

CONFORMED COPY

CREDIT NUMBER 2361 BD

(Public Resource Management Adjustment Credit)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 13, 1992

CREDIT NUMBER 2361 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 13, 1992, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated March 30, 1992, from the Borrower describing a program of actions, objectives and policies designed to improve the management of the Borrower's public resources (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports and services required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

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 modifications thereof set forth below (the General Conditions) constitute an integral part of this

Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

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) "Bangladesh Bank" means the bank called the Bangladesh Bank established by the Borrower's Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972) for the purpose of carrying out the business of central banking;

(b) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 343 (1986);

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

(d) "Taka" and "Tk" mean the currency of the Borrower; and

(e) "Fiscal Year" means the Fiscal Year of the Borrower beginning on July 1 of a calendar year and ending on June 30 of the following calendar year.

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 nine million three hundred thousand Special Drawing Rights (SDR 109,300,000).

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.

(b) The Borrower shall, for the purposes of the Program, open and maintain in dollars a special deposit 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 June 30, 1994 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at

the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment and service charges shall be payable semiannually on each February 15 and August 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 February 15 and August 15 commencing August 15, 2002 and ending February 15, 2032. Each installment to and including the installment payable on February 15, 2012 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

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(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 and accounts and the audit thereof as the Association shall from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:
- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
 - (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
 - (iii) enable the Association's representatives to examine such records; and
 - (iv) ensure that such records and accounts are included in the annual audits 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 IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Termination

Section 5.01. 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 VI

Representatives of the Borrower; Addresses

Section 6.01. The Secretary or Additional Secretary or any Joint Secretary, Deputy Secretary or Assistant Secretary of the Economic Relations Division of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Relations Division

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

Cable address:

BAHIRSAMPAD
Dhaka

Telex:

642226 SETU BJ

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

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

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Abul Ahsan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood

Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Credit may be withdrawn from the Credit Account for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of such proceeds.

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

(a) expenditures for goods included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Subgroup	Description of Items
112	--	Alcoholic beverages
121	--	Tobacco, unmanufactured, tobacco refuse

122	--	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	--	Radioactive and associated materials
667	--	Pearls, precious and semiprecious
stones,		unworked or worked
718	718.1	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	--	Gold, nonmonetary (excluding gold ores concentrates)
and		

(b) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

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

(d) expenditures for goods procured under contracts costing less than \$50,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption; and

(g) expenditures in excess of an aggregate amount equivalent to SDR 5,000,000 for petroleum products and foodstuffs.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$100,000 may be required by the Association upon the basis of statements of expenditure under such terms and conditions as the Association shall specify.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit after the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached:

(a) the equivalent of SDR 36,440,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association:

(i) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program;

(ii) with the progress achieved by the Borrower in the carrying out of the Program; and

(iii) that the actions described in Schedule 3 to this Agreement have been taken; and

(b) the equivalent of SDR 72,870,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association:

(i) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program;

(ii) with the progress achieved by the Borrower in the carrying out of the Program; and

(iii) that the actions described in Schedule 4 to this Agreement have been taken or are continuing, as the case may be.

5. If, after the exchange of views described in paragraph 4 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

SCHEDULE 2

Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding 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), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$5,000,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Association; and

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation comparison of quotations obtained from suppliers from at least two countries, except that direct contracting procedures acceptable to the Association may be used where considered appropriate under paragraph 3.5 of the Guidelines.

3. Subject to the prior approval of the Association, commonly traded commodities may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Association, in accordance with procedures acceptable to the Association.

4. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request. Where payments under a contract are to be made out of the proceeds of the Special Account, such copies together with the other information required to be furnished to the Association pursuant to this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

5. With respect to each contract referred to in paragraphs 2 and 3 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract. Where payments under a contract are to be made out of the proceeds of the Special Account, the documentation and the information to be furnished to the Association pursuant to the provisions of this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

6. The provisions of the preceding paragraph 5 of this Schedule shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

SCHEDULE 3

Actions Referred to in Paragraph (4) (a) (iii) of Schedule 1 to this Agreement

1. The Borrower has achieved the targets set forth in its income and expenditure estimates approved for Fiscal Year 1991-92 for increases in revenues and control of current expenditures, and has approved income and expenditure estimates for Fiscal Year 1992-93, including adoption of appropriate measures as may be necessary or required in order to meet the following targets in a manner satisfactory to the Association:

- (a) increase in revenues by at least 0.5 percent of GDP;
- (b) rate of growth of current expenditures not to exceed the rate of growth of nominal GDP; and
- (c) increase in the annual development program consistent with the above targets.

2. The Borrower has expanded the coverage of the value-added tax (VAT) to include at least natural gas and cigarettes.

3. The Borrower has initiated a study under terms of reference satisfactory to the Association to examine alternative taxation regimes for yarn and textiles.

4. The Borrower has:

- (a) satisfactorily implemented the plan of action for Fiscal Year 1991-92 dated February 6, 1992 for improving the administration of the VAT system;
- (b) completed a study on the administrative feasibility of expanding the VAT register to include, inter alia, commercial importers and exporters, and wholesalers serving manufacturers, and based on the results of such study has adopted a plan of action for Fiscal Year 1992-93, satisfactory to the Association, to expand the VAT register; and
- (c) adopted a plan of action including a timetable for implementation, satisfactory to the Association, for improving the administration of the VAT system for Fiscal Year 1992-93.

5. The Borrower has: (a) limited the exemption of small and cottage industries from the VAT to those industries with annual turnover less than the threshold for the turnover tax as such threshold may be established from time to time by the Borrower; (b) included contractual manufacturing services within the VAT; and (c) refrained from

making any substantive exemptions to the VAT.

6. The Borrower has:

(a) replaced the current filing threshold for personal income tax with an exemption limit, replaced the investment allowance used in the calculation of the taxable base for personal income by an investment tax credit, and has introduced measures, satisfactory to the Association, to offset the resulting revenue loss if any; and

(b) initiated a study under terms of reference satisfactory to the Association on alternative methods of providing tax incentives for companies to replace current tax holidays.

7. The Borrower has:

(a) expanded the coverage of the self-assessment scheme for personal income tax to cover the majority of assessees with income of eighty thousand Takas or less.

(b) increased the number of registered assessees including increasing the proportion of assessees with income above eighty thousand Takas to a level satisfactory to the Association; and

(c) reduced the arrears of outstanding taxes and backlog of disputed payments to a level satisfactory to the Association.

8. The Borrower has prepared a three-year rolling investment program (TYRIP) for the period covering Fiscal Year 1992-93 through Fiscal Year 1994-95, including an Annual Development Program (ADP) for Fiscal Year 1992-93, which meet the following criteria:

(a) they are based on resource projections consistent with the Borrower's macroeconomic framework;

(b) they include adequate allocations, satisfactory to the Association, for high priority projects established by the Borrower; and

(c) not more than 25 percent of local funds available to the ADP are allocated to locally-financed projects and block grants excluding block grants for land acquisitions and payment of custom duties and VAT on project-related imports.

9. The Borrower has completed the preparation of sectoral investment review papers for at least three sectors under terms of reference satisfactory to the Association for purposes of reviewing implementation performance and strengthening the pipeline of priority projects in these sectors.

10. The Borrower has adopted a plan of action, including a timetable for implementation, satisfactory to the Association, for restructuring such projects satisfactory to the Association for purposes of reducing costs and improving their economic and financial viability.

11. The Borrower has completed the preparation of a report, satisfactory to the Association, identifying projects for pruning, restructuring or increased allocation, and has implemented the recommendations of such report in formulating its Fiscal Year 1992-93 ADP.

12. The Borrower has established and implemented a monthly monitoring system for high priority projects identified by the Borrower in a format satisfactory to the Association.

13. The Borrower has completed a study under terms of reference satisfactory to the Association to identify short-term measures to improve the accuracy and timeliness of expenditure estimates for the ADP, and has implemented the measures recommended by such study.

14. The Borrower has, based on adequately documented and monitorable budget submissions from the relevant sectoral departments and agencies, provided in its Fiscal Year 1992-93 budget real increases in funding, satisfactory to the Association, for priority programs in primary education, primary health and family planning, and for non-wage expenditures for operations and maintenance of roads and flood control and irrigation infrastructure.

15. The Borrower has completed a review of the reduction of arrears and limitations on independent cheque-writing authority of government departments, and has adopted a plan of action, satisfactory to the Association, to implement the recommendations of such review.

16. The Borrower has established a cell in the Finance Division of its Ministry of Finance with a work program, satisfactory to the Association, aimed at monitoring and reviewing the performance of non-tax revenues, including fees and charges, under the authority of such Division.

17. The Borrower has issued guidelines, satisfactory to the Association, for the procurement of goods, works and services under externally financed projects, and has adopted a plan of action, satisfactory to the Association, to implement such guidelines.

18. The Borrower has:

(a) established procedures to ensure that requests made by a line agency for external funding of technical assistance are reviewed and, if approved, forwarded to external donors within a period of three months from the date of such requests; and

(b) established a monitoring system, satisfactory to the Association, to ensure compliance with such time period.

19. The Borrower has issued revised guidelines, satisfactory to the Association, for the preparation and approval of externally financed projects.

20. The Borrower has established a block allocation in its ADP for Fiscal Year 1992-93 to cover the cost of land acquisition for projects in the ADP.

21. The Borrower has completed a review of all ongoing and planned commodity aid programs for the purpose of identifying those programs for which market-based allocation procedures are acceptable to the concerned donor.

22. The Borrower has commenced a program of technical assistance under terms of reference satisfactory to the Association for the design of improvements in budget and accounting systems.

23. The Borrower has commenced a program of technical assistance under terms of reference, satisfactory to the Association, to strengthen investment programming for the TYRIP.

24. The Borrower has: (a) made progress, satisfactory to the Association, in consolidating and updating its internal debt register for debt service obligations of autonomous and semi-autonomous public sector agencies, Bangladesh Railways and the Bangladesh Telephone and Telegraph Board; and

(b) introduced a debt management system for monitoring payments.

25. The Borrower has: (a) established standard on-lending terms, satisfactory to the Association, for government loans to autonomous and semi-autonomous public sector agencies, Bangladesh Railways and Bangladesh Telephone and Telegraph Board; and

(b) established a revised schedule of debt-service payments for a selected group of such entities referred to in clause (a) of this paragraph 25 satisfactory to the Association.

26. The Borrower has taken steps, satisfactory to the Association, to ensure that autonomous and semi-autonomous public sector agencies and Bangladesh Railways and Bangladesh Telephone and Telegraph Board pay their internal debt services obligations on a cash basis and that they are not permitted to use ADP allocations to cover such obligations.

SCHEDULE 4

Actions referred to in paragraph 4 (b) (iii) of Schedule 1 to this Agreement

1. The Borrower has achieved the targets set forth in its income and expenditure estimates approved for Fiscal Year 1992-93 for increases in revenues and control of current expenditures, and has approved income and expenditure estimates for Fiscal Year 1993-94, including adoption of appropriate measures as may be necessary or

required in order to meet the following targets in a manner satisfactory to the Association:

- (a) increase in revenue by at least 0.5 percent of GDP;
- (b) rate of growth of current expenditures not to exceed the rate of growth of nominal GDP; and
- (c) increase in the annual development program consistent with the above targets.

2. The Borrower has expanded the coverage of the value-added tax (VAT) to include all items currently subject to the excise tax.

3. The Borrower has completed the study referred to in paragraph 3 of Schedule 3 to this Agreement, and, based on the results of such study, has introduced appropriate taxation for yarn and textiles satisfactory to the Association.

4. The Borrower has satisfactorily implemented the plans of action referred to in paragraphs 4 (b) and 4 (c) of Schedule 3 to this Agreement.

5. The Borrower has refrained from making any substantive exemptions to the VAT.

6. The Borrower has completed the study referred to in clause b of paragraph 6 of Schedule 3 to this Agreement and has adopted a time-bound plan of action, satisfactory to the Association, to implement the recommendations of such study.

7. The Borrower has made further progress, satisfactory to the Association, on the actions set forth in paragraph 7 of Schedule 3 to this Agreement.

8. The Borrower has prepared a three-year rolling investment program (TYRIP) for the period covering Fiscal Year 1993-94 through Fiscal Year 1996-97, including an ADP for Fiscal Year 1993-94, which meet the following criteria:

- (a) they are based on resource projections consistent with the Borrower's macroeconomic framework;

- (b) they include adequate allocations, satisfactory to the Association, for high priority projects established by the Borrower; and

- (c) not more than 25 percent of local funds available to the ADP are allocated to locally-financed projects and block grants excluding block grants for land acquisitions and payment of custom duties and VAT on project related imports.

9. The Borrower has completed the preparation of sectoral investment review papers for three sectors, in addition to those for which such papers have been prepared pursuant to paragraph 9 of Schedule 3 to this Agreement, under terms of reference satisfactory to the Association for purposes of reviewing implementation performance and strengthening the pipeline of priority projects in these sectors.

10. The Borrower has made progress, satisfactory to the Association, in implementing the plan of action referred to in paragraph 10 of Schedule 3 to this Agreement.

11. The Borrower has completed the preparation of a report, satisfactory to the Association, identifying additional projects for pruning, restructuring or increased allocation, and has implemented the recommendations of such report in formulating its Fiscal Year 1993-94 ADP.

12. The Borrower has made available to the relevant sectoral departments and agencies the amount of funding as provided pursuant to paragraph 14 of Schedule 3 to this Agreement.

13. The Borrower has, based on adequately documented and monitorable budget submissions from the relevant sector departments and agencies, provided in its Fiscal Year 1993-94 budget real increases, satisfactory to the Association, for priority programs in primary education, primary health and family planning, and full funding, satisfactory to the Association, in non-wage expenditures for road, flood control and irrigation infrastructure.

14. The Borrower has completed the implementation of the plan of action referred to in paragraph 15 of Schedule 3 to this Agreement in a manner satisfactory to the Association.

15. The Borrower has taken steps to make the cell referred to in paragraph 16 of Schedule 3 to this Agreement functional in accordance with the work program referred to therein.

16. The Borrower has completed implementation of the plan of action referred to in paragraph 17 of Schedule 3 to this Agreement in a manner satisfactory to the Association.

17. The Borrower has undertaken and completed a review of the functioning of the procedures referred to in paragraph 18 of Schedule 3 to this Agreement and, based on such review, has adopted measures, if necessary, to ensure that the time period referred to therein is complied with.

18. The Borrower has introduced market-based allocation procedures for the commodity aid program identified pursuant to paragraph 21 of Schedule 3 to this Agreement.

19. The Borrower has made progress, satisfactory to the Association, in completing the program of technical assistance referred to in paragraph 22 of Schedule 3 to this Agreement.

20. The Borrower has:

(a) completed the consolidation and updating of the internal debt register referred to in paragraph 24 (a) of Schedule 3 to this Agreement; and

(b) made operational the debt management system referred to in paragraph 24 (b) of such Schedule.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$20,000,000 to be withdrawn from the Credit Account and deposited in 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, 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 Program, 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 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; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the 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.

[Redacted]