

CONFORMED COPY

CREDIT NUMBER 1942 BD

Development Credit Agreement

(Industrial Energy Efficiency Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 21, 1988

CREDIT NUMBER 1942 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 21, 1988, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower intends to obtain from the Overseas Development Administration of the United Kingdom (ODA) a grant (the ODA Grant) in an amount of Pounds Sterling 330,000 to assist in financing part of the Project on terms and conditions set forth in an agreement (the ODA Grant Agreement) to be entered into between the Borrower and ODA; 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 in Schedule 3 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Agency Agreement" means the agreement of even date herewith between the Borrower and Agrani Bank for the carrying out of Part B of the Project, as the same may be amended from time to time, and such term includes all schedules supplemental to the Agency Agreement;

(b) "Agrani Bank" means the Agrani Bank, a state-owned commercial bank established and operating under the Borrower's Bank's Nationalization Order 1972;

(c) "Co-generation" means simultaneous production of electricity and thermal energy by the recovery of energy lost in condensers and stacks and its use as process heat;

(d) "EMU" means the Energy Monitoring Unit in the Borrower's Ministry of Energy and Mineral Resources;

(e) "Enterprise" means an enterprise to which the Borrower proposes to make or has made a Sub-loan;

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

(g) "Sub-loan" means a loan or credit made or proposed to be made by the Borrower to an Enterprise for a Sub-project;

(h) "Free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 7 (b) of Schedule 5 to this Agreement;

(i) "Sub-project" means a specific energy conservation project to be carried out by an Enterprise utilizing the proceeds of a Sub-loan; and

(j) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Agrani Bank pursuant to Section 3.03 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Loan Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to eight million three hundred thousand Special Drawing Rights (SDR 8,300,000).

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 for: (i) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made by an Enterprise under a Sub-loan to meet the reasonable cost of goods and services required for the Sub-project in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of services required for Part A.5 of the Project 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 7 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge 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 a 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; (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 semi-annually on May 1 and November 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 May 1 and November 1 commencing November 1, 1998 and ending May 1, 2028. Each installment to and including the installment payable on May 1, 2008 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 Part A.1 through A.4 of the Project through EMU and Part B of the Project through Agrani Bank, and shall cause Agrani Bank to carry out Part A.5 of the Project, with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial and investment practices; shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and shall not take or permit to be taken any action which would prevent or interfere with Agrani Bank's performance of its obligations.

(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 Part A.1 through A.4 and Part B of the Project in accordance with the Implementation Program set forth in Schedule 6 to this Agreement.

Section 3.02. (a) The Borrower undertakes that, unless the Association shall otherwise agree, Sub-loans will be made in accordance with the procedures and on the

terms and conditions set forth or referred to in Schedule 5 to this Agreement.

(b) The Borrower shall use the proceeds accrued to it from the repayment of the principal of Sub-loans for further relending under the terms and conditions set forth or referred to in Schedule 5 to this Agreement.

(c) The Borrower shall exercise its rights in relation to each Sub-project in such a manner as to: (i) protect the interests of the Borrower and the Association; and (ii) achieve the purposes of the Project.

Section 3.03. (a) The Borrower shall onlend part of the proceeds of the Credit to Agrani Bank for the purposes of Part A.5 of the Project under a subsidiary loan agreement to be entered into between the Borrower and Agrani Bank, under terms and conditions which shall have been approved by the Association, which shall include the same terms as the Credit except that the repayment period shall be 10 years including a grace period of 3 years.

(b) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A.5 of the Project shall be carried out by Agrani Bank.

Section 3.05. (a) 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 4 to this Agreement.

(b) In order to assist the Borrower in carrying out Part A.1 through A.4 of the Project, the Borrower shall employ consultants whose qualifications, experience and terms of reference shall be satisfactory to the Association.

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 Parts A.1 through A.4 and B of the Project of the departments or agencies of the Borrower responsible for carrying out such Parts of 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 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 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 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.

Section 4.02. (a) The Borrower shall cause Agrani Bank to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of Agrani Bank.

(b) The Borrower shall cause Agrani Bank to:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 copies of its financial statements for such year as so audited; and (B) 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 such records, accounts, financial statements and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures under Part A.5 of the Project with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall cause Agrani Bank to:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until 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 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

Other Covenants

Section 5.01. The Borrower shall cause Agrani Bank:

- (a) to take out and maintain with responsible insurers, or to make other

provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice; and

(b) to carry on its operations and conduct its affairs in accordance with sound administrative and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) Agrani Bank shall have failed to perform any of its obligations under the Subsidiary Loan Agreement;

(b) the Borrower or Agrani Bank shall have failed to perform any of their obligations under the Agency Agreement;

(c) the Agency Agreement shall have been amended, suspended or terminated without the agreement of the Association;

(d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of Agrani Bank or for the suspension of its operations; and

(e) (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 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (a) and (b) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (c) and (d) of Section 6.01 of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. 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) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and Agrani Bank;

(b) the Borrower and Agrani Bank have employed the consultants required to assist them in the carrying out of Part A.1 to A.4, and Part A.5, respectively, of the Project during the first year of the carrying out of the Project;

(c) the financing of EMU has been transferred from the Borrower's development budget to the Borrower's revenue budget; and

(d) the conditions precedent to the effectiveness of the ODA Grant Agreement have been fulfilled, subject only to the effectiveness of this Agreement.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Agrani Bank, and is legally binding upon the Borrower and Agrani Bank in accordance with its terms.

Section 7.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.04. The obligations of the Borrower under Section 5.01 of this Agreement and the provisions of paragraphs (a) and (b) of Section 6.02 of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VIII

Representatives of the Borrower; Addresses

Section 8.01. The Secretary or any Additional Secretary, 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 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

External Resources Division
Ministry of Planning
Government of the People's Republic
of Bangladesh
Dhaka
Bangladesh

Cable address:

BAHIRSAMPAD
Dhaka

Telex:

642226 SETU BJ

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

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

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Akbar Ali Khan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shinji Asanuma

Acting Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods and services for Part B of the Project	8,220,000	80%
(2) Consultants' services for Part A.5 of the Project	80,000	100%
TOTAL	8,300,000	

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

(a) in respect of payments made for expenditures prior to the date of this Agreement; and

(b) in respect of a Sub-loan, unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to reduce energy consumption per unit of output in economically and financially viable enterprises in the industrial and power sectors thereby increasing their efficiency and competitiveness; and (ii) to promote the development of appropriate policies, technologies and an institutional framework to strengthen the Borrower's energy conservation program.

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: Institution Strengthening

1. Carrying out of promotional activities for energy conservation.
2. Training of EMU staff, energy managers and operational and maintenance personnel of enterprises, and staff of technical institutions and organizations in energy conservation measures.
3. Provision of technical assistance to enterprises in the carrying out of energy conservation measures.
4. Compilation and analysis of a data base in support of the Borrower's energy conservation program.
5. Strengthening of Agrani Bank's project appraisal capability, especially in the economic analysis of energy conservation investments.

Part B: Energy Conservation Investments

1. Financing of specific energy conservation projects through loans to industrial enterprises and power plants for the carrying out of energy conservation measures including housekeeping, quick-fix, combustion control and retrofit measures.
2. Financing of energy conservation projects through loans to industrial complexes for the carrying out of co-generation measures.

* * * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Modifications of the General Conditions

For purposes of this Agreement, the provisions of the General Conditions are modified as follows:

- (1) the last sentence of Section 3.02 is deleted; and
- (2) the words "the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (e) by the date specified in sub-paragraph 8 (c) of Schedule 5 to this Agreement, the Association shall, in respect of any portion of the Credit: (i) have received no applications or requests permitted under sub-paragraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Association may, by notice to the Borrower, terminate the right to submit such applications or approvals or to make withdrawals from the Credit Account, as the case may be, with respect to such amount or portion of the Credit. Upon the giving of such notice, such amount or portion of the Credit shall be cancelled."

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and 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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Bangladesh may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Goods and services estimated to cost less than the equivalent of \$300,000 per contract, up to an aggregate amount not to exceed the equivalent of \$3,800,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).
2. Proprietary items may be procured through direct contracting with the suppliers or manufacturers thereof under procedures acceptable to the Association, up to an aggregate amount not to exceed the equivalent of \$5,000,000.
3. Goods and services procured by the Borrower and by public sector enterprises and

estimated to cost less than the equivalent of \$10,000 each, may be procured under contracts awarded in accordance with the Borrower's procurement procedures, acceptable to the Association.

4. Goods and services procured by private sector enterprises and estimated to cost less than the equivalent of \$10,000 may be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods and services estimated to cost more than the equivalent of \$300,000, and each contract for proprietary items, 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 7 to this Agreement.

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

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist Agrani Bank in carrying out Part A.5 of the Project, the Borrower shall cause Agrani Bank to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Terms and Conditions of Sub-loans

1. Interest on Sub-loans shall be payable at a variable rate which shall initially be 14.5% per annum including an annual service fee and compensation to the Borrower for assuming the risk of foreign exchange fluctuations. Commencing on or before July 31, 1989, the Borrower shall annually review, in consultation with the Association, the adequacy of the interest rate applicable to Sub-loans and shall, thereafter, if necessary, adjust such interest rate.

2. The Enterprise shall pay to the Government a commitment charge at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Sub-loan not withdrawn from time to time. The commitment charge shall accrue from the date of the Sub-loan Agreement to the respective dates on which amounts shall be withdrawn by the Enterprise from the Sub-loan account or shall be cancelled.

3. Sub-loans shall be repaid over a maximum period of twice the pay back period of the Sub-project but not exceeding ten years, including a maximum grace period of three years. For the purposes of this paragraph "pay back period of the Sub-project" means the number of years over which the accumulated net benefits (or savings) attributable

to the Sub-project are estimated to recover the initial value of the investment made for purposes of such Sub-project.

4. The exchange risk shall be borne by the Borrower.

5. The Borrower shall not make any Sub-loans: (a) in an amount below the equivalent of \$10,000; and (b) exceeding the equivalent of \$3,500,000, or in an amount which would exceed such limit when added to the amount of all other Sub-loans made for the same Sub-project out of the proceeds of the Credit.

6. To qualify for Sub-loans, an Enterprise shall:

(a) demonstrate its financial and economic viability;

(b) be in good credit standing with the banking sector;

(c) be in the industrial or power sector;

(d) demonstrate that the Sub-project is for direct energy saving or fuel substitution measures;

(e) show projected economic and financial rates of return of the Sub-project of at least 18%; and

(f) finance out of its own funds at least 20% of the total cost of the Sub-project.

7. No expenditures for goods or services required for a Sub-project shall be eligible for financing out of the proceeds of the Credit unless:

(a) the Sub-loan for such Sub-project shall have been approved by the Association and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association shall have received the application and information required under paragraph 8 (a) of this Schedule in respect of such Sub-loan; or

(b) the Sub-loan for such Sub-project shall have been a free-limit Sub-loan for which the Association has authorized withdrawals from the Credit Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association shall have received the request and information required under paragraph 8 (b) of this Schedule in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be a Sub-loan (other than the first six Sub-loans to be made under the Project, to which paragraph (a) shall apply) for a Sub-project in an amount to be financed out of the proceeds of the Credit which shall not exceed the sum of \$100,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Credit, the foregoing amount being subject to change from time to time as determined by the Association.

8. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Association for approval, the Borrower shall furnish to the Association an application, in form satisfactory to the Association, together with: (i) a description of the Enterprise and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; (iii) a description of the method of procurement of the goods and services to be financed out of the proceeds of the Credit; and (iv) such other information as the Association shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Credit Account in respect of a free-limit Sub-loan shall contain: (i) a summary description of the Enterprise and the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor; and (iii) a description of the method of procurement of the goods and services to be financed out of the proceeds of the Credit.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Association on or before December 31, 1991.

9. Sub-loans shall be made on terms whereby the Borrower shall obtain, by written

contract with the Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Borrower and the Association, including, the right to:

(a) require the Enterprise to carry out and operate the Sub-project with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Schedule 4 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Sub-Project;

(c) inspect, by itself or jointly with representatives of the Association if the Association shall so request, such goods, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Enterprise to replace or repair such goods;

(e) obtain all such information as the Borrower or the Association shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Enterprise and to the benefits to be derived from the Sub-project; and

(f) suspend or terminate the right of the Enterprise to the use of the proceeds of the Credit upon failure by such Enterprise to perform its obligations under its contract with the Borrower.

SCHEDULE 6

Implementation Program

1. The Borrower shall cause EMU to be at all times staffed with qualified personnel in adequate numbers including:

(a) a director; and

(b) a senior economist, to be employed not later than March 31, 1989.

2. The Borrower shall maintain the Energy Conservation Coordination Group and ensure that its meetings are attended by its members personally on a regular basis.

3. For the purposes of cost recovery for services provided by EMU, including training and energy audits, the Borrower shall charge to the beneficiaries of such services part of the cost incurred therefor, in accordance with a schedule satisfactory to the Association, including the following:

(a) prior to July 1, 1989, twenty percent of the cost incurred by the Borrower; and

(b) commencing July 1, 1989, increase the percentage annually by twenty percent so as to charge all of the cost incurred, not later than July 1, 1993.

4. In carrying out Part B of the Project, the Borrower shall, not later than October 1, 1991, review with the Association:

(i) Agrani Bank's financial and loan recovery performance, and performance under the Agency Agreement, in order to determine if Agrani Bank should function, thereafter, as a financial intermediary for Part B of the Project; and

(ii) the status of the Borrower's financial sector reforms.

SCHEDULE 7

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement, provided, however, that notwithstanding the provisions of paragraph 6 (b) of Schedule 5 to this Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Account before the Association shall have authorized withdrawals from the Credit Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Association shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to SDR 730,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 may be made as follows:

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

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

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

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

(i) the Association shall have determined that all further withdrawals should be made directly by the Borrower from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

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

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible 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 have been or 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit into the 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account.

