

**CONFORMED COPY**

**CREDIT NUMBER 3679 BD**

# **Development Credit Agreement**

**(Rural Electrification and Renewable Energy Development Project)**

**between**

**PEOPLE'S REPUBLIC OF BANGLADESH**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 16, 2002**

**CREDIT NUMBER 3679 BD**

## **DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated July 16, 2002, 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 Association has received a letter, dated April 6, 2002, from the Borrower, describing a program of actions, objectives and policies designed to strengthen the performance of the Borrower's rural electricity sub-sector (the Letter of Assurances) and declaring the Borrower's commitment to the execution of the provision of the Letter of Assurances;

(C) Parts A and B of the Project will be carried out by Rural Electrification Board (REB) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to REB, as set forth in this Agreement;

(D) Part C of the Project will be carried out by Infrastructure Development Company Limited (IDCOL), as an agent of the Borrower, with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to IDCOL, as set forth in this Agreement;

(E) the Borrower has obtained a Grant from the Global Environment Facility (GEF) in an amount of six million six hundred thousand Special Drawing Rights (SDR 6,600,000) (the GEF Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement entered into between the Borrower and the International Bank for Reconstruction and Development, acting as an Implementing Agency of the GEF (the GEF Trust Fund Grant Agreement); and

WHEREAS (F) 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 and in the agreement of even date herewith between the Association and REB (the REB Project Agreement) and the Association and IDCOL (the IDCOL Project Agreement), respectively;

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 (as amended through October 6, 1999), (the General Conditions), constitute an integral part of this Agreement.

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

(a) "Agency and Administration Agreement" means the agreement to be entered into between the Borrower and IDCOL (as hereinafter defined) pursuant to Section 3.01 (b) of this Agreement as the same may be amended from time to time, and such term includes all schedules

and agreements supplemental to the Agency and Administration Agreement;

(b) “Beneficiary” means any household unit or a private enterprise, for whose benefit a Subproject (as hereinafter defined) is being, or will be, carried out;

(c) “BPDB” means the Bangladesh Power Development Board, established and operating under the laws of the Borrower;

(d) “DOE” means the Borrower’s Department of Environment;

(e) “Environmental and Social Framework” or “ESF” means the Environmental and Social Framework adopted on January 19, 2002, by the Borrower and REB (as hereinafter defined) detailing the measures proposed to address the adverse environmental and social impact of investments under the Project;

(f) “FY” or “Fiscal Year” means the fiscal year of the Borrower commencing on July 1 and ending on June 30 of the following year;

(g) “IDCOL” means Infrastructure Development Company Limited, a body corporate established and existing under the Bangladesh Companies Act (1994);

(h) “IDCOL Project Agreement” means the agreement between the Association and IDCOL of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the IDCOL Project Agreement;

(i) “Loss Reduction Program” means a plan prepared by REB and endorsed by the Borrower for reducing losses from distributors of electricity in systems taken over from BPDB;

(j) “Memorandum and Articles of Association” means the Memorandum and Articles of Association of IDCOL, dated May 14, 1997, as amended to the date of this Agreement;

(k) “MFI” means any micro finance institution operating under the laws of the Borrower;

(l) “NGO” means any non-governmental organization operating under the laws of the Borrower;

(m) “Operating Guidelines” means the operating guidelines for IDCOL, approved by the Association, which sets out the eligibility criteria of Subprojects (as hereinafter defined), guidelines for appraisal, approval and supervision of Subprojects, and the terms and conditions applicable to Sub-loans (as hereinafter defined);

(n) “Participation Agreement” means the agreement to be entered into between IDCOL and a Participating Organization (as hereinafter defined), pursuant to paragraph 3 of Schedule 4 to this Agreement for the purpose of promoting renewable energy sub-projects in the Territory of the Borrower;

(o) “Participating Organization” means any MFI, NGO or private enterprise which participate in the carrying out of Part C of the Project, and which has entered into a Participating

Agreement with IDCOL;

(p) "PBS" means Palli Bidyut Samity, any cooperative organization established under the laws of the Borrower, to operate and manage a rural electrification scheme;

(q) "RAPSS" means remote area power supply system, a scheme to generate and supply electricity in remote or isolated areas without connection to the main grid;

(r) "REB" means the Rural Electrification Board established by the Borrower's Rural Electrification Board Ordinance, 1977;

(s) "REB Project Agreement" means the agreement between the Association and REB of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the REB Project Agreement;

(t) "REB Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and REB pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the REB Subsidiary Loan Agreement;

(u) "Special Accounts" means the Convertible Taka Special Account (CONTASA) accounts referred to in Section 2.02(b) of this Agreement; and described in the Circular dated September 2, 1991, as revised on May 4, 1992 and December 24, 1992 of the Finance Division of the Borrower's Ministry of Finance entitled "Procedures for Operation of Convertible Taka Special Account of IDA Aided Development Projects Under Government-Departments/Autonomous/Semi-Autonomous Bodies," as such Circular may be amended from time to time in agreement with the Association;

(v) "Subloan Agreement" means an agreement for a Subloan referred to in paragraphs 2 and 3 of Schedule 4 to this Agreement;

(w) "Subloan" means a loan made or proposed to be made by IDCOL out of the proceeds of the Credit to a Participating Organization for a Subproject or Subprojects;

(x) "Subproject" means a scheme, activity or service financed, or proposed to be financed through Subloans made through IDCOL under Part C of the Project, which meets the criteria set forth in the Operating Guidelines;

(y) "Taka" means the currency of the Borrower; and

(z) "Transfer Program" means the program agreed to between BPDB and REB to transfer about 9,400 km of electricity distribution lines along with associated facilities from BPDB to REB in three packages, including about 4,000 km of distribution lines with associated facilities in 17 PBSs (the First Package), about 3,000 km of distribution lines with associated facilities in 17 PBSs by June 2003 (the Second Package), and of remaining 2,400 km of distribution lines with associated facilities in 6 PBSs by June 2004 (the Third Package), respectively.

## 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 fifty three million Special Drawing Rights (SDR 153,000,000).

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, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall open and maintain in Taka two separate special deposit accounts, for REB (REB Special Account) and IDCOL (IDCOL Special Account), in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, each 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, 2008, 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 the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each

June 1 and December 1 commencing December 1, 2012, and ending June 1, 2042. Each installment to and including the installment payable on June 1, 2022, 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

- (A) 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; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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 abovementioned repayment modification.

(d) 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.

Section 2.09. With respect to (i) Parts A and B of the Project, REB is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions; and (ii) Part C of the Project, IDCOL is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause:

(i) REB to perform in accordance with the provisions of the REB Project Agreement all the obligations of REB therein set forth, shall take and cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable REB to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and

(ii) IDCOL to perform in accordance with the provisions of the IDCOL Project Agreement all the obligations of IDCOL therein set forth, shall take and cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable IDCOL to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall:

(i) relend the proceeds of the Credit allocated from time to time to Categories 1, 2, 3 and 5 of the table set forth in paragraph 1 of Schedule 1 to this Agreement to REB under a subsidiary loan agreement to be entered into between the Borrower and REB (REB Subsidiary Loan Agreement), under terms and conditions which shall have been approved by the Association, and which shall include the following: (i) a repayment period of 25 years after an 8-year grace period, (ii) an interest rate of three-fourths of one percent ( $\frac{3}{4}$  of 1%) per annum during the grace period, capitalized; (iii) an interest rate of two percent (2%) per annum thereafter, and (iv) the foreign exchange risk to be borne by the Borrower; and

(ii) make available the proceeds of the Credit allocated from time to time to Category 4 of the table set forth in paragraph 1 of Schedule 1 to this Agreement to IDCOL under an Agency and Administration Agreement to be entered into between the Borrower and IDCOL under terms and conditions which shall have been approved by the Association, which shall include those set forth or referred to in the Schedule to the IDCOL Project Agreement.

(c) The Borrower shall exercise its rights under the REB Subsidiary Loan Agreement and the Agency and Administration Agreement in such 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 REB Subsidiary Loan Agreement and the Agency and Administration Agreement or any provision thereof.

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 9.06 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 for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

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

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): (i) in respect of Parts A and B of the Project shall be carried out by REB pursuant to Section 2.03 of the REB Project Agreement; and (ii) in respect of Part C of the Project shall be carried out by IDCOL pursuant to Section 2.03 of the IDCOL Project Agreement.

Section 3.05. The Borrower shall take all necessary measures to ensure the transfer of distribution areas, including the electric supply units and associated assets, from BPDB to PBSs in a timely manner.

Section 3.06. In addition to its obligations under the provision of Section 6.01(c) of this Agreement, the Borrower shall: (a) by no later than June 30, 2003, pay 50% of the outstanding electricity billing dues to REB; and (b) by no later than June 30, 2004, pay all the remaining outstanding electricity billing dues to REB.

Section 3.07. The Borrower shall, no later than December 31, 2002, establish an appropriate payment mechanism, satisfactory to the Association, for timely settlement of electricity dues to PBSs for supply to the Borrower's departments and agencies, and religious institutions.

Section 3.08. The Borrower shall take all necessary measures to facilitate the implementation of the ESF by REB and IDCOL.

Section 3.09. The Borrower shall, no later than two years after the Effective Date, in conjunction with REB and IDCOL, develop appropriate standards for recycling of batteries used for solar home systems.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) 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 sound accounting practices, records and separate accounts reflecting such expenditures;
  - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
  - (iii) enable the Association's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; 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.

## **ARTICLE V**

### **Remedies of the Association**

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

(a) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Letter of Assurances or a significant part thereof will be carried out;

(b) IDCOL shall have failed to perform any of its obligations under the IDCOL Project Agreement;

(c) REB shall have failed to perform any of its obligations under the REB Project Agreement;

(d) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that IDCOL and REB will be able to perform their obligations under the IDCOL Project Agreement and the REB Project Agreement;

(e) The Memorandum and Articles of Association shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of IDCOL or its ability to carry out the Project or to perform any of its obligations under the Project Agreement or the Agency and Administration Agreement;

(f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of IDCOL or for the suspension of its operations;

(g) The Ordinance establishing REB shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of REB or its ability to carry out the Project or to perform any of its obligations under the Project Agreement or the Subsidiary Loan Agreement;

(h) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of REB or for the suspension of its operations; and

(i) The right of the Borrower, to make withdrawals under the GEF Trust Fund Grant Agreement shall have been suspended.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) any events specified in paragraphs (b) and (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Association to the Borrower; and

(b) any events specified in paragraphs (e), (f), (g) and (h) of Section 5.01 of this Agreement shall occur.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions :

(a) the Agency and Administration Agreement has been executed on behalf of the Borrower and IDCOL;

(b) the REB Subsidiary Loan Agreement has been executed on behalf of the Borrower and REB;

(c) the Borrower has cleared at least 25% of its arrears of electricity bills to REB;

(d) the Borrower has established a special task force for the Loss Reduction Program, in form and substance satisfactory to the Association;

(e) REB has: (i) furnished to the Association, for review and approval, the financial restructuring package in respect of the 45 PBSs; and (ii) completed the take over of the first package of the Transfer Program, in form and substance acceptable to the Association; and

(f) IDCOL has entered into at least 3 Participation Agreements with Participating Organizations.

Section 6.02. The following are specified as additional matters, 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:

(a) that the IDCOL Project Agreement and the REB Project Agreement have been duly authorized or ratified by IDCOL and REB respectively, and are legally binding upon IDCOL and REB respectively in accordance with their terms;

(b) that the Agency and Administration Agreement and the REB Subsidiary Loan Agreement have been duly authorized or ratified by the Borrower and IDCOL and REB

respectively and are legally binding upon the Borrower and IDCOL and REB respectively in accordance with their terms; and

(c) that the Participation Agreements furnished pursuant to Section 6.01(f) are legally binding upon IDCOL and the Participating Organizations concerned respectively in accordance with their terms.

Section 6.03. 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.

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Secretary, or the Additional Secretary, or any Joint Secretary, or Deputy Secretary or Senior Assistant Secretary or Assistant Secretary or Joint Chief, or Deputy Chief or Senior Assistant Chief or Assistant Chief 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 7.02. 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  
Sher-e-Bangla Nagar  
Dhaka, Bangladesh

Cable address:	Telex:	Facsimile:
BAHIRSAMPAD Dhaka	642226 SETU BJ	88028113088

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Dhaka, People's Republic of Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Anisul Huq Chowdhury

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Frederick Temple

Country Director, Bangladesh

## 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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works Under Parts A and B	5,480,000	85%
(2) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of expenditures for other items procured locally
(a) Under Part A:		
(i) All goods, excluding those covered in (ii) and (iii)	60,070,000	
(ii) Goods for the Second Package	36,040,000	
(iii) Goods for the Third Package	23,940,000	
(b) Under Part B	3,460,000	
(3) Consultants' services and training Under Parts A and B	2,410,000	80%
(4) Subloans Under Part C	8,610,000	100%
(5) Incremental Operating Costs Under Parts A and B	130,000	80% until the end of FY04; 60% until the

end of FY06; and  
50% thereafter

(6) Unallocated	12,860,000
TOTAL	153,000,000

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; and

(c) the term “Incremental Operating Costs” means costs incurred by REB on account of incremental staff salaries, office utilities, supplies, fuel, and maintenance of vehicles and equipment.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$10,000,000, may be made in respect of Category 2(a)(i) set forth in table in paragraph 1 above, on account of payments made for expenditures before that date but after May 1, 2002;

(b) payments made under Category 2(a)(ii), unless the REB has furnished evidence satisfactory to the Association that the second package of the Transfer Program has been completed;

(c) payments made under Category 2(a) (iii), unless the REB has furnished evidence satisfactory to the Association that the third package of the Transfer Program has been completed; and

(d) a Subloan under Category 4, unless the Subloan has been made in accordance with the eligibility criteria and procedures and on the terms and conditions set forth or referred to in the Operating Guidelines, and the provisions of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods and works under contracts costing less than \$300,000 equivalent each; (b) services of firms under contracts costing less than \$100,000 equivalent each, (c) services of individual consultants under contracts costing less than \$50,000 equivalent each, (d) training and incremental costs; and (e) Subloans below the equivalent of \$100,000, under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

## **Description of the Project**

The objective of the Project is to support the Borrower's vision of attaining a higher level of social development and economic growth by increasing access to electricity in rural areas.

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: Rural Electrification Expansion, Intensification and Rehabilitation

1. Construction of about 10,000 km of new electricity distribution lines, and construction of sub-stations in 45 PBSs.
2. Carrying out of a distribution area rationalization program covering about 9400 km lines and associated facilities to be taken over, including the rehabilitation of existing assets and construction of new lines and new sub-stations in taken over areas.
3. Establishment and operation of a loss reduction program in 45 PBSs.
4. Provision of equipment and technical advisory services, *inter alia*, for REB/PBS institutional development, financial restructuring, socioeconomic impact monitoring and evaluation, environmental safeguards, and poverty reduction aspects of electricity provision.

### Part B. REB Solar Program

1. Carrying out, through the PBSs, of a fee-for-service based solar home systems program, including the installation of about 14,000 such systems.
2. Provision of equipment and technical advisory services for capacity building, monitoring and evaluation, and for the promotion of productive use of electricity and strengthening of the renewable energy market.

### Part C: IDCOL Renewable Energy Program

1. Installation, through Participating Organizations, of about 50,000 solar home systems for use in rural homes and enterprises, including the making of Subloans to the eligible Participating Organizations.
2. Development of small power schemes based on renewable energy, including hydro, wind and biomass, and RAPSS, through the provision of Subloans.
3. Provision of equipment, technical advisory and related administrative services for strengthening IDCOL.
4. Provision of technical advisory services to assist the Participating Organizations and IDCOL with the carrying out of Subprojects, organization of workshops, information dissemination and capacity building, and monitoring and evaluation of the impact of this Part C of the Project.



The Project is expected to be completed by December 31, 2007.

## **SCHEDULE 3**

### **Procurement**

#### Section I. Procurement of Goods and Works

##### Part A: General

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$300,000 equivalent or more each.

(b) Preference for domestically manufactured goods

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.

(c) Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(d) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

(a) Goods estimated to cost less than \$300,000 equivalent per contract, up to an

aggregate amount not to exceed \$3,000,000 equivalent, and all works regardless of size, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Improvement of Bidding Procedures

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines:

- (i) standard bidding documents approved by the Association shall be used;
- (ii) invitations to bids shall be advertised in at least one widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least 28 days prior to the deadline for the submission of bids;
- (iii) bids shall not be invited on the basis of percentage premium or discount over the estimated cost;
- (iv) bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (v) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
- (vi) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any let or hindrance;
- (vii) bidders may deliver bids, at their option, either in person or by courier service or by mail;
- (viii) all bidders shall provide bid security as indicated in the bidding documents. A bidder's bid security shall apply only to a specific bid;
- (ix) bids shall be opened in public in one place immediately, but no later than one hour, after the deadline for submission of bids;
- (x) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association;
- (xi) a bid shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (xii) split award or lottery in award of contracts shall not be carried out. When two or more bidders quote the same lowest price, an investigation shall be made to determine any evidence of collusion, following which:
  - (A) if collusion is determined, the parties involved shall be disqualified

and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association;

- (xiii) contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances;
- (xiv) extension of bid validity shall not be allowed without the prior concurrence of the Association: (A) for the first request for extension if it is longer than eight weeks; and (B) for all subsequent requests for extensions irrespective of the period;
- (xv) negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (xvi) re-bidding shall not be carried out without the Association's prior concurrence; and
- (xvii) all contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

## 2. International or National Shopping

Goods (excluding vehicles), estimated to cost less than \$30,000 equivalent per contract, and vehicles estimated to cost less than \$60,000 per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

## 3. Direct Contracting

Computer software, books and training materials, estimated to cost the equivalent of \$2,000 equivalent or less per contract, or \$100,000 or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

## Part D: Review by the Association of Procurement Decisions

### 1. Procurement Planning

Prior to the issuance of any invitations 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 \$300,000 or more, and the first two contracts procured in accordance with the provision of Part C.1 of this Schedule, 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

Part A: General

Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Under a Fixed Budget

Services for promotional activity, installation and monitoring of solar home system, procurement supervision, computer training and audit, estimated to cost less than \$300,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection

Services for engineering design and supervision of system loss reduction of taken-over lines, estimated to cost less than \$100,000 equivalent per contract may be procured under

contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection

Services for environmental impact assessment, and training activities relating to globalization perspective, system design, material inspection, information technology, management information system, project financing, and management, which are estimated to cost less than \$75,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

## SCHEDULE 4

### Implementation Program

#### Part A: Mid-term Review

1. The Borrower, in conjunction with REB and IDCOL, shall:
  - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;
  - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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 and the achievement of the objectives thereof during the period following such date; and
  - (c) review with the Association, by July 31, 2005, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

#### Part B: Subloans

2.
  - (a) The Borrower shall ensure that, except as the Association shall otherwise agree, Subprojects shall be promoted, identified, appraised, approved, carried out and monitored in accordance with the procedures and other provisions set forth or referred to in the Operating Guidelines.
  - (b) Participating Organizations applying for any Subloans provided under the Project shall meet relevant eligibility criteria set out in the Operating Guidelines and ESF with respect to the making of Subloans.
3. The Borrower shall cause IDCOL to enter into Participation Agreements or Subloan Agreements, as the case may be, in form and substance satisfactory to the Association as a condition for the making of Subloans for Subprojects. The terms and conditions of each Agreement shall, *inter alia*:
  - (a) require that the Participating Organization (i) carries out the Subproject with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; and (ii) maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Subproject;
  - (b) require that the goods, works and services to be financed from the proceeds of the Subloan shall: (i) be procured in accordance with procedures ensuring efficiency and

economy and in accordance with the provisions of Schedule 3 to this Agreement; and (ii) be used exclusively in the carrying out of the Subproject or Subprojects; and

- (c) reserve for the Borrower the right to:
  - (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, and construction included in the Subproject or Subprojects, the operations thereof and any relevant records and documents;
  - (ii) obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operation and financial conditions of the Participating Organizations; and
  - (iii) suspend or terminate the right of the Participating Organization to use the proceeds of the Subloan upon the failure by the Participating Organization to perform any of its obligations under the Subloan Agreement or the Participation Agreement, as the case may be.

## **SCHEDULE 5**

### **Special Accounts**

1. For the purpose of this Schedule:

(a) “Eligible Categories” means (i) Category 4, set forth in the table in Schedule 1 to this Agreement, in respect of the IDCOL Special Account; and (ii) Categories 1, 2, 3 and 5, set forth in said table in respect of the REB Special Account;

(b) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 of this Agreement; and

(c) “Authorized Allocation” means: (i) for IDCOL Special Account, an amount equivalent to Taka 50,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to Taka 30,000,000 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; and (ii) for REB Special Account, an amount equivalent to Taka 670,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to Taka 500,000,000 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 20,000,000.

2. 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 3 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.

3. 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.

4. Notwithstanding the provisions of paragraph 2 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 Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

5. (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 which was not Eligible

Expenditure; 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 5 (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.

