of the preceding subparagraph (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 expenditures. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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

SCHEDULE 4

Implementation Program

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

2. The Borrower shall appoint, by July 31, 1990, consultants to assist the Borrower in carrying out the Project, under terms of reference satisfactory to the Association.

3. The Borrower shall prepare and furnish to the Association, for its review, not

later than June 30, 1994, proposals for the improvement of operation and maintenance procedures for all operation and maintenance divisions of BWDB. Thereafter, the Borrower shall implement such procedures as the Borrower and the Association will agree, in accordance with a schedule acceptable to the Association.

4. The Borrower shall prepare and furnish to the Association, for its comments:

(a) draft annual operation and maintenance programs and budgets for all schemes where works would be carried out under the Project: (i) by November 30, 1990 for the first year of the Project; and (ii) by March 31 of each year for the succeeding years;

(b) finalized annual work programs and budgets for the Project (i) by December 31, 1990 for the first year of the Project, and (ii) by July 31 of each year for the succeeding years; and

(c) draft aggregate operation and maintenance budgets for all operation and maintenance divisions of BWDB by March 31 of each year, commencing March 31, 1992.

5. The Borrower shall issue revised Irrigation Water Rate Rules, satisfactory to the Association by December 31, 1990.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

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

2. Payments out of the 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 Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the 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 a deposit or deposits 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 in the Special Account such amount or amounts as the Borrower shall have requested.

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

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special 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 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 the 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 the 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 the 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 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 6

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

Unless the Association shall otherwise agree, proposed sub-projects shall satisfy the following criteria:

(a) the proposed sub-project is listed in BWDB's inventory of operational projects;

(b) no other source of funding, with the exception of the Borrower's Food-for-Work Program, is available for Rehabilitation Works;

(c) the feasibility study of the proposed sub-project has included a review of the technical, environmental and economic aspects of such sub-project and confirms that the proposed works are sound and the sub-project has an economic rate of return on investments of at least 15%;

(d) the proposed improvement works are necessary; beneficiaries of the

sub-project are expected to actively participate in such sub-project; and proposed solutions of possible social problems related to implementation (such as land acquisition, beneficiary participation in operation and maintenance, willingness to improve cropping patterns, etc.) have been fully discussed with the residents of the proposed sub-project area, local authorities and representatives of the technical departments concerned, particularly agriculture and fisheries; and

(e) the total investment cost of the proposed sub-project is not less than the equivalent of US\$50,000 and the cost of improvement works does not exceed 50% of the total cost of the proposed sub-project.

