

CONFORMED COPY

CREDIT NUMBER 2791 BD

Development Credit Agreement

(River Bank Protection Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 21, 1995

CREDIT NUMBER 2791 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 21, 1995, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.

(b) The second sentence of Section 5.01 is modified to read as follows:

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

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "WARPO" means the Water Resources Planning Organization within the Ministry of Water Resources of the Borrower;

(c) "FPCO" means the Flood Plan Coordination Organization within the Ministry of Water Resources of the Borrower;

(d) "Bangladesh Bank" means the Central Bank of Bangladesh established under Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972) as amended;

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

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

(g) "Taka" means the currency of the Borrower;

(h) "FY" means the fiscal year of the Borrower which runs from July 1 to June 30;

(i) "Affected Persons" means persons who on account of the execution of the Project had or would have their: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) business, occupation, work or place of residence or habitat adversely affected, and "Affected Person" means individually all those who qualify as "Affected Persons"; and

(j) "Resettlement Action Plan" means the plan dated September 1995, as amended October 31, 1995, agreed upon between the Borrower and the Association for the resettlement and rehabilitation of the Affected Persons.

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 seventy-eight million four hundred thousand Special Drawing Rights (SDR 78,400,000).

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 Parts A, B, C and E of the Project, open and maintain in dollars a BWDB Special Account in Bangladesh Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the BWDB 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 WARPO Special Account in Bangladesh Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the WARPO 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, 2000 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of 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 charges and service charges shall be payable semiannually on January 1 and July 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 January 1 and July 1 commencing January 1, 2006 and ending July 1, 2035. Each installment to and including the installment payable on July 1, 2015 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, engineering and resettlement 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.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 3.07 of the General Conditions, and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed between the Borrower and the Association, a plan for the future operation and maintenance of investments financed under the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

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 six 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 report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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

Effective Date; Termination

Section 5.01. 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) that the Project Proforma for the carrying out of Parts A, B, C, and E of the Project has been approved; and
- (b) a draft Project Proforma for Part D of the Project has been approved by the Ministry of Water Resources of the Borrower.

Section 5.02. 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 VI

Representatives of the Borrower; Addresses

Section 6.01. The Secretary, Additional Secretary, Joint Secretary, Deputy Secretary, Senior Assistant 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/ K. M. Ejazul Huq

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mieko Nishimizu

Acting Regional Vice President
South 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 (other than under Part C of the Project)	58,540,000	83%
(2) Vehicles and equipment for:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(a) Part B of the Project	1,510,000	
(b) Part D of the Project	360,000	
(c) Parts A and E of the Project	420,000	
(3) (a) Consultants' services for Parts A, B, C and E of the Project and training under Part E of the Project	4,340,000	100%
(b) Consultants' services and overseas training for Part D of the Project	3,860,000	100%

(4) Resettlement expenditures under Part C of the Project	330,000	50%
(5) Operation and maintenance costs Part B of the Project	1,100,000	85% through FY98, 65% in FY99 under and 45% thereafter
(6) Unallocated	7,940,000	
TOTAL	78,400,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

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

(c) the term "operation and maintenance costs" means salaries, as well as cost of materials and equipment operating expenses incurred by the operation and maintenance unit of BWDB established under Part B of the Project; and

(d) the term "resettlement expenditures" means expenditures for the resettlement or rehabilitation of the Affected Persons and shall comprise (i) civil works expenditures for establishment of temporary or permanent resettlement areas, including provision of community facilities; (ii) provision of transition grants to cover loss of income during resettlement; and (iii) NGO programs to assist re-establishment or job training.

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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for civil works, vehicles and equipment not exceeding the equivalent of \$200,000, for consulting services by firms costing less than \$100,000 each, for individual consultants costing less than \$50,000 each and for all operation, maintenance, training and resettlement expenditures under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower shall ensure that all withdrawal applications under categories (1), (4) and (5) of this Schedule shall include a certification from the consultants referred to in paragraphs 3 (a) or 5 (b) of Schedule 4 to this Agreement concerning the appropriateness and eligibility of the expenditures and, in the case of categories (1) and (5), the adequacy of the quality of the works.

SCHEDULE 2

Description of the Project

The objectives of the Project are (i) to provide protection against erosion damage to Siraganj town and environs, (ii) to prevent a merger of the Brahmaputra and Bangali rivers in the vicinity of Sariakandi and consequential annual flooding, (iii) to improve BWDB's accounting and management information systems, and (iv) to develop national institutions for improved water sector planning.

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: River Bank Protection Works

1. Construction of river bank works near Siraganj, Sariakandi and Mathurapara, and rehabilitation of groyne at Kalitola and Raniganj.

2. Realignment of about 8 km of embankment to join the Kalitola groyne with the riverbank protection works at Mathurapara, including provision of a fish-pass structure.

Part B: Operation and Maintenance

Operation and maintenance of works under Part A.1 above, through the establishment, equipping and funding of an operations and maintenance unit of BWDB for riverbank protection works and the training of the staff thereof.

Part C: Resettlement

Carrying out of a program of resettlement and rehabilitation of Affected Persons.

Part D: Strengthening of Water Sector Planning

Strengthening the water sector planning through (i) the merger of FPCO into WARPO, (ii) the creation within WARPO of capacity for environmental management and participatory planning, and (iii) the development of a national water management plan, including the provision of technical assistance and training therefor.

Part E: Strengthening of the Accounting and Management Information Systems of BWDB

Strengthening the effectiveness of (i) regional accounting centers, and (ii) management information and communications systems of BWDB, including the provision of equipment and local training.

* * *

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

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

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for civil works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Contracts for works under Part A.2 of the Project estimated to cost the equivalent of \$1,700,000 or less in the aggregate may be awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. Such works shall be offered only to domestic contractors of Class A registration (as defined by the law of the Borrower) or foreign contractors meeting equivalent standards. Earthworks shall

be grouped into one or two contracts. Bidders for a separate contract for the fish-pass structure shall be prequalified.

(b) Contracts for civil works or construction materials for operation and maintenance under Part B of the Project estimated to cost the equivalent of \$200,000 or less per contract and \$2,000,000 or less in the aggregate, may be awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Minor office equipment, furniture and training materials under Part D of the Project estimated to cost the equivalent of \$10,000 or less per contract and the equivalent of \$100,000 or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Force Account

The operation and maintenance activities of the unit established under Part B of the Project may be carried out by force account.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 (the Consultants Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been issued by the Bank. Other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Borrower shall, without limitation to the provisions of Section 9.08 of the

General Conditions, cause land and rights to land to be acquired for purposes of the Project, in accordance with procedures and time schedules satisfactory to the Association.

2. The Borrower shall carry out, or cause to be carried out, resettlement and rehabilitation of the Affected Persons in accordance with the provisions of the Resettlement Action Plan.

3. The Borrower shall, prior to the execution of the first civil works contract under international competitive bidding procedures pursuant to the provisions of Part A of Section I of Schedule 3 to this Agreement:

(a) employ consultants for civil works contract management and supervision in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(b) cause BWDB to select and second BWDB staff to assist the aforesaid consultants, in numbers, with qualifications, and under arrangements satisfactory to the Association.

4. The Borrower shall, upon signature of each civil works contract referred to in paragraph 3 above, and as part of said contract, establish a review board with powers, members and resources satisfactory to the Association, responsible for the settlement of disputes thereunder.

5. The Borrower shall by May 31, 1997:

(a) cause BWDB to establish and fully staff the operation and maintenance unit referred to in Part B of the Project with its head office located at Sirajganj;

(b) cause BWDB to appoint thereto consultants as required to assist said unit with qualifications and terms of reference acceptable to the Association; and

(c) cause BWDB to procure the survey and maintenance equipment required for the operation of the unit.

6. The Borrower shall, without limitation to the provisions of Section 3.01 (a) of this Agreement or Section 9.07 of the General Conditions:

(a) hold annual consultations with the Association concerning the level of expenditures required for the operation and maintenance of the works constructed or rehabilitated under the Project; and

(b) make available such funds as are needed to cover requirements for the operation and maintenance of said works.

7. The Borrower shall:

(a) maintain or cause to be maintained policies and procedures adequate to ensure the monitoring and evaluation, in accordance with guidelines and on the basis of performance indicators agreed with the Association, of the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare or cause to be prepared, under terms of reference satisfactory to the Association, and furnish to the Association, by September 30, 1997 and September 30, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of the Project during the period following such date; and

(c) review with the Association, by November 30, 1997 and November 30, 1999, or such other dates as may be agreed between the Borrower and the Association, the said report and, thereafter, take or cause to be taken all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the recommendations of the said report and the Association's views on the matter.

8. The Borrower shall establish not later than November 15, 1995, a national Project Coordinating Committee and two District Coordinating Committees (at Sirajganj and Bogra districts) with composition and terms of reference satisfactory to the Association, such committees to meet regularly at least every three months until the completion of Part A of the Project.

9. The Borrower shall cause BWDB to retain (i) a Project Coordinator in Dhaka until completion of the Project, and (ii) a Project Director in Bogra until completion of Part A of the Project, both of whom shall have relevant qualifications and experience.

10. The Borrower shall approve the Project Proforma for Part D of the Project, not later than February 28, 1996.

11. The Borrower shall maintain until the completion of the Project:

(a) WARPO as the agency responsible for: (i) strategic planning of water resources; (ii) reviewing and evaluating water sector plans and proposed projects to ensure that they are in accord with sound technical, social, economic, financial, and environmental practices; and (iii) collecting and disseminating water sector data; and

(b) a National Water Council to provide policy guidance and strategic direction on water sector issues.

12. The Borrower shall appoint or cause to be appointed by June 30, 1996, Heads of WARPOs Planning, Socio-Economics, Environment, Land Resources, and Hydrology and Engineering Directorates, with relevant qualifications and experience as regular employees.

13. The Borrower shall, by April 30, 1996:

(a) employ or cause WARPO to employ consultants to assist WARPO, in carrying out of Part D of the Project, with qualifications and terms of reference satisfactory to the Association; and

(b) arrange for the services of a Panel of Experts, consisting of at least six individuals with qualifications and terms of reference satisfactory to the Association, to provide an independent review of WARPOs work programs, strategic planning, and project proposals.

14. The Borrower shall cause WARPO to prepare and furnish to the Association by June 30, 1998 a National Water Management Plan, for comments by the Association.

SCHEDULE 5

BWDB Special Account

1. For the purposes of this Schedule:

(a) the term eligible Categories means Categories (1), 2(a), 2(c), 3(a), (4) and (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 \$1,500,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$800,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 28,000,000.

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;

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, 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; 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.

SCHEDULE 6

WARPO Special Account

1. For the purposes of this Schedule:

(a) the term eligible Categories means Categories 2(b) and 3(b) 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 \$400,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$200,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,000,000.

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;

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, 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; 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.

